

3783425

ICI Pension Fund

Trustee's annual report and financial statements for the year ended 31 March 2021

Registered number: 10013256

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Table of Contents**

Trustee, Principal Employer and advisers	3
Trustee's report.....	6
Independent Auditor's Report to the Trustee of the ICI Pension Fund.....	23
Fund account.....	28
Statement of net assets (available for benefits).....	29
Notes to the financial statements.....	30
Independent Auditor's Statement about Contributions to the Trustee of the ICI Pension Fund.....	49
Summary of Contributions payable during the year ended 31 March 2021	51
Appendix 1 – Certification of the Schedule of Contributions.....	52
Appendix 2 – Engagement Policy Implementation Statement forming part of the Trustee's report.....	53

Trustee, Principal Employer and advisers

Trustee ICI Pensions Trustee Limited

Trustee Directors

D J Gee (Chairman) Other Director - Pensioner	SRC member
I N Canham Other Director - Deferred Member	AC Chairman, SRC member
C J Cook MND - Pensioner	AC, AUC and IC member
S Kinnaird MND	IC and PAC member
S A McMahon Other Director	PAC Chairman and IC member
M T Owtram MND - Deferred Member	AUC, PAC and SRC member
F G Rose MND - Pensioner	AC and PAC member
R W T Turner Other Director - Pensioner	IC Chairman and SRC member
D W Welch Other Director	AC, AUC and IC member
The Law Debenture Pension Trust Corporation p.l.c.	SRC and AUC Chairman, PAC and IC member

Committees

AC	-	Appeals Committee
AUC	-	Audit Committee
IC	-	Investment Committee
PAC	-	Policy & Administration Committee
SRC	-	Strategic Risk Committee

Guarantor

Akzo Nobel N.V. ("AkzoNobel")

Principal Employer

Imperial Chemical Industries Limited

Participating Employer

Akzo Nobel Packaging Coating Limited

Board Secretary

Pensions Secretariat Services Limited

Trustee, Principal Employer and advisers continued

Scheme Actuary	G McLean FIA – Towers Watson Limited
Pension administrator	Towers Watson Limited
Independent auditor	KPMG LLP
Investment advisers	Lane Clark & Peacock LLP Mercer Limited
Investment managers	Alinda Capital Partners LLC Beach Point Capital Management LP BlackRock Advisors (UK) Limited Brigade Capital UK LLP Stone Harbor Investment Partners LP (until 15 December 2020)
Custodians	Northern Trust The Bank of New York Mellon SA/NV State Street Bank and Trust Company
Investment Performance Measurer	Northern Trust
Annuity providers	Legal & General Assurance Society Limited The Prudential Assurance Company Scottish Widows Limited
AVC providers	Clerical Medical Investment Group Limited (until 14 October 2020) ReAssure Limited (from 7 September 2020) Legal & General Assurance Society Limited (from 23 June 2020 until 6 September 2020) Scottish Friendly Society (until 5 August 2020) The Prudential Assurance Company Utmost Life and Pensions (until 23 June 2020)
Legal advisers	Allen & Overy LLP CMS Cameron McKenna LLP DLA Piper UK LLP
Bankers	Barclays Bank PLC HSBC UK Bank PLC (from 12 August 2020)
Insurance Broker	Lockton Companies LLP

Trustee, Principal Employer and advisers continued

Covenant Advisers

Penfida Partners LLP – Sponsor Covenant
FTI Consulting LLP – Annuity Providers

Enquiries

Towers Watson Limited
Administration Offices
ICI Pensions Services
PO Box 545
Redhill
Surrey, RH1 1YX
Email: ICI@willistowerswatson.com

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report**

The Trustee is pleased to present its annual report on the ICI Pension Fund ('the Fund'), together with the financial statements of the Fund for the year ended 31 March 2021.

Constitution of the Fund

The Fund is a defined benefit occupational pension scheme. On 1 October 2000 the Fund was closed to new employees of ongoing ICI businesses and on 30 June 2002 it was closed to all new members, except for re-admission, at the request of ICI, of certain former members who previously left the Fund in order to take up employment with a different ICI group company. The Fund is established as a trust under English law with its registered office at 5th Floor, 36-38 Botolph Lane, London, EC3R 8DE.

Prior to 6 April 2016 employees of ICI were contracted-out of the State Second Pension ("S2P", formerly the State Earnings Related Pension Scheme or SERPS) and have been since the scheme was introduced in 1978. The basis for contracting-out of S2P for the Fund is the Reference Scheme Test. Since 6 April 2016 it has no longer been possible for pension schemes to be contracted out of the S2P.

Management of the Fund

The Fund has one Trustee, a corporate trustee, called ICI Pensions Trustee Limited (the "Trustee"). This company is owned by The Law Debenture Trust Corporation PLC ("Law Debenture"), a professional trustee company which is entirely independent from ICI and from AkzoNobel. As owner of all the share capital, only Law Debenture has the power to remove Directors and to appoint replacements, subject to legislation.

The Trustee has ten Directors, categorised as follows:

- one Independent Director, Law Debenture;
- four Member-Nominated Directors;
- five Other Directors.

Under the Pensions Act 2004, the Trustee is responsible for determining the procedure for nomination and selection of MNDs, subject to certain requirements set out in that Act. The Trustee also has regard to guidance issued by The Pensions Regulator. Detailed arrangements for the nomination and selection procedure are determined by the Policy and Administration Committee and vacancies are notified to members via the Fund's annual newsletter ("Pensions News") which is sent to members and published on the Trustee website, www.icipensionfund.org.uk.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Management of the Fund continued**

Under the current arrangements:

- any Fund member may be nominated as an MND, except those who are dependant pensioners or only have AVC benefits within the Fund;
- the Trustee decides the selection criteria and nominates a selection panel and;
- the final decision on whom to recommend for appointment is taken by this selection panel.

R W T Turner and I N Canham were reappointed for a further term on 1 May 2020 and 20 July 2020 respectively with F G Rose being reappointed on 1 June 2021.

The Directors held 6 Board meetings during the Fund year from 1 April 2020 to 31 March 2021. A list of the Directors at the date of signing this report is given on page 3. During the year and subsequently, there have been no changes in Director appointments.

The Trustee believes that all Directors should receive appropriate training to enable them to undertake their duties. It operates its own in-house training programme utilising a variety of external speakers as well as identifying appropriate external training opportunities which Directors may choose to attend. To provide a common foundation training for all, Directors are also required to complete the Pensions Regulator's Trustee Toolkit (an online training programme) within six months of appointment.

Secretary and administrator

Pensions Secretariat Services Limited (which is wholly-owned by the ICI Pension Fund) served as Board Secretary throughout the Fund year, providing strategic support services to the Fund. The administrator of the Fund throughout the Fund year was Towers Watson Limited.

Committees of the Trustee Board

The Trustee has an Appeals Committee, Audit Committee, Investment Committee, Policy and Administration Committee and a Strategic Risk Committee.

Appeals Committee

The Appeals Committee monitors and reviews decisions taken under Stage 1 of the Internal Dispute Resolution Procedure ("IDRP") and decides and responds on any cases under Stage 2 of the IDRP. The Appeals Committee met 5 times during the Fund year.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Audit Committee**

The role of the Audit Committee is to make recommendations to the Board as to the appointment of external auditors; to appoint or remove internal auditors; to agree the scope of their audit work and to discuss with them any issues arising. The Committee also reviews the Fund's annual financial statements and reviews the effectiveness of the Fund's internal control and risk management procedures. The Audit Committee met 2 times during the Fund year.

Investment Committee

The Investment Committee advises the Board on investment strategy and risks and has delegated authority to implement changes to investment strategy. It also has authority to review, monitor, select and deselect investment managers, custodians and investment and professional advisors and to determine their remits and terms of appointment. Further details are contained in the investment section of this report on pages 16 to 21. The Investment Committee met 3 times during the Fund year.

Policy and Administration Committee

The Policy and Administration Committee advises the Board on a variety of issues of policy; monitors the performance of the administrator of the Fund, Towers Watson Limited, and deals with discretionary benefits and other administrative issues delegated to the Committee by the Board. The Policy and Administration Committee met 14 times during the Fund year.

Strategic Risk Committee

The Strategic Risk Committee's role is to represent the Fund's interests in discussions with the Principal Employer about funding issues and the general security of the Fund and to investigate ways of mitigating the principal non-investment risks that may affect the Fund. The Strategic Risk Committee met 7 times during the Fund year.

Financial statements and financial development of the Fund

The Financial Statements have been prepared and audited in accordance with the requirements of Section 41 (1) and (6) of the Pensions Act 1995.

The fund account and statement of net assets (available for benefits) on pages 28 and 29 show that the value of the Fund's assets decreased by £704m to £9,576m during the year. The decrease comprised of net withdrawals from dealings with members of £514m together with losses on investments of £190m.

Further details of the financial developments of the Fund may be found in the audited financial statements on pages 28 to 48.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Bulk annuity policies**

In March 2014, the Trustee purchased two bulk annuity policies (sometimes known as 'buy-ins'), one from Legal and General Assurance Society Limited ("L&G") and one from The Prudential Assurance Company (formerly Prudential Retirement Income Limited) ("Prudential") to help further increase the security of member benefits by reducing risks including the risk of increased life expectancy. Further purchases of bulk annuity policies have been made since then, from Prudential in November 2014 and June 2015; from L&G in March and June 2015 and March, July and September 2016, October 2018, October 2019 and May 2020; and from Scottish Widows Limited ("SW") in June and October 2016 and March, October and November 2017. The latest buy-in undertaken with L&G in May 2020 insured the newer pensioners and took advantage of attractive pricing.

Transfer values

All transfer values paid to other pension schemes were either calculated by the Scheme Actuary, or calculated in accordance with instructions prepared by him, in accordance with statutory regulations. Transfers in from external companies' pension schemes are no longer accepted by the Fund. Existing ICI employees who were required to leave the Fund and transfer into other ICI pension arrangements may still be permitted to re-join the Fund, subject to the consent of ICI and the Trustee.

Pension increases

Most pensions in payment were increased by 1.6% with effect from 1 November 2020, reflecting the annual increase in RPI as at 31 July 2020. The Fund's Rules provide for pensions to be increased in line with the annual increase in RPI, subject, for the majority of members, to a limit of 5% and applied to the pension in excess of Guaranteed Minimum Pension ("GMP"). GMPs are increased as required by government regulations. For most pensioners who retired before 6 April 2006, the increase is based on the pension value before commutation.

There were no discretionary increases applied during the year.

COVID-19

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity and fluctuations in financial markets since then. However, as at the date of this Report and Accounts, the latest available data indicates that neither the Fund's net asset value nor its funding level has suffered any material adverse effect as a result of these fluctuations. The Trustee has designed and implemented the Fund's investment strategy taking a long-term view and has built in resilience to withstand short term market fluctuations. The Trustee closely monitors the financial position of the Fund and the Principal Employer and its parent company and guarantor, Akzo Nobel N.V. ("AkzoNobel"). This monitoring includes a quarterly meeting attended by representatives of AkzoNobel, the Trustee and the Trustee's covenant advisers.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Guarantor**

On 2 January 2008, ICI was acquired by Akzo Nobel N.V. ("AkzoNobel"), a company based in the Netherlands. Under a Deed executed on the same date, AkzoNobel guarantees all ICI's obligations to make payments to the Fund arising under legislation and under the Trust Deed and Rules.

Additional Voluntary Contributions ("AVCs")

AVC arrangements are no longer open to new contributions. However, members who wish to do so are able to continue to maintain existing AVC savings accounts. Responsibility for the various aspects of the AVC arrangements is delegated to the Policy and Administration Committee.

Benefit statements

Benefit Statements are sent to most active members during the summer of each year. Those members for whom statements cannot be produced automatically are able to request them individually.

Report on actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004 every Fund is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Principal Employer and set out in the Statement of Funding Principles.

The latest actuarial valuation was completed by the Scheme Actuary as at 31 March 2020. This was the fifth valuation of the Fund to be conducted under the scheme-specific funding regulations established by the Pensions Act 2004. The value of the assets at this date was £10,333m and the value of the technical provisions was £10,310m. The surplus shown by this valuation was £23m.

As a result of this valuation, a revised Schedule of Contributions was agreed between the Trustee and the Principal Employer and certified by the Scheme Actuary on 25 March 2021.

The next full valuation is to be carried out as at 31 March 2023 and due to be completed no later than 30 June 2024.

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Trustee's report continued

Report on actuarial liabilities continued

Assumptions

The technical provisions are calculated on the following key assumptions:

- Discount interest rate: term-dependent rates set by reference to a nominal gilt yield curve.
- Future retail price inflation (RPI): term-dependent rates set by reference to a RPI inflation curve based on the relative pricing of UK nominal and index-linked gilts.
- Future consumer price inflation (CPI): assumed to be 1% pa lower than RPI, set by reference to views on the expected long-term differential between RPI and CPI inflation.
- Pension increases in line with RPI limited to a maximum of 5% pa: derived by reference to market swap rates plus a margin of 0.06% pa.
- Pay increases: general pay increases of 1% per annum above future RPI, with allowance for the estimated impact of the Company's stated intended cap on increases.

Mortality

The standard tables below, scaling factors and assumed rates of improvement were used:

Base mortality rates	Scaling factor	Relevant standard S2 SAPS (Amounts) table
Males (age retirement)	97.5%	Male All retirements
Males (ill-health retirement)	96%	Male ill-health
Females (age retirement)	91%	Female Normal retirement (heavy)
Females (ill-health retirement)	96%	Female ill-health
Male dependants	97%	Male All retirements
Female dependants	108%	Female Dependants

Future improvements (to base rates): in line with the CMI 2016 core projection model from 2007 onwards with an assumed long-term mortality improvement trend of 1.5% per annum

Based upon the average scaling factor, the life expectancy at 31 March 2017 implied by the tables/improvements used was 23.5 years for a male aged 65, and 24.7 years for a female aged 65.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Trustee's report continued

Report on actuarial liabilities continued

Contributions

As there were sufficient assets to cover the Fund's technical provisions at the valuation date, a recovery plan is not required, therefore no deficit contributions are due from the Principal Employer.

The Principal Employer made the following contributions during the year to 31 March 2021 in accordance with the Schedules of Contributions dated 12 February 2019 and 25 March 2021:

In respect of all members other than Holden Section members	From 1 August 2015, 56.1% of members' total Pensionable Pay, less the contributions paid by members.
In respect of Holden Section members	From 1 August 2015, 48.3% of Pensionable Salaries, less the contributions paid by members.

Additional contributions were made to fund the costs of all early retirements in normal health.

A Summary Funding Statement outlining the funding position as at 31 March 2020 will be made available to members in November 2021 on the Trustee website .

The following contribution dates are embodied in the Schedule of Contributions with regards to the payment of employer contributions:

Type of payment	Due date
Members' contributions deducted from salary	Within nineteen days after the end of the month in which the deduction was made
Employers' contributions related to salary	As for members' contributions
Other additional contributions (eg early retirement top-ups)	Within three months of being properly demanded by the Trustee

Additional Agreements with the Principal Employer

Under Clause 14 of the Trust Deed, ICI guarantees the due payment of contributions and other payments to the Fund so as to ensure solvency of the Fund and the due payment of all pensions and benefits.

AkzoNobel has also agreed to share information on its financial position periodically with the Trustee.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Trustee's report continued

Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further judgement was handed down on 20 November 2020 in respect of equalising historic cash equivalent transfer values. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Fund and is currently working with its legal advisers and the Scheme Actuary to understand the implications of this ruling and how to apply it to the benefits earned by Fund members. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Membership

The membership of the Fund at the beginning and end of the Fund year and changes during the Fund year are set out below.

Active members	2021
Active members at the start of the Fund year	116
Late notifications*	(1)
Active to deferred	(14)
Retirements	(6)
Active members at the end of the Fund year	95
<hr/>	
Deferred members	2021
Deferred members at the start of the Fund year	6,245
Late notifications*	(11)
New deferred members	14
Retirements	(323)
Transfers out	(99)
Full commutation	(22)
Deaths	(21)
Deferred members at the end of the Fund year	5,783

Trustee's report continued

Membership continued

Pensioners (including dependants)	2021
Pensioners at the start of the Fund year	38,286
Late notifications*	18
New pensioners	329
New dependants	623
Deaths	(2,502)
Commutations	(5)
Cessations**	(293)
Pensioners at the end of the Fund year	36,456

*Late notifications represent changes to the membership which were notified to the Pension administrator after the completion of the prior year membership numbers.

**Cessations represent exit cases that were pending at the time these membership numbers were produced.

Pensioners included 12,020 spouses and dependants (2020: 12,556) receiving a pension following the death of a member.

Regulatory bodies

The Pensions Ombudsman is appointed by the Secretary of State for the Department for Work and Pensions to investigate and determine any complaint or dispute of fact or law in relation to occupational pension funds.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU

Tel: 0800 917 4487

www.pensions-ombudsman.org.uk

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Regulatory bodies continued**

The Pensions Regulator is responsible for occupational pension schemes and enforcing the law that relates to them. It has wide ranging powers which include the ability to:

- suspend, disqualify and remove trustees for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for information to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary; and
- take action to prevent schemes being left in deficit with nobody to meet the liability.

The Trustee, its advisers, the Principal Employer and anyone connected with the administration of the Fund have a statutory duty to report in writing to The Pensions Regulator if they become aware there are any breaches of legislation which are deemed to be materially significant to The Pensions Regulator.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities.

The Pensions Regulator can be contacted at:

The Pension Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Tel: 0345 600 0707

www.thepensionsregulator.gov.uk

The Pension Tracing Service is designed to help former members of pension schemes trace their benefits if they have lost contact with the pension scheme in question. The Pension Tracing Service can be contacted at:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Tel: 0800 731 0193

www.gov.uk/find-pension-contact-details

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Further information**

Any enquiries about the Fund or a member's own pension position should be addressed to:

Towers Watson Limited
Administration Offices
ICI Pensions Services
PO Box 545
Redhill
Surrey, RH1 1YX
Email: ICI@willistowerswatson.com

Internal Dispute Resolution Procedure

Under the Pensions Act 1995, the Fund is required to put in place and maintain an Internal Dispute Resolution Procedure (IDRP) to deal with members' disputes. Although the Trustee always tries to resolve disputes informally and swiftly, an IDRP has been put in place. The formal IDRP is a two-stage process and details can be obtained from the Fund Administrator. If you have a complaint, please put your complaint in writing to the Fund Administrator.

Investment management

The Trustee delegates the day-to-day management of its investments to professional external investment managers either directly or by investing in pooled funds. The Trustee sets the investment strategy for the Fund after taking advice from the Fund's investment adviser. The Trustee has put in place investment mandates with its investment managers (or has invested in pooled funds) which implement this strategy. The Fund's investments are regarded as readily marketable.

The investments of the Fund are managed on behalf of the Trustee, or are managed in pooled funds, by the Fund's investment managers:

- Alinda Capital Partners LLC ("Alinda")
- Beach Point Capital Management LP ("Beach Point")
- BlackRock Advisors (UK) Limited ("BlackRock")
- Brigade Capital UK LLP ("Brigade")
- Stone Harbor Investment Partners LP ("Stone Harbor") (until 15 December 2020)

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Custodial arrangements**

The Fund has a single, independent custodian for its direct investments. The Northern Trust Company ("Northern Trust") was appointed as the independent custodian of the Fund with effect from 1 April 2015. Pooled investment funds in which the Fund invests use independent custodians appointed by the manager of each fund. Northern Trust also acts as independent custodian of the assets held as security in relation to the bulk annuity policies with L&G. The Fund has also appointed The Bank of New York Mellon SA/NV as independent custodian of the assets held as security in relation to the bulk annuity policies with Prudential and State Street Bank and Trust Company as independent custodian of the assets held as security in relation to the bulk annuity policy with SW.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee following consultation with the Principal Employer. The SIP was reviewed and last updated in September 2020. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Principal Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available on request.

Investment strategy

The Trustee continued its existing investment strategy of maintaining a substantial proportion of assets in bulk annuity policies, government bonds (gilts), cash and derivatives that closely match expected future cash outflows, in order to minimise the volatility of the value of the assets relative to the Fund's liabilities. The Trustee relied on bulk annuity payments and income and maturities from its low-risk gilt portfolio to meet pension outgoings during the year.

Investments are managed according to remits and control limits laid down in the SIP. The Trustee has established an Investment Committee to which a number of operational powers are delegated, but key decisions about long-term strategy and governance are taken by the Trustee Board.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Trustee's report continued

Investment strategy continued

The Trustee has delegated all day-to-day investment decisions to its investment managers. BlackRock's remit is to manage the Matching Asset portfolio, being government bonds and a combination of cash and derivatives with similar economic characteristics, designed to match the Fund's non-insured liabilities. Alinda is a specialist infrastructure manager and Beach Point, Brigade and Stone Harbor (until 15 December 2020) are alternative credit managers. In March 2019 the Investment Committee took the decision to liquidate all the return-seeking investments, recognising that it would take some months to complete. The remaining return-seeking investments as at 31 March 2021 represented only 0.2% (£22m) of total Fund assets. Each mandate includes a benchmark against which performance is measured, however this is less meaningful for the return-seeking managers during the liquidation period since March 2019.

During the previous year the Trustee refined the strategic hedge ratio to 100% of the uninsured assets managed by the LDI manager. The new target translates to a hedge ratio of around 100% of the interest rate and inflation risk of the total liabilities (including insured liabilities).

The Investment Committee has continued to refine the investment strategy during the year undertaking further buy-ins and de-risking the portfolio with the liquidation of the return-seeking investments.

The Fund's asset allocation at 31 March 2021, is as set out below.

Asset allocation at 31 March 2021	£m	%
Bulk Annuity Policies (L&G)	5,106	53.7
Bulk Annuity Policies (SW)	1,346	14.1
Bulk Annuity Policies (Prudential)	1,225	12.9
LDI Portfolio (BlackRock)	1,818	19.1
Total liability-related investments	9,495	99.8
Total return-seeking investments	22	0.2
Total Fund investments excluding cash	9,517	100.0

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Trustee's report continued

Performance

Since 1 April 2016 the Fund performance has been measured by the custodian bank, Northern Trust. The total Fund return is measured against the strategic liability benchmark, which reflects changes to the value of future benefit cashflows. The returns for the year to 31 March 2021 and for the last three and five year periods were as follows:

	1 Year (%)	3 Years pa (%)	5 Years pa (%)
Return seeking investments	2.2	-0.2	3.7
Liability-related investments	-4.0	4.1	5.8
Total Fund return	-4.3	3.0	6.4
Liability benchmark	-4.0	4.1	5.9

The Matching Asset portfolio as at the end of March 2021 represented 99% of the Fund's non-insured assets and the relative performance of this portfolio dominates performance. In the year to 31 March 2021, the Fund marginally underperformed the strategic liability benchmark but has outperformed over the 5 and 10 year periods.

Over the last 10 years, the Fund has delivered a positive return of 8% p.a., against its strategic liability benchmark return of 7.4% p.a.

Bulk annuity policies

As at 31 March 2021 the Fund had three bulk annuity policies held in its name, one with Legal & General Assurance Society Limited ("L&G") one with The Prudential Assurance Company ("Prudential") and one with Scottish Widows Limited ("SW"). The key features of the policies are as follows:

Structure

The policies are structured as umbrella agreements allowing further transactions to be entered into under the same general terms. They are for the benefit of the Fund as a whole and do not change the position of individual members who see no change as to how their pensions are provided. However, the policy receipts are dependent on the longevity of specific members.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Bulk annuity policies continued*****Security***

There are in place collateral structures whereby the Trustee has legal ownership of a pool of assets which it can access should L&G, Prudential or SW default on the contracts or breach them in other ways. The levels of collateral have been agreed with L&G, Prudential and SW and they are obliged to top up the collateral where necessary. The assets in the collateral pools are managed in accordance with pre-agreed investment policies which ensure that the credit quality, liquidity and marketability of the portfolios are appropriate.

Management and custody

Legal & General Investment Management Limited are investment managers of the L&G collateral pool and Northern Trust Company is the custodian. M&G are investment managers of the Prudential collateral pool and Bank of New York Mellon SA/NV is the custodian. Aberdeen Asset Management are investment managers of the SW collateral pool and State Street is the custodian. All of the assets are legally owned by the Trustee subject to fixed charges in favour of the respective insurers.

Member Views

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection, retention and realisation of specific investments to an appointed investment manager or managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Fund competently.

Member views are not taken into account in the selection, retention and realisation of investments.

Monitoring

Regular monitoring of the policies and the collateral arrangements takes place, both internally at Trustee level and with Prudential, L&G and SW. Monitoring occurs, daily, monthly, quarterly and annually in relation to different aspects of the arrangements.

Social, environmental, ethical considerations and voting rights

The Fund's Engagement Policy Implementation Statement has been included in Appendix 2. This sets out how, and the extent to which, the Engagement Policy in the Trustee's Statement of Investment Principles ("SIP") has been followed during the year to 31 March 2021.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Investment manager arrangements**

Investment managers manage investments for the Fund to a specific mandate. Each specified mandate is chosen by the Trustee to implement a part of its strategic asset allocation and, in combination, to implement the Trustee's strategic policy as a whole. The Trustee sets guidelines for the liability hedging mandate to ensure it is consistent with the Trustee's strategic policy.

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis. There is no set duration for the liability-hedging manager appointment, given the nature of this mandate. The Fund retains small allocations to a number of residual fund holdings, which the Trustee is seeking to liquidate as soon as feasible and cost effective.

The managers are incentivised through remuneration and performance targets. Investment managers are aware that their continued appointment is based on their success in delivering the mandate which they have been appointed to manage. If the Trustee is dissatisfied with any manager's performance then it will look to address any issues with the manager. If the issues persist then the Trustee will look to replace the manager.

Given the largely buy-and-hold nature of the LDI mandate the Trustee does not currently actively monitor turnover costs within this mandate.

Employer-related investment

The Fund has no direct investments in ICI or any other companies within the Group. Indirect investment would arise only via indexed pooled investment vehicles (as permitted by the Pensions Act 1995) and represents less than 1% of Fund assets (2020: <1%).

There were no other employer-related investments as at 31 March 2021 within the meaning of section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 during the year (2020: £Nil).

Statement of Trustee responsibilities for the financial statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Trustee's report continued****Statement of Trustee responsibilities for the financial statements**

- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Fund, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal controls as it determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Fund and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed for and on behalf of the Trustee:

BY ORDER OF ICI PENSIONS TRUSTEE LIMITED

For and on behalf of Pensions Secretariat Services Limited
Secretary

Date: _____

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Report to the Trustee of the ICI Pension Fund****Opinion**

We have audited the financial statements of ICI Pension Fund ("the Fund") for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the financial statements, including the accounting policies as set out in pages 30 to 32.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Fund, and as it has concluded that the Fund's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Report to the Trustee of the ICI Pension Fund continued****Going concern continued**

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, including the conflicts of interest register, as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit Committee, Investment Committee and Policy and Administration committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or their delegates including the Fund administrator and advisors may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as bulk purchase annuity valuations. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Report to the Trustee of the ICI Pension Fund continued****Fraud and breaches of laws and regulations – ability to detect continued**

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Fund's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Fund is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Fund's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Fund's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedules of Contributions in our statement about contributions on pages 49 and 50 of the annual report.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Report to the Trustee of the ICI Pension Fund continued****Fraud and breaches of laws and regulations – ability to detect continued***Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, the summary of contributions and the implementation statement) and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on pages 21 and 22, the Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Fund, or have no realistic alternative but to do so.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Report to the Trustee of the ICI Pension Fund continued****Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Fund Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: _____

Fund account

	Note	2021 £m	2020 £m
Contributions and benefits			
Employer contributions	4	<u>4</u>	<u>4</u>
Total contributions	4	4	4
Benefits paid or payable	5	(468)	(480)
Payments to and on account of leavers	6	<u>(50)</u>	<u>(65)</u>
		<u>(518)</u>	<u>(545)</u>
Net withdrawals from dealings with members		<u>(514)</u>	<u>(541)</u>
Returns on investments			
Investment income	7	454	456
Change in market value of investments	8	(641)	19
Investment management expenses	10	<u>(3)</u>	<u>(4)</u>
Net return on investments		<u>(190)</u>	<u>471</u>
Net decrease in the Fund during the year		(704)	(70)
Net assets of the Fund			
At 1 April		<u>10,280</u>	<u>10,350</u>
At 31 March		<u><u>9,576</u></u>	<u><u>10,280</u></u>

The notes on pages 30 to 48 form part of these financial statements.

Statement of net assets (available for benefits)

	Note	2021 £m	2020 £m
Investment assets			
Pooled investment vehicles	8/12	1,838	2,087
Insurance policies	8/13	7,677	8,173
AVC investments	8/14	2	2
Cash	8	2	-
Other investment balances	15	10	12
		<u>9,529</u>	<u>10,274</u>
Investment liabilities			
Other investment balances	15	(2)	-
Total net investments		<u>9,527</u>	<u>10,274</u>
Current assets	19	55	13
Current liabilities	20	(6)	(7)
Net assets of the Fund at 31 March		<u>9,576</u>	<u>10,280</u>

The notes on pages 30 to 48 form part of these financial statements.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Report on actuarial liabilities on pages 10 to 12 of the Trustee's Report and these financial statements should be read in conjunction with this Report.

These financial statements were approved by the Trustee Board and were signed on its behalf by:

Director

Date: _____

For and on behalf of Pensions Secretariat Services Limited
Secretary

Date: _____

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Notes to the financial statements****1. Basis of preparation**

The individual financial statements have been prepared in accordance with the Occupational Pension Funds (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee considered the impact of the COVID 19 outbreak and has taken into account plausible downside assumptions of the sponsoring employer and its regulatory capital position to gain comfort that it will continue to refine the investment strategy, undertaking further buy-ins and de-risking the portfolio with the liquidation of the return-seeking investments. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Fund is established as a trust under English law. The Fund is a registered pension scheme for tax purposes. It is therefore exempt from UK income and capital gains taxes. The Fund is a defined benefit occupational pension scheme, closed to new members. The address for enquires to the Fund is included in the Trustee's Report on page 16.

3. Accounting policies

The principal accounting policies of the Fund have been applied consistently and are as follows:

3.1. Currency

- The Fund's functional currency and presentational currency is pounds sterling (GBP). Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3.2. Contributions

- Employer normal contributions that are expressed as a rate of salary are accounted for in accordance with the Schedule of Contributions in force during the year.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Notes to the financial statements continued****3. Accounting policies continued****3.2. Contributions continued**

- Employer augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

3.3. Transfer values

- Individual transfers in or out of the Fund are accounted for on a cash basis when a members' liability is accepted or discharged.

3.4. Benefits paid or payable

- Pensions in payment, including pensions funded by annuity contracts are accounted for in the period to which they relate.
- Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

3.5. Payments to and on account of leavers

- Refunds and opt-outs are accounted for on an accruals basis on the date on which the Trustee is notified of the member's decision to leave the Fund.

3.6. Administrative and other payments

- Administrative expenses and premiums on term insurance policies are borne by Imperial Chemical Industries Limited.

3.7. Investment income and change in market value

- Investment income arising from the underlying investments of the pooled investment vehicles which do not distribute income is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in market value'.
- Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.
- Receipts from annuity policies held by the Trustee to fund benefits payable to Fund members are included within investment income on an accruals basis.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the financial statements continued**3. Accounting policies continued****3.8. Investment management expenses and transaction costs**

- Investment management expenses and rebates are accounted for on an accruals basis and shown net within investment returns.
- Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees.

3.9. Investment assets/liabilities

- Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing price, single dealing price or most recent transaction price is used.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
- Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by the Actuary using the most Fund's recent valuation assumptions and methodology.
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.
- Unitised insurance policies are valued on the same basis as pooled investment vehicles with similar characteristics.

3.10. Key accounting estimates and assumptions

- The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the insurance policies. Explanation of the key assumptions underpinning the valuation of the insurance policies are included within note 13.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Notes to the financial statements continued

4. Contributions

	2021 £m	2020 £m
Employer contributions:		
Normal	3	3
Augmentation	1	1
	<u>4</u>	<u>4</u>

No deficit funding contributions were paid in the year to 31 March 2021 in accordance with the Schedule of Contributions dated 12 February 2019. Employers' normal payroll related contributions include contributions made under salary sacrifice arrangements. In addition, member contributions of £14,189 (2020: £15,724) were received.

5. Benefits paid or payable

	2021 £m	2020 £m
Pensions	454	464
Commutation of pensions and lump sum retirement benefits	14	16
	<u>468</u>	<u>480</u>

6. Payments to and on account of leavers

	2021 £m	2020 £m
Individual transfers out to other schemes	<u>50</u>	<u>65</u>

Notes to the financial statements continued**7. Investment income**

	2021 £m	2020 £m
Income from pooled investment vehicles	1	-
Income from bulk annuity policies	453	456
	<u>454</u>	<u>456</u>

8. Reconciliation of investments

Reconciliation of investments held at the beginning and the end of the year:

	Value at 31 March 2020 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31 March 2021 £m
Pooled investment vehicles	2,087	11	(187)	(73)	1,838
Derivatives	-	1	(1)	-	-
Insurance policies	8,173	72	-	(568)	7,677
AVC investments	2	2	(2)	-	2
	<u>10,262</u>	<u>86</u>	<u>(190)</u>	<u>(641)</u>	<u>9,517</u>
Cash deposits	-				2
Other investment balances	12				8
	<u>10,274</u>				<u>9,527</u>

9. Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty. There were no direct transaction costs during the year (2020: £Nil).

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect cost is not separately provided to the Fund.

Notes to the financial statements continued

10. Investment management expenses

	2021 £m	2020 £m
Administration, management and custody	4	4
Fee rebates	(1)	-
	<u>3</u>	<u>4</u>

11. Taxation

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

12. Pooled investment vehicles

The Fund's investments in pooled investment vehicles at the year-end comprised:

	2021 £m	2020 £m
Inflation-linked qualifying investment fund	1,818	2,044
Alternative credit	8	27
Infrastructure	12	16
	<u>1,838</u>	<u>2,087</u>

Notes to the financial statements continued

12. Pooled investment vehicles continued

Additional disclosures for pooled investment vehicles

The Fund is the sole investor in the BlackRock qualifying investment fund. This means that the Trustee has control over the investment mandate. The assets underlying the fund are:

	2021 £m	2020 £m
UK fixed interest gilts	739	999
UK fixed interest gilts repurchase agreements	(76)	(29)
UK index-linked gilts	1,192	1,037
UK index-linked gilts repurchase agreements	(45)	-
Pooled cash funds*	1	34
Cash & receivables/payables	7	3
Total	<u>1,818</u>	<u>2,044</u>

* The pooled cash funds comprise mainly commercial paper, certificates of deposit and floating rate notes. Units held in these cash funds can be realised for use as collateral under the swap agreements.

The Fund is also the sole investor in two alternative credit funds investing in a wide range of credit instruments. This means that the Trustee has control over the investment mandate. The assets underlying each fund are:

	2021 £m	2020 £m Reanalysed*
Beach Point		
Asset backed securities	3	3
Bank debt	1	6
Corporate bonds	-	4
Preferred stock	-	3
Common stock	2	1
Cash & cash equivalents	1	9
	<u>7</u>	<u>26</u>
Brigade Capital		
Private equity	1	1
Total	<u>8</u>	<u>27</u>

* Asset backed securities and Corporate bonds were previously stated in 2020 as £1m and £6m respectively.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Notes to the financial statements continued

13. Bulk annuity insurance policies

The Fund held bulk annuity insurance policies at the year-end as follows:

	2021 £m	2020 £m
L&G	5,106	5,383
Prudential	1,225	1,313
SW	1,346	1,477
	<u>7,677</u>	<u>8,173</u>

The above values have been calculated on the same basis as the method and principles agreed for the 2020 actuarial valuation. The financial assumptions adopted for the above valuation, together with the corresponding financial assumptions adopted as at 31 March 2020 are as follows:

Financial assumptions*	31 March 2021 % pa	31 March 2020 % pa
Discount rate	1.15	0.65
Price inflation (RPI)	3.50	2.85
Pension increases:		
- RPI minimum 0% pa, maximum 5% pa	3.60	3.05
- CPI minimum 0% pa, maximum 3% pa**	2.75	1.70

* The assumptions shown are the average rates over the duration of the insured liabilities that are equivalent to using rates derived from the Willis Towers Watson yield curves.

** Note that the margin for increases relating to CPI minimum 0% pa maximum 3% pa relative to RPI was reduced in the latest Statement of Funding Principles in light of the expected effect of RPI reform.

Net premia of £72m were paid in the year to 31 March 2021 compared with £120m paid in the year to 31 March 2020. Payments received under the policies during the year were treated as investment income (see note 7). As at 31 March 2020, the final settlement of premia relating to some of the policies was subject to data confirmation. This exercise will give rise to a final settlement payment either by the Fund or the insurer.

An accrual of £10m (2020: £12m) was recognised in respect of premium adjustments due to the Fund on six (2020: seven) transactions completed in the period from 30 September 2016 to 21 May 2020 (2020: period from 3 June 2016 to 7 October 2019). Interest to 31 March is included in the accrual figure for both years.

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Notes to the financial statements continued

13. Bulk annuity insurance policies continued

Any difference between the opening value of the policy and the closing value, other than due to additional premia or adjustments to premia, is shown as a change in market value of the investment.

Collateral held to provide security in relation to the annuity policies is not included or valued in these financial statements.

14. Additional Voluntary Contributions (AVCs)

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members who paid additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

The underlying investments are with profits and unit linked insurance policies and the amount of AVC investments per provider is as follows:

	2021 £'000	2020 £'000
Legal & General	1,417	-
Clerical Medical	-	972
Utmost	-	657
Prudential	182	179
Scottish Friendly	-	5
	<u>1,599</u>	<u>1,813</u>

15. Other investment balances

	2021 £m	2020 £m
Investment income receivable	10	12
Unsettled purchases	(2)	-
	<u>8</u>	<u>12</u>

Notes to the financial statements continued

16. Concentration of investments

The following investments represent more than 5% of the net assets of the Fund.

	2021		2020	
	£m	%	£m	%
L&G bulk annuity policy	5,106	53.3	5,383	52.4
BlackRock LDI QIF	1,818	19.0	2,044	19.9
SW bulk annuity policy	1,346	14.1	1,477	14.4
Prudential bulk annuity policy	1,225	12.8	1,313	12.8

17. Fair value hierarchy

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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

At 31 March 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled investment vehicles	-	1,826	12	1,838
Insurance policies	-	-	7,677	7,677
AVC investments	-	2	-	2
Cash	2	-	-	2
Other investment balances	8	-	-	8
	<u>10</u>	<u>1,828</u>	<u>7,689</u>	<u>9,527</u>

Notes to the financial statements continued

17. Fair value hierarchy continued

At 31 March 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled investment vehicles	-	2,071	16	2,087
Insurance policies	-	-	8,173	8,173
AVC investments	-	2	-	2
Cash	-	-	-	-
Other investment balances	12	-	-	12
	<u>12</u>	<u>2,073</u>	<u>8,189</u>	<u>10,274</u>

18. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

When deciding how to invest the Fund's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows:
 - Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
 - Interest rate and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
 - Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes pursuing the investment strategy set out below to meet the liability payments, although it has minimal exposure to other price risk and currency risk, given the assets held are largely government bonds.

Further information on the Trustee's approach to risk management and investment risk is set out on the following pages.

Notes to the financial statements continued**18. Investment risks continued****Investment strategy**

The Trustee's investment strategy is set after taking advice from professional investment advisers and taking into account considerations such as the strength of the employer covenant, the liabilities of the Fund and the funding agreed with the Principal Employer at the conclusion of the 31 March 2020 valuation.

The Trustee maintains the vast majority of its assets in bulk annuity policies, UK government bonds and cash which closely match expected future cash outflows, in order to minimise volatility of assets relative to liabilities ("the LDI portfolio"). To reduce the risk from interest rates and inflation changes, the Trustee enters into hedging arrangements to the value of the assets in the LDI portfolio, such that around 100% of the estimated liabilities of the Fund are hedged against changes in interest rates and inflation. Current pension outgoings are met from bulk annuity payments and income and maturities from bonds. At the year end liability-related investments represented more than 99% of the total investment portfolio, including the bulk annuity policies, 81%.

As at 31 March 2021 the Trustee retained a relatively small proportion of its assets, 0.2% to investments exhibiting higher risk but with correspondingly higher return expectations. These assets will be liquidated as opportunities arise, to minimize market impact and reduce transaction costs, and the proceeds will be transferred to the LDI portfolio.

Credit risk

The Fund is exposed to credit risk through its holdings of pooled funds and cash balances. In addition the Fund is indirectly exposed to credit risk through its investment in the BlackRock Qualifying Investment Fund, which invests in bonds, "over the counter" (OTC) derivatives, cash balances, repurchase agreements (Repo) etc and the alternative credit managers (other pooled investment vehicles (other PIVs)), which are Cayman Island Exempt Companies that invest in a wide range of credit instruments including, but not limited to, high yield bonds, loans, distressed debt, Emerging Market debt and investment grade bonds. The Fund is also indirectly exposed to credit risk through its investment in the Alinda infrastructure fund, a US limited partnership.

Credit risk in the LDI portfolio is minimised by reliance on government bonds where credit risk is considered to be minimal. The derivatives in the LDI portfolio in which the Fund invests are held through a sole investor pooled vehicle. These are OTC derivatives not guaranteed by any exchange and the Fund is therefore exposed to the risk of failure of any counterparty. The credit risk is significantly reduced by collateral arrangements and diversification across a number of counterparties.

The Trustee does not currently permit stock lending in relation to its segregated or sole investor pooled vehicles.

Notes to the financial statements continued

18. Investment risks continued

Credit risk continued

The Fund is also subject to credit risk due to holding bulk annuity contracts which make payments to the Fund that closely match the pensions (and contingent pensions) being paid to pensioners who retired prior to 12 April 2020. These are held with insurance companies which, because of strict regulation, are considered to have a very low chance of default. The Trustee has been advised that, under current rules, the benefits provided by the bulk annuity contracts would be covered by the Financial Services Compensation Scheme in the event of failure of one of the insurance companies with which the policies are held.

An analysis of credit risk at the Funds year ends are set out below:

At 31 March 2021	Non-investment		Unrated £m	Total £m
	Investment Grade £m	Grade £m		
Bulk annuity contracts	-	-	7,677	7,677
Bonds	1,931	-	-	1,931
Repo	121	-	-	121
Alternative credit	-	-	8	8
Infrastructure	-	-	12	12
Cash	55	-	-	55
	<u>2,107</u>	<u>-</u>	<u>7,697</u>	<u>9,804</u>

At 31 March 2020	Non-investment		Unrated £m	Total £m
	Investment Grade £m	Grade £m		
Bulk annuity contracts	-	-	8,173	8,173
Bonds	2,036	-	-	2,036
Repo	29	-	-	29
Alternative credit	-	-	27	27
Infrastructure	-	-	16	16
Cash	62	-	-	62
	<u>2,127</u>	<u>-</u>	<u>8,216</u>	<u>10,343</u>

Notes to the financial statements continued

18. Investment risks continued

Credit risk continued

The credit risk arising on other investments is managed by the appointment of managers whom the Trustee believes, having taken appropriate advice, to be skilled in managing such risks while delivering a return reflecting the level of risk. Direct credit risk from the pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the manager, the regulatory environments in which the managers operate and diversification amongst a number of pooled arrangements. Bulk annuity contracts have been classified as investment grade based on the underlying insurance company's credit rating.

Cash is held in a pooled vehicle operated by the LDI investment manager. The pooled fund has a 7-Day LIBID benchmark and a focus on maximising income with the preservation of principal and liquidity. The fund has an AAAM rating from Standard & Poor's and a Aaa-mf rating from Moody's, the highest ratings for liquidity funds.

Credit risk in relation to the annuity policies entered into with Prudential, L&G and SW is mitigated by the collateral structures described in the investment section of this report on pages 19 and 20.

Legal types of pooled investment vehicles

A summary of the different types of pooled investment vehicle arrangements is as follows:

Fund	Fund Vehicle	2021 £m	2020 £m
Alinda Infrastructure Parallel Fund II USD	Shares of Limited Liability Partnerships	12	16
Beach Point SCF VIII Ltd - GBP - Class A Oct2015	Shares of Limited Liability Partnerships	7	27
Brigade Opportunistic Credit Fund ICIP Ltd A 2015-11	Shares of Limited Liability Partnerships	1	-
BlackRock AM (IE) Liability Solutions III GBP Tailored Fund Flex	Qualifying Investor Alternative Investment Fund	1,818	2,044
		<u>1,838</u>	<u>2,087</u>

The value of the Brigade Opportunist Credit Fund was less than £1million as at 31 March 2020.

Notes to the financial statements continued

18. Investment risks continued

Currency Risk

The Fund is subject to currency risk to the extent that its liabilities are all denominated in sterling, but some of its investments are held through pooled funds investing in overseas markets. With the exception of the infrastructure investment, the managers hedge the non-sterling currency exposure back to GBP.

The Fund's total net unhedged exposure by major currency held (in USD) at the year-end was £12m (2020: £16m).

Interest rate risk

The Fund is subject to interest rate risk because some of its investments are held in the form of bulk annuity contracts, bonds, interest rate swaps and cash within pooled investment vehicles. The Trustee has, as part of its investment strategy, set a target for the interest rate sensitivity across the Fund's investments in bonds and swaps to match 100% of the sensitivity to interest rate changes of the Fund's liabilities to pay future benefits. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in the value of the liabilities arising from a fall in the discount rate. By the same mechanism, if rates rise, the LDI investments will fall in value, as will the value of the liabilities. As at 31 March 2020 the ratio of matching was 100%.

The indirect interest rate exposure for the Fund on the investments held at the start and end of the last financial year was as follows:

Asset class	2021 £m	2020 £m
Bulk annuity contracts	7,677	8,173
Gilts	1,931	2,036
Gilt repo	121	29
Alternative credit*	8	27
	<u>9,737</u>	<u>10,265</u>

*The alternative credit portfolios are fairly short duration and so not as exposed to interest rate risk as the assets in the LDI Portfolio.

Notes to the financial statements continued

18. Investment risks continued

Other price risk

The Fund's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold infrastructure.

As at 31 March 2021 around £12m (2020: £16m) of the Fund's assets were significantly exposed to other indirect price risk (held in infrastructure).

The Trustee monitors this risk on a regular basis, looking at the performance of the Fund as a whole as well as each individual portfolio.

The exposure to other price risk within the multi-asset mandates will vary over time depending on how the managers change the underlying asset allocation to reflect their market views. As at 31 March 2021 around £8m (2020: £27m) of the Fund's assets were invested in the multi-asset mandates.

The table below summarises the allocations that have significant exposure to these indirect risks:

	Credit risk	Currency risk	Interest rate risk	Other price risk	2021 £m	2020 £m
BlackRock QIF	●	○	●	○	1,818	2,044
Bulk annuity contracts	○	○	●	●	7,677	8,173

Key: The risk noted affects the fund significantly (●) or hardly / not at all (○).

Notes to the financial statements continued

19. Current assets

	2021 £m	2020 £m
Contributions due		
- Employer	1	1
Cash balances	54	12
	<u>55</u>	<u>13</u>

All contributions due to the Fund at 31 March 2021 and 31 March 2020 relate to March 2021 and March 2020 respectively and were paid in full to the Fund in accordance with, and within the timescales of, the Schedule of Contributions in force for those years, and therefore do not constitute employer-related investments.

20. Current liabilities

	2021 £m	2020 £m
Unpaid benefits	-	(1)
Tax due to HM Revenue & Customs - PAYE	(6)	(6)
	<u>(6)</u>	<u>(7)</u>

21. Employer-related investments

The Fund has no direct investments in ICI or any other companies within the Group. Indirect investment would arise only via indexed pooled investment vehicles (as permitted by the Pensions Act 1995) and represents less than 1% of Fund assets (2020: <1%).

There were no other employer-related investments as at 31 March 2021 within the meaning of section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 during the year (2020: £Nil).

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Notes to the financial statements continued

22. COVID-19 and the subsequent recession

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity and fluctuations in financial markets since then. However, as at the date of this Report and Accounts, the latest available data indicates that neither the Fund's net asset value nor its funding level has suffered any material adverse effect as a result of these fluctuations. The Trustee has designed and implemented the Fund's investment strategy taking a long-term view and has built in resilience to withstand short term market fluctuations. The Trustee closely monitors the financial position of the Fund and the Principal Employer and its parent company and guarantor, Akzo Nobel N.V. ("AkzoNobel"). This monitoring includes a quarterly meeting attended by representatives of AkzoNobel, the Trustee and the Trustee's sponsor covenant advisers.

23. Related-party transactions

The Fund has paid benefits to directors of the Trustee company who are also beneficiaries of the Fund. All of the above transactions are in accordance with the rules of the Fund and on the same terms as other members. All of the directors listed on page 3 are remunerated for services provided to the Trustee.

Directors are remunerated at rates set independently by Law Debenture. The normal annual rates applicable at the date of approving this report are as follows:

	£
Chairman	70,000
Committee Chairman	42,000
Director	24,000

The cost of Directors' remuneration is an administrative expense of the Fund and so is borne by ICI in accordance with the Trust Deed and Rules and paragraph 4 of the Schedule of Contributions.

The Law Debenture Trust Corporation p.l.c ("Law Debenture") owns and is also a director of the corporate trustee of the Fund. Law Debenture is remunerated at its normal fee rates for the professional services it provides to the Trustee and which were borne by ICI.

24. Capital commitments

There is an outstanding capital commitment of USD \$6.1million (2020: USD \$6.6million) due to the Alinda Infrastructure Fund which is unlikely to be drawn down.

Notes to the financial statements continued**25. Guaranteed Minimum Pension equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further judgement was handed down on 20 November 2020 in respect of equalising historic cash equivalent transfer values. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Fund and is currently working with its legal advisers and the Scheme Actuary to understand the implications of this ruling and how to apply it to the benefits earned by Fund members. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Statement about Contributions to the Trustee of the ICI Pension Fund****Statement about contributions**

We have examined the summary of contributions payable under the Schedules of Contributions to the ICI Pension Fund in respect of the Fund year ended 31 March 2021 which is set out on page 51.

In our opinion, contributions for the Fund year ended 31 March 2021 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 12 February 2019 and 25 March 2021.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the statement of Trustee's responsibilities set out on page 51, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the Employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Fund and to report our opinion to you.

**Trustee's annual report and financial statements
for the year ended 31 March 2021****Independent Auditor's Statement about Contributions to the Trustee of the ICI Pension Fund continued****The purpose of our work and to whom we owe our responsibilities**

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: _____

**Trustee's annual report and financial statements
for the year ended 31 March 2021**

Summary of Contributions payable during the year ended 31 March 2021

Statement of Trustee's Responsibilities in respect of contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for monitoring that contributions are made to the Fund in accordance with the Schedules.

Trustee's Summary of Contributions payable under the Schedules in respect of the Fund year ended 31 March 2021

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of, the Trustee. It sets out the Employers' and members' contributions payable to the Fund under the Schedules of Contributions certified by the Actuary on 12 February 2019 and 25 March 2021 in respect of the Fund year ended 31 March 2021. The Fund auditor reports on contributions payable under these Schedules in the Auditor's Statement about Contributions.

£m

Required by the Schedules of Contributions

Employer contributions:

Normal	3
Augmentation contributions	1
Total contributions as reported on by the Fund Auditor and as reported in the Fund account	4

Signed for and on behalf of the Trustee:

BY ORDER OF ICI PENSIONS TRUSTEE LIMITED

For and on behalf of Pensions Secretariat Services Limited
Secretary

Date: _____

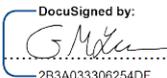
Appendix 1 – Certification of the Schedule of Contributions**Name of scheme: ICI Pension Fund****Adequacy of rates of contributions**

I certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2020 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 25 March 2021.

This certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Signature .....
2B3A033306254DF...

Date...25 March 2021.....

Graham McLean
Fellow of the Institute and Faculty of Actuaries**Towers Watson Limited**
Watson House
London Road
Reigate
Surrey RH2 9PQ

Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Trustee's Statement of Investment Principles ("SIP") has been followed during the year to 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of its investment objectives. As set out in the SIP, the Trustee's policy is to adopt a low-risk investment strategy which avoids material exposure to a range of risks. The Fund's investments are very largely in bulk annuities and in a single Fund-specific liability-hedging mandate consisting of gilts, cash and limited exposures to interest rate and inflation derivatives, which are structured to reflect the anticipated liability cashflows of the Fund.

Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change, which was last reviewed in September 2020. The Trustee recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. The Trustee's low-risk investment strategy avoids material exposure to a range of risks, including ESG and, within that, climate change risks, which limits the scope of the Trustee's policies on ESG, stewardship and climate change. The Trustee expects its investment managers to take account of ESG factors in investment decisions and has delegated those decisions to their discretion.

Engagement

The Trustee's investment adviser provided two reports over the period, each of which included an assessment of the investment managers against specific ESG attributes, as assessed by the investment adviser. During the period, the Trustee consolidated the Fund's AVC investments in a new AVC arrangement with Legal & General and took the opportunity to undertake a full review of the AVC funds offered to members, adhering to its policy on manager selection, engagement and ESG factors as set out in the SIP.

Voting Activity

The Fund's investments (other than AVCs) are very largely in bulk annuities and in a single Fund-specific liability-hedging mandate consisting of gilts, cash and limited exposures to interest rate and inflation derivatives. Currently 0.2% of the Fund's assets are invested in alternative credit and infrastructure, which are in the process of being liquidated. This means that there has been minimal opportunity to exercise voting rights and other stewardship on the Fund's assets and as a result the Trustee does not monitor voting activity on these assets. The Trustee has delegated its voting rights in respect of the Fund's AVC investments to Legal & General and reviewed Legal & General's overarching stewardship activity over the period.