

**AKZO NOBEL (CPS) PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
PENSION SCHEME REFERENCE NUMBER: 10161703**

AKZO NOBEL (CPS) PENSION SCHEME

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YEAR ENDED 31 MARCH 2021

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AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2021

Principal Employer	Akzo Nobel UK Ltd The AkzoNobel Building Wexham Road Slough SL2 5DS
Trustee	Akzo Nobel (CPS) Pension Trustee Limited
Trustee Directors	Ms J Shannon (pensioner member) +^ Mr J Bradley (pensioner member) (resigned 18 June 2021)*^ Mr G Marsh (pensioner member) +^ Ms J Mellor (active member) Mr I Walton (pensioner member)* Mr J Kavanagh (active member) Mr M Smalley (appointed 10 December 2020) The Law Debenture Pension Trust Corporation p.l.c *^+ *Investment committee member ^Valuation committee member +Administration committee member
Secretary to the Trustee	Mr M Trueblood The AkzoNobel Building Wexham Road Slough SL2 5DS
Administrator	Towers Watson Limited PO Box 545 Redhill Surrey RH1 1YX
Actuary	Mr G Oxtoby F.I.A Towers Watson Limited Watson House London Road Reigate Surrey RH2 9PQ
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Legal advisers	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Investment consultants	Towers Watson Limited

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE AND ADVISERS *(continued)*

YEAR ENDED 31 MARCH 2021

Investment managers	BlackRock Investment Advisors (UK) Limited CB Richard Ellis Global Investors LLC Legal & General Investment Management Limited Nephila Capital Limited Macquarie Group Limited Genesis Investment Management LLP Equitix Investment Management Limited Alcentra Limited Alpha Real Capital LLP Greencoat Capital LLP Dalmore Capital Limited State Street Bank and Trust Company Goldman Sachs International
Investment custodians	The Northern Trust Company
AVC providers	Utmost Life and Pensions Limited (formerly The Equitable Life Assurance Society) The Standard Life Assurance Company The Prudential Assurance Company Limited Scottish Friendly Assurance Aviva Life and Pensions UK Limited (formerly Friends Life Pensions Limited) Phoenix Alba Life
Longevity insurer	ReAssure Limited
Bankers	Barclays Bank Plc

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT

YEAR ENDED 31 MARCH 2021

Introduction

The Trustee Directors ("the Trustee") of the Akzo Nobel (CPS) Pension Scheme ("the Scheme") present their annual report together with the actuarial certification of the schedule of contributions and audited financial statements for the year ended 31 March 2021.

Management of the Scheme

The Scheme is governed by the Trustee who is required to act in accordance with the Trust Deed and the Scheme Rules dated 5 April 1997 as amended by subsequent Deeds of Amendment, within the framework of pension and trust law.

The Scheme is a Defined Benefit pension scheme, registered for tax purposes under the terms of the Finance Act 2004. To the Trustee's knowledge there is no reason why such approval should be prejudiced or withdrawn. The Scheme was contracted out of the State Second Pension under a certificate issued by the Contributions Agency up to 5 April 2016.

Trustee

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee meets regularly and during this Scheme year met on seven occasions. In addition, the investment committee met on five occasions and the administration committee on nine occasions.

The Scheme rules contain provisions for the appointment and removal of Trustee Directors. The Trustee Board at full strength comprises the Chairman, one Trustee Director nominated by the contributing members of the Scheme, three Trustee Directors nominated from the pensioner and deferred pensioner groups, four appointed by the Employer and one independent Trustee Director (The Law Debenture Pension Trust Corporation p.l.c.). The names of the current Trustee Directors are included at the front of this report.

Employer-appointed Trustee Directors are selected by the Employer, while member nominated Trustee Directors are selected by a panel of existing Trustee Directors from candidates nominated by members and generally serve for a 5-year term. The Employer has the power to appoint and remove the corporate trustee.

The member-nominated Trustee Directors at the effective date of this report were Geoff Marsh, Jon Bradley, Ian Walton and Jim Kavanagh.

The employer-appointed Trustee Directors were Julie Shannon, and Jill Mellor and Michael Smalley.

Scheme advisers

There are written agreements in place or under review between the Trustee and each of the Scheme advisers listed on pages 1 to 2 of these financial statements and also with the Principal Employer.

Data Protection

The administrators and investment managers have registered under the Data Protection Act to hold on computer information necessary for the management of the Pension Scheme.

Changes to the Scheme

There were no significant changes to the Scheme Rules during the year.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 are the responsibility of the Trustee. Pension Scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme period which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- 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. The Trustee is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it is aware of any intention of the Principal Employer to serve notice on the Trustee to terminate the Scheme or that it has no realistic alternative but to do so; and
- making available each Scheme year, commonly in the form of a Trustee's report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

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

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

The Trustee is responsible for 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, and has 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 Scheme and to prevent and detect fraud and other irregularities.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Membership

The changes in membership during the year are as follows:

	Active members	Deferred members	Pensioners, spouses and dependants	Total
At 1 April 2020	322	6,334	17,442	24,098
Adjustments to prior period	(3)	44	–	41
Retirements	(8)	(231)	239	–
Members leaving with deferred benefits	(7)	7	–	–
Deaths	–	(34)	(858)	(892)
New spouses and dependants pensions	–	–	222	222
Commutations and entitlements ceasing	–	(70)	(56)	(126)
Transfers out	–	(57)	–	(57)
At 31 March 2021	304	5,993	16,989	23,286

In addition to the above there are 271 (2020: 288) contingent deferred pensioners and 3,170 (2020: 3,629) deferred pensioners due only a lump sum payment from the Scheme on retirement.

At the year end there were 4,101 (2020: 4,242) spouse and dependant beneficiaries that are included within pensioners, spouses and dependants above.

The adjustment to the opening membership has arisen due to the late notification of member movements and data cleansing.

Pension increases

Pensions on the greater (post-1999) part of members' benefits in excess of the Guaranteed Minimum Pension for the main CPS benefit section were increased in the last 3 years as follows:

6 April 2019	2.4%
6 April 2020	1.7%
6 April 2021	0.5%

For most of the annual increases made, the CPS Section uses a reference period of the twelve months ending in the September prior to the increase date, and the increase is based on CPI. The minimum and the maximum increase during the year was 0.5%.

Pensions in the other benefit sections mainly use a reference period of the January prior to the increase date for pensions in excess of GMP and are based mainly on RPI. GMPs are increased using CPI for the September prior to the increase date.

There were no discretionary pension increases.

Transfer Payments

Transfer payments paid during the year have been calculated and verified in the manner prescribed by legislation. Transfer payments do not include any allowance for discretionary benefits.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Actuarial Valuation

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.

The last full actuarial valuation of the Scheme was carried out as at 31 March 2020 and revealed a deficit of £62 million which equated to a funding level of 98%.

The funding level increased modestly from the 97% level assessed at the time of the last full valuation in 2017. The positive effect of deficit contributions paid by the Employer and better than expected investment performance was partly offset by worsening financial conditions and changes to future inflation expectations.

The Trustee and the Employer have agreed a recovery plan such that:

- the Employer has paid an additional contribution of £26.1 million in March 2021 and will pay a further £3.7 million shortly after March 2022 from the escrow account set up by the Employer in 2019.
- The effect of these contributions taken together with positive investment performance since the valuation date is expected to have removed the funding deficit by 30th September 2021.

The next full actuarial valuation of the Scheme is due as at 31 March 2023.

Akzo Nobel NV has given a legal commitment to support the Scheme should any of the participating companies be unable to fulfil their obligations, subject to certain limitations and conditions.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, occupational pension schemes with defined benefit liabilities are subject to the "Statutory Funding Objective", which is to have sufficient and appropriate assets to cover their technical provisions. The technical provisions represent the present value of the benefits to which members are entitled based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Akzo Nobel (CPS) Pension Scheme was carried out as at 31 March 2020. This showed that on that date:

The value of the Technical Provisions was:	£3,499 million
The value of the assets at that date was:	£3,437 million

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Report on Actuarial Liabilities *(continued)*

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles):

Method

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

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the gilt curve (as derived from Bank of England data) at the valuation date plus a margin of 1.1% pa until March 2022, then reducing linearly to 0.25% per annum by March 2030 and continuing at this level.

Future Retail Price Index (RPI) inflation: Breakeven RPI curve.

Future Consumer Price Index (CPI) inflation: Breakeven RPI curve minus 1% till 2030 and no deduction thereafter.

Pension increases: derived from the RPI and CPI assumptions allowing for the caps and the floors on pension increases according to the provisions in the Scheme's rules.

Pay increases: in line with the CPI assumption for the purpose of determining the technical provisions.

Mortality - base tables: for the period in retirement:

- standard tables S3PMA with a scaling factor of 94% for male members and all widowers;
- standard tables S3PFA with a scaling factor of 92% for all female members; and
- standard tables S3DFA with a scaling factor of 92% for all widows.

Mortality - future improvements: in line with the CMI 2019 core projection model from 2020 onwards with an assumed long term mortality improvement trend of 1.5% per annum and initial addition to mortality improvements (A) of 0.25% pa from 2020.

Impact of Covid-19

The Covid-19 pandemic has been a significant event during the Scheme year and the Trustee monitored closely its effect of the Scheme's assets, the covenant of the sponsor group and the continuity of the Scheme's service providers. The Trustee has worked with its advisers to ensure the continued smooth running of the Scheme with minimal disruption.

The financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has assessed the ability of the Scheme to meet its future obligations to pay member benefits as they fall due and the ability of the Employer to continue to meet their obligations to the Scheme. The Trustee believes that the Scheme remains well positioned to manage its risks successfully and expects that the Scheme will continue in operational existence for the foreseeable future.

Financial statements

The financial statements included in this annual report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Investment management

Investment managers

The Investment Managers appointed on behalf of the Trustee to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated.

Investment Objective

The Trustee's objective is the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the employers, the cost of current and future benefits which the Scheme provides.

The Trustee has considered the results of asset liability modelling studies and set out a long-term strategic asset allocation, which is designed to achieve the above objective. Having considered advice from its Investment Consultant, Towers Watson Limited, the Trustee has delegated the day to day management of the Scheme's assets to external investment managers.

The Statement of Investment Principles as required by section 35 of the Pension Act 1995 is available on request from the contact address on page 11.

The Trustee determines the broad investment strategy to be adopted by the appointed managers and sets a benchmark for each manager relevant to that strategy. Following the 2020 actuarial valuation, the Trustee is targeting an investment return on its assets of gilts +1.5% p.a. decreasing to gilts +0.25% over a 10 year period from 2020. The asset allocation as at 31 March 2021 is provided below.

Asset Class	Proportion as at 31/03/2021	Value as at 31/03/2021
	%	£m
Equities	6	234
Property	10	348
Reinsurance securities fund	-	1
LDI portfolio	84	2,998
CLO debt	2	57
Secure income assets	5	168
Cash deposits, derivatives and other pending investments	-7	-235
Total	100	3,571

The above figures include both direct holdings and the units held in pooled investment vehicles for each asset class. Figures are taken from the custodian, Northern Trust and exclude the longevity hedging insurance contract, buy-in policy and AVC investments.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Investment Objective *(continued)*

The Trustee has adopted a Scheme-specific performance benchmark based on the asset classes and ranges above. The Trustee employs the Northern Trust Company to provide an independent measure of the performance of the Scheme and of the individual managers. A summary of the Scheme's performance of the last five years is given below. The table shows the total returns achieved by the Scheme compared with its benchmark.

	Akzo Nobel (CPS) Pension Scheme	Benchmark
	%	%
2021	+3.7	+ -0.6
2020	+4.1	+3.2
2019	+6.2	+6.1
2018	+3.3	+2.8
2017	+20.1	+18.4
2016	+1.7	+1.9
3 year (annualised)	+4.7	+4.1
5 year (annualised)	+7.3	+6.8

Note: The numbers above have been provided by the Scheme's custodian, Northern Trust, as at 31 March 2021, excluding the longevity hedging insurance contract, buy-in policy and AVC investments.

Marketability of Investments

The Trustee considers that the majority of the assets of the Scheme, with the exception of the direct and indirect property holdings, the longevity insurance contract and certain of the alternative investments, are readily marketable. Indirect property holdings and certain of the alternatives are subject to redemption notification periods as set out in the investment managers' agreements and the realisation of direct property holdings is dependent on the level of activity in the relevant sector at the time that the properties are marketed for sale. Certain of the 'secure income' investments are held through limited partnership structures where it is likely that the assets will not be marketable during the term of the partnership, which could be as long as 30 years.

In 2012, the Scheme entered into a longevity insurance contract under which fixed premiums are exchanged for the pension benefits paid in respect of some 17,000 pensioners in the CPS benefit section and their dependants. The contract is held as an investment of the Scheme and is not marketable. If the contract was to be surrendered, a payment might be due to or from the Scheme depending on the experience of the membership covered.

Basis of Remuneration

The fees charged by both the investment and the property managers are calculated as a percentage of the assets under management. In addition, certain of the fee arrangements include a performance-related element.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

Socially responsible investments

The Trustee's present policy on matters relating to socially responsible investment (or ESG investment) are:

- The Scheme's primary concern in setting its investment strategy is to act in the best financial interests of its members and the investment strategy is formulated to support its objective of paying member benefits as and when they fall due. As part of this, the Trustee takes account of all financially material risks and opportunities in the context of the Scheme's investment time horizon. Sustainable investment factors, including environmental, social and governance ("ESG") considerations, are considered in the context of the Scheme's broader risk management.
- The Trustee believes that companies that effectively manage ESG risks can protect and enhance value by, for example, avoiding risk to their reputation, reducing potential financial liability and by increasing their ability to recruit and retain high-quality staff. Therefore the Scheme wishes to promote the proactive management of ESG risks amongst the companies in which the Scheme invests and expects its appointed investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.
- When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment advisors, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.
- The Trustee is further exploring ESG factors with its investment managers with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, in order to understand how they exercise these duties, with a view to monitoring the Scheme's managers' internal policies and processes in relation to ESG factors, and how these are practically implemented into the investment strategy at a fund level. The consideration of climate-related risks will be covered explicitly within this review.
- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to expect the managers to exercise those rights.
- At present, the Trustee does not explicitly take account of non-financial matters in Scheme design or strategy but may consider reflecting specific non-financial considerations in future.

The Trustee's Implementation Statement relating to these policies is appended to this report and financial statements and forms part of this report.

Custodial arrangements

Northern Trust acts as custodian for the great majority of the Scheme's investments. The Trustee receives reports each month covering the assets held by the custodian and transactions in the month. These are monitored by the Trustee and, if appropriate, followed up with the custodian on a timely basis. The custodian is independent of the fund managers, and is an additional control on the recording of asset movements.

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2021

AVC Section

Individual accounts are also held with a range of providers for those members wishing to make additional voluntary contributions.

During the year members made additional voluntary contributions to Standard Life, Prudential Assurance and Aviva to obtain additional benefits. Each member receives an annual statement at the year end confirming the amount held in their account and the movements in the year.

Employer related investments

Employer related investments are held indirectly through pooled investment vehicles (BlackRock Aquila Life World ex-UK Equity Fund and Legal & General RAFI AW 3000 Index Fund). The value of these investments was less than 5% of the Scheme's Net Assets at the year end. There were no other employer related investments during the year or at the year end.

GMP equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A further High Court case in November 2020 has ruled that schemes are now required to equalise transfer values paid to member prior to October 2018 to take account of GMP equalisation where applicable. The implication of these rulings on the Scheme and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Scheme and the value of any liability, is estimated not to be material to the figures presented in these accounts.

The Trustee is in the process of reviewing the impact of GMP equalisation on both current members of the scheme and those that have previously transferred out, once this review is finalised and any liability quantified, then members will be contacted.

Contact for further information

Any queries or complaints about the Scheme generally should be sent to the Scheme Secretary, whose address appears on page 1. Queries relating to members own benefits or for a copy of Scheme documentation, should be sent to the Scheme's administrator:

Willis Towers Watson
Akzo Nobel (CPS) Pension Scheme
PO Box 545
Redhill
Surrey
RH1 1YX
(e mail: cps.pacontact@willistowerswatson.com)

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

	<i>Keith Scott, on behalf of Law</i>		
Trustee Director	<i>Debenture Pension Trust Co</i>	Trustee Director	<i>Ian Walton</i>
Date	25 October 2021	Date	25 October 2021

AKZO NOBEL (CPS) PENSION SCHEME

ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Actuary's certification of the Schedule of Contributions

Name of Scheme: Akzo Nobel (CPS) Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2020 to be met by the end of the period specified in the recovery plan dated 28 September 2021.

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 28 September 2021.

The 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 the adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Gareth Oxtoby
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson
Company

Date 28 September 2021

Watson House
London Road
Reigate
Surrey
RH2 9PQ

AKZO NOBEL (CPS) PENSION SCHEME

TRUSTEE'S SUMMARY OF CONTRIBUTIONS

YEAR ENDED 31 MARCH 2021

Statement of Trustee's Responsibilities in respect of Contributions

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

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme 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 employer and employee contributions payable to the Scheme under the schedules of contributions certified by the Actuary on 28 September 2018 and 28 September 2021 in respect of the Scheme year ended 31 March 2021. The Scheme auditor report on contributions payable under the schedules in their auditor's statement about contributions.

	£000
Contributions required by the Schedules of Contributions	
Employers	
Normal contributions	5,905
Deficit funding contributions	26,100
Employees	
Normal contributions	24
Contributions payable under the Schedules (as reported on by the Scheme auditor)	32,029
Other contributions	
Employees	
Additional voluntary contributions	155
Total contributions reported in the financial statements	<u>32,184</u>

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

*Keith Scott, on behalf of Law
Debenture Pension Trust Co*
Trustee Director

Ian Walton
Trustee Director

Date 25 October 2021

Date 25 October 2021

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE YEAR ENDED 31 MARCH 2021

We have examined the Summary of Contributions payable under the Schedules of Contributions to the Akzo Nobel (CPS) Pension Scheme in respect of the Scheme year ended 31 March 2021 which is set out on page 13.

In our opinion contributions for the Scheme 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 28 September 2018 and 28 September 2021.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 4, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedules of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme 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 Scheme and to report our opinion to you.

Scope of work on statement about contributions

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 Scheme and the timing of those payments under the Schedules of Contributions.

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

This statement is made solely to the Scheme'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 Scheme'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 Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Julie Radcliffe

Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE

Date 26 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of the Akzo Nobel (CPS) Pension Scheme ("the Scheme") for the year ended 31 March 2021 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme 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 Scheme 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 Scheme 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 they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have 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 Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

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 Scheme'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 Scheme will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2021

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 Trustees as to the Scheme'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 and Administration Committee minutes and the Scheme's Administration Reports.

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 Trustees (or their delegates including the scheme administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of unlisted investments. 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 Trustees; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments 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 and their delegate (as required by auditing standards), and discussed with the Trustee and their delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme'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 Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2021

Fraud and breaches of laws and regulations - ability to detect *(continued)*

Secondly, the Scheme 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 Scheme'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 Scheme'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 their delegates 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 page 14 of the annual report.

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 their statement set out on page 4, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme'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 they either intend to wind up the Scheme, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE *(continued)*

YEAR ENDED 31 MARCH 2021

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 Scheme 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 Scheme 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 Scheme Trustee for our audit work, for this report, or for the opinions we have formed.

Julie Radcliffe

Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE

Date 26 October 2021

AKZO NOBEL (CPS) PENSION SCHEME

FUND ACCOUNT

YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Contributions and benefits			
Employer contributions		32,005	32,570
Employee contributions		179	196
Total contributions	4	<u>32,184</u>	<u>32,766</u>
Benefits	5	(122,639)	(124,393)
Payments to and on account of leavers	6	(18,869)	(23,039)
Administrative expenses	7	(5)	(8)
		<u>(141,513)</u>	<u>(147,440)</u>
Net withdrawals from dealings with members		(109,329)	(114,674)
Returns on investments			
Investment income	8	70,702	69,344
Change in market value of investments	9	61,017	85,678
Investment management expenses	10	(1,912)	(2,720)
Net return on investments		129,807	152,302
Net increase in the fund during the year		20,478	37,628
Net assets of the Scheme			
At 1 April		<u>3,437,575</u>	<u>3,399,947</u>
At 31 March		<u>3,458,053</u>	<u>3,437,575</u>

The notes on pages 21 to 39 form part of these financial statements.

AKZO NOBEL (CPS) PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Investment assets	9		
Equities		103	103
Bonds		2,998,213	3,018,526
Property	12	271,910	280,870
Pooled investment vehicles	13	573,290	543,538
Derivatives	14	18,486	3,958
Insurance policies	15	1,377	1,512
AVC investments	17	4,171	4,141
Cash	18	86,684	50,252
Other investment balances	19	23,369	279,405
		<u>3,977,603</u>	<u>4,182,305</u>
Investment liabilities	9		
Derivatives	14	(26,541)	(29,438)
Longevity hedging insurance contract	16	(121,200)	(116,500)
Other investment balances	19	(374,942)	(602,183)
		<u>(522,683)</u>	<u>(748,121)</u>
Total investments		<u>3,454,920</u>	<u>3,434,184</u>
Current assets	24	5,530	5,257
Current liabilities	25	(2,397)	(1,866)
Net assets of the Scheme at 31 March		<u><u>3,458,053</u></u>	<u><u>3,437,575</u></u>

The financial statements summarise the transactions of the Scheme 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 Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on actuarial liabilities on pages 6 to 7 of the annual report and these financial statements should be read in conjunction with this report.

Signed for and on behalf of the Akzo Nobel (CPS) Pension Scheme by:

*Keith Scott, on behalf of Law
Debenture Pension Trust Co*

Ian Walton

Trustee Director

Trustee Director

Date 25 October 2021

Date 25 October 2021

The notes on pages 21 to 39 form part of these financial statements.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

1. General information

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's report.

2. Basis of preparation

The individual financial statements of Akzo Nobel (CPS) Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

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 meet obligations as they fall due for at least the next twelve months from the approval of these financial statements.

In reaching this conclusion, the Trustee has considered severe but plausible downsides which consider the impact of the COVID-19 outbreak and have taken into account the impact on investments, future income and capital growth, portfolio liquidity, cashflow requirements and the Employer covenant. The Trustee has considered the impact of the COVID-19 outbreak on the Scheme, on the Principal Employer Akzo Nobel UK Ltd, and on the ultimate parent of the Principal Employer Akzo Nobel N.V.

Akzo Nobel NV has given a legal commitment to support the Scheme should any of the participating companies be unable to fulfil their obligations, subject to certain limitations and conditions.

The last triennial actuarial valuation as at 31 March 2020 revealed a funding level on the Scheme's Technical Provisions basis of 98%. Contributions to address the deficit are payable over the period to 2022 from an escrow account which has been fully pre-funded by the Principal Employer. The next full actuarial valuation of the Scheme which is expected to be carried out as at 31 March 2023.

The Principal Employer and Akzo Nobel NV (the Group) operate in the Chemical sector. The Trustee is continuing to monitor the likely financial and operational impact that the COVID-19 pandemic will have on the Group. However, whilst the impact of the COVID-19 outbreak cannot be accurately predicted, the Trustee considers that the Group's ability to remain profitable and produce positive free cash flows throughout 2020 and the first half of 2021 demonstrates its resilience.

This assessment, gives the Trustee confidence to prepare the financial statements on a going concern basis.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

All assets and liabilities stated in foreign currencies are converted into sterling rates at rates of exchange ruling at the Scheme year end date. Transactions in foreign currency are converted into sterling at the rate applicable on the date of the transaction.

Contributions

Employee contributions (normal and additional voluntary) and the associated employer contributions are accounted for in the period in which they are deducted from members' pay.

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid, or on receipt if earlier, with the agreement of the Employer and the Trustee.

Transfer to and from other schemes

Individual transfers into the Scheme and group transfers received are accounted for on an accruals basis.

Transfers out of the Scheme calculated on a group basis are accounted for when completed authorities to pay have been received.

Individual transfers out are accounted for when paid or received which is normally when member liability is accepted/discharged.

Benefits

Pensions payable in respect of the Scheme are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for when the member has exercised their choice in relation to these benefits, or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Scheme.

Administrative expenses

Administrative expenses have been accounted for on an accruals basis.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

3. Accounting policies *(continued)*

Investment income

Distributions from quoted shares are accounted for when the security is declared ex-dividend.

Income from bonds is accounted for on an accruals basis.

All investment income is stated inclusive of any related taxation recoverable.

Investment income arising from the underlying investments of the pooled investment vehicles which generate income is accounted for on an accruals basis. All other income from pooled investment vehicles is reflected in the unit price.

Cash receipts and payments on derivative contracts are included in investment income when they are due, with the exception of the longevity swap where cash receipts and payments are accounted for within purchases and sales.

Interest income is accounted for on an accruals basis.

Rental income is accounted for as earned, in accordance with the relevant lease.

Annuity income received by the Scheme is accounted for in the period to which it relates.

The change in market value of investments during the year comprises 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.

Investment Management Expenses

Investment management expenses are accounted for on an accruals basis.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

3. Accounting policies *(continued)*

Investments

Investments are included at fair value.

Listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.

Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment manager.

Pooled investment vehicles with published prices are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads as provided by the investment manager.

Pooled investment vehicles valued using net asset values provided by the pooled investment manager are stated at the net asset value as determined by the pooled investment manager who uses fair value principles to value the underlying investments of the pooled arrangement.

Freehold and leasehold property is stated at open market value at the year end, as estimated by the Trustee on the basis of professional advice from Cluttons LLP, Chartered Surveyors who value the portfolio every quarter, hence we valued the portfolio as at year ended 31 March 2021. No depreciation is provided on freehold or long leasehold properties.

Derivatives are stated at fair value.

For exchange traded derivative contracts which are assets, fair value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, fair value is based on quoted offer prices.

Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Under repurchase agreements, the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Under reverse repurchase agreements, the Scheme does not recognise the securities received as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

AVC investments are included in the Statement of Net Assets available for benefit at either the market or surrender value of the underlying investments as notified by each AVC provider.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

3. Accounting policies (continued)

The value of the bulk annuity policy issued by Aviva has been calculated by the Scheme Actuary, the valuation is on a scheme funding Technical Provisions basis, using assumptions consistent with the most recent Actuarial Valuation.

The longevity insurance contract has been valued by the Trustee based on professional advice from the Scheme Actuary. The value stated is the difference between the present values of the premiums payable under the contract and the estimated claims value, adjusted to ensure the treatment of the investment is compliant with the SORP. Premiums paid in relation to the longevity insurance contract are accounted for within purchases. The longevity insurance contract covers pensioners and dependent pensioners in payment in the CPS section as at 1 August 2011.

4. Contributions

	2021	2020
	£000	£000
Employer contributions		
Normal	5,905	6,470
Deficit funding	26,100	26,100
	32,005	32,570
Employee contributions		
Normal	24	26
Additional voluntary contributions	155	170
	179	196
	32,184	32,766

Deficit funding contributions have been made by the Employer to assist the funding of the Scheme. Under the Recovery Plan in force, the Company have already paid one additional contribution to the Scheme of £26.1m, in March 2021 plus an additional payment equal in amount to the remaining Deficit Escrow Assets following the expected release of £20 million to the Company (expected to be approximately £4 million). The balance of the deficit will be assumed to be met by an allowance for investment outperformance relative to the liabilities over the period from 1 April 2020 to 30 September 2021.

Employees contribute 7% of pensionable salary for most benefit sections. Some employees have also made additional voluntary contributions to secure additional benefits. A salary sacrifice arrangement is in place meaning that most participating employees no longer pay employee contributions to the Scheme and the employers pays additional contributions on their behalf.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

5. Benefits

	2021	2020
	£000	£000
Pensions	110,635	110,484
Commutations and retirement lump sums	10,953	13,339
Lump sum death benefits	614	503
Taxation (where lifetime or annual allowance exceeded)	437	67
	<u>122,639</u>	<u>124,393</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

6. Payments to and on account of leavers

	2021	2020
	£000	£000
Refunds to members leaving service	-	(35)
Payments for members reinstated in State Scheme	-	168
Individual transfers to other schemes	18,869	22,906
	<u>18,869</u>	<u>23,039</u>

Refunds to members leaving service negative balance relates to historical balances which were written off during the prior year.

7. Administrative expenses

	2021	2020
	£000	£000
Administration and processing	(1)	-
Other fees	6	8
	<u>5</u>	<u>8</u>

From 1 April 2013 all administrative expenses are being paid by the Principal Employer. Other fees relate to bank charges and search fees, which are not reimbursed by the Principal Employer.

8. Investment income

	2021	2020
	£000	£000
Net income from properties	7,476	10,777
Income from bonds	56,802	52,910
Dividends from equities	(6)	15
Income from pooled investment vehicles	4,769	6,721
Income from derivatives	2,045	129
Income from annuities	373	376
Income from repurchase agreement	(2,111)	(3,402)
Income on cash deposits and cash equivalents	1,354	1,818
	<u>70,702</u>	<u>69,344</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

8. Investment income (continued)

The net income from properties above has been reduced by an amount of £1,452,000 (2020: £1,719,000) relating to property expenses deducted.

9. Investments

	Value as at 01/04/20 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value as at 31/03/21 £000
Equities	103	–	(5)	5	103
Bonds	3,018,526	806,497	(795,431)	(31,379)	2,998,213
Property	280,870	13,682	(15,525)	(7,117)	271,910
Pooled investment vehicles	543,538	485,279	(534,290)	78,763	573,290
Derivatives	(25,480)	28,373	(42,308)	31,360	(8,055)
Insurance policies	1,512	–	–	(135)	1,377
Longevity swap	(116,500)	5,095	–	(9,795)	(121,200)
AVC investments	4,141	794	(1,594)	830	4,171
	<u>3,706,710</u>	<u>1,339,720</u>	<u>(1,389,153)</u>	62,532	<u>3,719,809</u>
Cash	50,252			(1,257)	86,684
Other investment balances	<u>(322,778)</u>			<u>(258)</u>	<u>(351,573)</u>
	<u>3,434,184</u>			<u>61,017</u>	<u>3,454,920</u>

Direct transaction costs are summarised below. Indirect transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Transaction costs analysed by main asset class and type of cost are as follows:

	2021			Total £000	2020
	Fees £000	Commission £000	Taxes £000		Total £000
Other	457	–	–	457	3,019
Total 2021	<u>457</u>	<u>–</u>	<u>–</u>	<u>457</u>	
Total 2020	<u>1,377</u>	<u>–</u>	<u>1,642</u>		<u>3,019</u>

10. Investment management expenses

	2021 £000	2020 £000
Management fees	<u>1,912</u>	<u>2,720</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

11. Taxation

The Scheme 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. Property

	2021	2020
	£000	£000
UK Property - direct	<u>271,910</u>	<u>280,870</u>

The Scheme owns freehold and leasehold investment properties, which have been valued individually on the basis of Fair Value, in accordance with the RICS - Professional Standards, revised in April 2015, for inclusion in financial statements prepared in accordance with UK GAAP and FRS 102. The valuation has been assessed by a RICS Registered valuer for and on behalf of Cluttons LLP Commercial Valuation, with sufficient current local and national knowledge of the particular property market involved, and with the skills and understanding to undertake the valuations competently.

The principal assumptions on which the valuations were based are that there are no encumbrances, restrictions or conditions likely to have an adverse effect upon the value of the property and where both the valuations and market rent are based on arm's length transactions. There are no legal restrictions on the realisability of these properties or on remittance of income or disposal proceeds, although the Trustee recognises it could take a number of months to achieve a disposal on favourable terms.

13. Pooled investment vehicles

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

	2021	2020
	£000	£000
Equity	233,889	167,049
Bond	57,005	83,770
Hedge funds	712	11,091
Private equity	168,291	163,732
Property	75,684	71,207
Cash	37,709	46,689
	<u>573,290</u>	<u>543,538</u>

14. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as explained in the Trustee's report. At the year-end the Scheme had the following derivatives:

	31 March 2021		<i>31 March 2020</i>	
	Assets	Liabilities	<i>Assets</i>	<i>Liabilities</i>
	£000	£000	£000	£000
Swaps	9,059	(25,023)	3,013	(10,910)
Forward FX contracts	9,427	(1,518)	945	(18,528)
	<u>18,486</u>	<u>(26,541)</u>	<u>3,958</u>	<u>(29,438)</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

14. Derivatives *(continued)*

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Swaps - certain investment managers use swaps to take interest rates duration positions in a more efficient manner than by trading physical bond assets.

Forward foreign exchange contracts - to reduce the risk resulting from investing in securities denominated in currencies other than Sterling.

The notional principal of the swap is the amount used to determine the swapped receipts and payments. The Scheme pledged cash collateral of £2,50m (2020: £12,28m) and received cash collateral of 2.28m (2020: £nil), this collateral is reported within other investment balances. In addition, the Scheme has pledged collateral in the form of gilts with market value of £46.12m in relation to swaps and the exposure on the repurchase agreements.

Swaps

The Scheme had outstanding derivative swap contracts at the year end as follows:

Nature	No. of contracts	Notional amounts £000	Expires	Asset value £000	Liability value £000
Interest rate swap (receiving fixed/paying floating)	93	237,329	2022-2046	559	(5,954)
Interest rate swap (paying fixed/receiving floating)	101	414,348	2022-2070	8,096	(1,196)
Inflation rate swaps (paying fixed/receiving floating)	9	253,158	2022-2031	404	(4,191)
Inflation rate swap (receiving fixed/paying floating)	1	32,000	2027	–	(549)
Other Swap	1	102,271	2021	–	(13,133)
Total 2021		<u>1,039,106</u>		<u>9,059</u>	<u>(25,023)</u>
Total 2020		<u>599,227</u>		<u>3,013</u>	<u>(10,910)</u>

At the year end there was 10 inflation rate swap and 194 interest rate swap contracts of which 115 were in the UK and 89 were overseas.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

14. Derivatives (continued)

Forward FX contracts

The Scheme had open forward foreign exchange contracts at the year end as follows:

Contract	Settlement date	No. of contracts	Currency bought '000	Currency sold '000	Asset value £000	Liability value £000
OTC traded	1 months	6	EUR 8,595	GBP 7,435	–	(112)
OTC traded	1 months	4	GBP 58,818	EUR 66,147	2,464	–
OTC traded	1 months	11	GBP 122,689	EUR 137,105	5,871	–
OTC traded	1 months	12	GBP 70,625	USD 96,130	958	(5)
OTC traded	2 months	8	GBP 197,458	USD 274,377	7	(1,386)
OTC traded	1 months	4	USD 7,190	GBP 5,176	50	(15)
OTC traded	2 months	5	USD 12,028	GBP 8,640	77	–
Total 2021					<u>9,427</u>	<u>(1,518)</u>
Total 2020					<u>945</u>	<u>(18,528)</u>

15. Insurance policies

	2021 £000	2020 £000
Buy-in policy	<u>1,377</u>	<u>1,512</u>

16. Longevity hedging insurance contract

	2021 £000	2020 £000
Longevity hedging insurance contract	<u>(121,200)</u>	<u>(116,500)</u>

The Trustee has entered into a longevity hedging insurance contract designed to protect the Scheme and Employer against the risk of certain members living significantly longer than expected.

The longevity hedging insurance contract is with ReAssure Limited, a subsidiary of Swiss Re, and was signed in May 2012. Under this agreement, the Scheme agrees to make a series of cash flows (the premiums) to be paid over an agreed term (sixty years from 1 August 2011) in exchange for ReAssure paying the actual pension benefits paid to the members (the claims). Under the agreement, collateral amounts are calculated on 31 December 2012 and quarterly thereafter. Under the terms of the agreement, collateral of nominal and index linked gilts of £140.51m has been pledged during the year (2020: £141.13m) and the collateral calculated as at the year-end was £137.96m (2020: £135.19m).

The valuation of the longevity hedging insurance contract is the present value of the difference between future premiums payable from the Scheme to ReAssure (fixed) and future pension payments payable from ReAssure to the Scheme (variable depending on how long members live). The valuations use discount rates and inflation assumptions derived from the swap market. Future mortality assumptions are realistic assumptions chosen by ReAssure based on experience within the Scheme.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

17. AVC investments

	2021	2020
	£000	£000
The Standard Life Assurance Company: unit linked	206	238
Phoenix Life Limited: unit linked	6	6
Utmost Life and Pensions Limited: unit Linked	–	1
Aviva	3,376	2,701
Utmost Life and Pensions Limited: with Profits	–	508
The Prudential Assurance Company: unit linked	582	686
MGM Limited: unit linked	1	1
	<u>4,171</u>	<u>4,141</u>

The Trustee hold assets invested separately from the main fund in the form of insurance policies, which secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the asset values. The aggregate amounts of AVC investments are shown above.

18. Cash

	2021	2020
	£000	£000
Cash assets		
Cash	<u>86,684</u>	<u>50,252</u>

19. Other investment balances

	2021	2020
	£000	£000
Other investment balances assets		
Amounts due from brokers	264	203,202
Reverse repurchase agreements	–	47,281
Accrued rental income	1,608	1,581
Accrued income	18,995	15,059
Cash collateral held elsewhere	2,502	12,282
	<u>23,369</u>	<u>279,405</u>
Other investment balances liabilities		
Amounts due to brokers	(1,566)	(96,370)
Repurchase contracts	(354,018)	(488,811)
VAT due to HMRC	(506)	(179)
Deferred rental income	(2,693)	(2,912)
Rental deposits due to tenants	(13,883)	(13,911)
Obligation to return collateral	(2,276)	–
	<u>(374,942)</u>	<u>(602,183)</u>
	<u>(351,573)</u>	<u>(322,778)</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

19. Other investment balances *(continued)*

As at 31 March 2021 bonds are held by the Scheme amounting to £Nil (2020: £46,885,965) as part of the reverse repurchase agreements, these bonds are not recognised in the Scheme's financial statements.

As at 31 March 2021 £338,459,666 (2020: £488,787,167) of bonds reported in the Scheme assets and recognised in the Scheme's financial statements are held by counterparties in respect of amounts payable under repurchase agreements. The collateral pledged disclosed in Note 14 includes the Scheme assets deposited with counterparties to cover the exposure between the value of the bonds sold subject to repurchase and the value of the repurchase agreements.

20. Fair value determination

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 (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	At 31 March 2021			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Equities	–	103	–	103
Bonds	–	2,998,213	–	2,998,213
Property	–	–	271,910	271,910
Pooled investment vehicles	46,621	224,108	302,561	573,290
Derivatives	–	7,909	(15,964)	(8,055)
Insurance policies	–	–	1,377	1,377
Other investments	–	–	(121,200)	(121,200)
AVC investments	–	3,961	210	4,171
Cash	86,684	–	–	86,684
Other investment balances	2,445	(354,018)	–	(351,573)
	<u>135,750</u>	<u>2,880,276</u>	<u>438,894</u>	<u>3,454,920</u>

AKZO NOBEL (CPS) PENSION SCHEME
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20. Fair value determination (continued)

	At 31 March 2020			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Equities	–	103	–	103
Bonds	–	3,018,526	–	3,018,526
Property	–	–	280,870	280,870
Pooled investment vehicles	35,893	177,845	329,800	543,538
Derivatives	–	(17,583)	(7,897)	(25,480)
Insurance policies	–	–	1,512	1,512
Other investments	–	–	(116,500)	(116,500)
AVC investments	–	3,392	749	4,141
Cash	50,252	–	–	50,252
Other investment balances	118,752	(441,530)	–	(322,778)
	<u>204,897</u>	<u>2,740,753</u>	<u>488,534</u>	<u>3,434,184</u>

21. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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 risk and other price risk.

- **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 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.
- **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 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 Trustee determines its investment strategy after taking advice from its investment consultant. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

Investment risk disclosures (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Currency	Market risk Interest rate	Other price	2021 Value (£000s)	2020 Value (£000s)
Scheme assets						
Equities	*	*	*	#	103	103
Bonds (LDI)	#	*	#	*	2,998,213	3,018,526
Property	^	*	*	#	271,910	280,870
<i>Pooled investment vehicles</i>						
Equities	*	#	*	#	233,889	169,047
Property	^	*	*	#	75,684	71,207
Reinsurance	^	#	^	#	712	9,093
Infrastructure	^	*	^	*	168,291	163,732
CLO debt	#	^	#	*	57,005	83,770
Cash (pooled)	^	*	*	*	37,709	46,689
Cash (incl derivatives)	^	^	*	^	(272,944)	(298,006)
Longevity Contract	^	*	#	*	(121,200)	(116,500)
Total investments					<u>3,449,372</u>	<u>3,428,531</u>

Note: The figures in the above table have been provided by the custodian, Northern Trust and excludes the buy-in policy and AVC investments.

In the above table, the risk noted affects the asset class "#" significantly, "^" partially or "*" hardly/not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Investment strategy

The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits under the trust deed and rules as they fall due.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long term liabilities and the funding agreed with the Employer.

Following the 2020 actuarial valuation, a new de-risking plan was put in place. As part of this approach, the Trustee is targeting an investment return on its assets of gilts+1.1% p.a. decreasing to gilts+0.25% over a 8 year period from 2022.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

21. Investment risk disclosures *(continued)*

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in government bonds, corporate bonds, property (let to tenants) and has cash balances. These investments will be subject to varying degrees of credit risk and the Scheme mitigates such risk by holding a diverse range of investments including global corporate credit, UK sovereign credit, and high-grade securitised credit.

The Scheme is directly exposed to credit risk in relation to the credit instruments. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles. Direct credit risk is mitigated by diversification of investments amongst a number of credit issuers and individual instruments. The Trustee receives investment and legal advice on the appointment of new investment managers and on an ongoing basis monitors any changes to the operating environment of the credit managers.

The Scheme is exposed to a measure of credit risk relating to the longevity insurance contract.

Cash is held with financial institutions which are at least investment grade credit rated. The Trustee consider financial instruments and counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's. For details of assets exposed to direct and indirect risk, see table on page 34 and notes 10 and 14 of the financial statements.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

21. Investment risk disclosures (continued)

The following table summarises the Pooled Investment Vehicles by its legal nature:

Legal nature	2021	2020
Bermuda exempted investment company. (The Fund is set up as an exempted investment company incorporated under the laws of Bermuda to operate as a feeder fund investing all or substantially all of its assets into Iron Catastrophe Master Fund Ltd the Master Fund effective on or about January 1, 2012 (prior to such date the Fund invested in Iron Catastrophe Fund L.P., a Delaware limited partnership which in turn invested in the Master Fund))	1,581	11,091
English Limited Liability Partnership	52,516	49,876
Guernsey domiciled Protected Cell Company. (Limited liability, registered as an open-ended collective investment scheme)	57,005	83,770
Guernsey Property Unit Trust	10,671	10,552
Jersey Property Unit Trust	13,535	9,749
Limited partnership registered in England (authorised in Guernsey to be a closed-ended collective investment scheme)	31,809	26,849
Limited partnership registered in England and Wales	60,460	63,661
Luxembourg SICAV	46,564	32,708
Open ended investment company	13,643	13,985
Property Authorised Investment Fund (PAIF). (Note prior to April 2019 the fund was an Exempt Unauthorised Unit Trust (EUUT))	51,478	50,907
Registered limited partnership	23,506	23,346
UCITS Mutual Fund	24,066	32,704
Unit linked life insurance funds	91,052	63,670
Unit-Linked Insurance Fund	48,783	34,777
Unit-linked life fund (mutual fund)	46,621	35,893
	<u>573,290</u>	<u>543,538</u>

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

21. Investment risk disclosures *(continued)*

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Scheme is subject to direct currency risk in its holdings of pooled investment vehicles which are not priced in GBP. As at the year-end, £48.1 million (2020: £43.8 million) of pooled investment vehicles are held in non-Sterling denominated currencies (mainly US\$ and Euro). These are not hedged. The currency risk of some of its segregated bonds holdings is eliminated by hedging through currency forward contracts.

The Scheme is also subject to indirect currency risks through its investments in pooled funds that invest in non-Sterling underlying securities/assets. The extent to which these pooled vehicles (by asset class) are subject to indirect currency risks are set out in the table on page 33. The Trustee monitors the performance of these funds which take into account the impact of currency movements.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and gilt funds (either as segregated investments or through pooled vehicles), and cash. The Trustee has recently agreed to target a hedge ratio of 95% of liabilities, on a self-sufficiency basis. Under this strategy, if interest rates fall, the value of liability hedging (LDI) investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 44% of the total investment portfolio (2020: 54%). Assets subject to interest rate risk are set out in the table on page 33 and also notes 10 and 14 of the financial statements.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, reinsurance, and property. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. See the table on page 33 and notes 10 and 14 of the financial statements for amounts of those assets subject to this risk.

22. Concentration of investments

No investments amounted to more than 5% of the total net assets of the Scheme.

23. Employer related investments

Employer related investments are held through pooled investment vehicles (BlackRock Aquila Life World ex-UK Equity Fund and Legal & General RAFI AW 3000 Index Fund) The value of these investments was less than 5% of the Scheme's Net Assets at the year end. There were no other employer related investments during the year or at the year end.

AKZO NOBEL (CPS) PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

24. Current assets

	2021	2020
	£000	£000
Other debtors and prepayments	19	763
Cash balances	5,511	4,494
	<u>5,530</u>	<u>5,257</u>

25. Current liabilities

	2021	2020
	£000	£000
Unpaid benefits	592	832
Accrued expenses	757	–
PAYE payable	1,043	1,029
Other creditors	5	5
	<u>2,397</u>	<u>1,866</u>

26. Related party transactions

From 1 April 2013, all administrative expenses of the Scheme are met by the Principal Employer. Trustee Directors were paid fees totalling £171,443 (2020: £141,153) directly by the Principal Employer during the year.

During the year, four Trustee Directors received a pension from the Scheme and two Trustee Directors were contributing members (see page 1 for details).

As set out on page 6 and referred to in note 4, deficit funding contributions have been paid out of an escrow account set up following the 2017 valuation. As at 31 March 2021 the balance in the escrow account was £23.7m (2020: £49.8m).

Under an agreement, dated 28 September 2018, between Akzo Nobel NV and the Trustee of the Akzo Nobel (CPS) Scheme dated a guarantee is in place for Akzo Nobel NV to support the Scheme should any of the participating companies be unable to fulfil their obligations, subject to certain limitations and conditions.

AKZO NOBEL (CPS) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

27. Contingent liabilities and contractual commitments

Other than the obligation to pay continuing premiums under the longevity insurance contract after the year end, the Scheme had the following contingent liabilities and contractual commitments at 31 March 2021: £nil (2020: £nil).

The Scheme has outstanding capital commitments in relation to Equitix Infrastructure Partnership. Commitments initially contracted were £50m with undrawn commitments at the year end of £0.2m (2020: £1.6m).

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A further High Court case in November 2020 has ruled that schemes are now required to equalise transfer values paid to member prior to October 2018 to take account of GMP equalisation where applicable. The implication of these rulings on the Scheme and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Scheme and the value of any liability, is estimated not to be material to the figures presented in these accounts.

The Trustee is in the process of reviewing the impact of GMP equalisation on both current members of the scheme and those that have previously transferred out, once this review is finalised and any liability quantified, then members will be contacted.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)*(continued)*

YEAR ENDED 31 MARCH 2021

Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of Akzo Nobel (CPS) Pension Scheme ("the Scheme") covering the scheme year ("the year") to 31 March 2021.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme's engagement policy within the SIP (required under regulations 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year
- Describe the voting behaviour by, or on behalf of, Trustee (including the most significant votes cast by Trustee or on their behalf) during the year

This reporting is relatively new and is expected to evolve in future as precedent material becomes available.

In preparing this implementation statement, only the SIP dated September 2020 has been considered. The Trustee is satisfied that the policies described in the most recent version of the SIP dated September 2020 are the same or more rigorous than the previous version of the SIP.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

A copy of the latest implementation statement is made available on the Scheme's website

Common abbreviations used within this report:

- SIP: Statement of Investment Principles
- SI: Sustainable Investment
- ESG: Environmental, Social and Governance
- IC: Investment Committee
- SIG: Sustainable Investment Group

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT) *(continued)*

YEAR ENDED 31 MARCH 2021

Section 2: Adherence to the Scheme's engagement policy within the SIP

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated the day to day ESG integration and stewardship activities with companies (including voting and engagement) to its investment managers.

The Trustee has not set any specific guidelines around manager voting. As part of the review of the Statement of Investment Principles in September 2020, the Trustee considered and reviewed its stewardship and engagement policies.

Details on voting behaviour (including most significant votes cast) is included in Section 3 of this document.

Engagement with managers.

Throughout the year, the Investment Committee regularly monitors the Scheme's investment managers. Performance is monitored relative to an appropriate market benchmark where one is available or an appropriate return objective where a market benchmark is not available.

On a forward-looking basis, past performance is only one input into the Investment Committee's assessment of an investment manager, which relies on research views provided by the Scheme's investment advisors based on a range of qualitative and quantitative factors, including the consideration of SI/ESG factors as outlined below, and views of the members of the Investment Committee.

The Scheme also monitors manager performance relative to an appropriate benchmark, and no managers are terminated based on short term performance alone. Consistent with the Scheme's long investment time horizon, the Trustee seeks to be a long-term investor and the Investment Committee has appointed managers with the expectation of a long-term relationship.

The Investment Committee oversees the Scheme's investment strategy, including making certain decisions about investments (including asset allocation and manager selection). The committee has also been responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio, including within the selection and monitoring process of investment managers (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Scheme's investment advisors engage with investment managers to improve their processes as part of the manager research and monitoring process.

During the Scheme year to 31 March 2021 a Sustainable Investment Group was established as a subset of the Trustee in order to ensure that the Trustee continues to meet regulatory requirements in the area of Sustainable Investment and to accelerate the pace of the Scheme's progress towards good practice within this area. As part of this, it is expected that the SIG will improve, amongst others, Trustee engagement on the topic of Sustainable Investment. This includes inviting investment managers to SIG meetings specifically to discuss their approach to Sustainable Investment. For example, Goldman Sachs Asset Management joined the February 2021 SIG meeting to discuss their ESG processes, philosophy and capabilities for the Buy and Maintain portfolio, as well as considering ways to reduce the carbon intensity of the portfolio.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(*continued*)

YEAR ENDED 31 MARCH 2021

SIP Engagement Policies, Actions and Examples

1. Ensure portfolio is consistent with SIP policies

Engagement Policy:

- The Scheme may use different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also review the investment objectives and guidelines of any particular pooled vehicle for consistency with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate.

Action:

- The Scheme reviews the investment objectives and guidelines for an investment upon appointing a manager. For pooled funds these guidelines are reviewed via an "investment review" provided by the Scheme's investment advisor alongside a satisfactory investment (s36) letter. For segregated mandates, guidelines are written with support from the Scheme's investment advisors to ensure consistency with the Trustee's policies.

Examples:

- In the Scheme year to 31 March 2021 the Scheme appointed no new managers but made a top-up to the BlackRock Buy and Maintain Credit mandate. This was a segregated mandate and the guidelines were reviewed by both the IC and the Scheme's investment advisor to ensure consistency with the Trustee's policies and that they remained appropriate for the additional inflows.

2. Maintaining manager alignment

Engagement Policy

- To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.

Action:

- Managers are provided the SIP on an annual basis and asked to confirm consistency with policies

Examples:

- We have circulated the SIP with the Scheme's investment managers as part of the Scheme's engagement policy. We drew particular attention to the new Sustainable Investment section of the SIP and asked for their comments. All the investment managers were pleased to have sight of the SIP, and welcomed the Scheme's focus, albeit largely gave no direct comments.

3. Engaging with managers to encourage alignment

Engagement Policy:

- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee, or its advisers, will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT) *(continued)*

YEAR ENDED 31 MARCH 2021

If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

Action:

- The Trustee monitors manager portfolios on a quarterly basis with detailed bespoke reporting provided by the managers to be reviewed at IC meetings. Managers are also invited to present to the IC and SIG on a regular basis. Additionally the Scheme's managers are surveyed on an annual basis with respect to sustainable investment and rated by the Scheme's investment adviser in 10 categories relating to ESG issues. Finally, the Scheme receives updates from its investment advisor's manager research team with notable updates on managers and any changes of investment rating (which includes integration of sustainable investment/ESG characteristics within the rating).

Examples:

- Bespoke manager reports are reviewed by the IC on a quarterly basis. Additionally, over the Scheme year, BlackRock, were invited to present to the IC on the Scheme's LDI and buy-and-maintain portfolios with the manager, whilst GSAM were invited to present to the SIG specifically on sustainable investment topics in February 2021.
- At the February 2021 SIG the annual sustainable investment report was considered, rating each manager on 10 ESG factors. Areas for improvement and next steps were identified. The Scheme's investment advisors conducted multiple meetings with the Scheme's managers over the year, no changes were made to manager ratings. No managers have been terminated or replaced as a result of unsatisfactory alignment.

4. Investing with a long time horizon

Engagement Policy

- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may from time to time invest in certain strategies (e.g. hedge fund strategies) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

Action:

- Managers are asked to confirm their investment horizon is medium to long on an annual basis. The Scheme's asset allocation is reviewed at all investment committee meetings and approximated on a daily basis using the Scheme's advisor's asset and liability tracking software.

Examples:

- The IC sought confirmation of the long-term time horizon of the Scheme's investment managers as part of sharing the SIP. The investment managers welcomed the Scheme's long-term focus. The Scheme's asset allocation is reviewed at all investment committee meetings, with changes made as appropriate to align with the Scheme's long-term strategic objectives – for example increasing the allocation to buy-and-maintain credit in Q2 2020 to take advantage of attractive spreads at the time whilst aligning with the long term goal to build up cashflow generating assets. The Scheme's estimated funding level and asset allocation is approximately tracked on a daily basis and rebalancing is discussed on a regular basis as necessary.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT) *(continued)*

YEAR ENDED 31 MARCH 2021

5. Assessing managers on long-term outcomes

Engagement Policy

- The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Action:

- Long-term manager performance of all managers is provided by the Scheme's Independent Performance Measurer, Northern Trust is reviewed on a quarterly basis by the investment committee. This is supplemented by regularly inviting managers to meetings and with information on other factors based on bespoke reports from all managers detailing key mandate information and portfolio changes over the quarter. Changes to manager ratings and ad-hoc updates are provided by the Scheme's advisors manager research team as necessary.

Example:

- All quarterly performance reports and bespoke manager reports were reviewed by the investment committee. Two managers were invited to IC or SIG meetings, no manager ratings were changed by the Scheme's investment advisors. No managers were terminated off the basis of short term performance.

6. Manager fees structures

Engagement policy

- Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives. Such fee structures would therefore only be used in a limited number of cases.

Action:

- Manager fees are included on a quarterly basis as part of the bespoke reporting provided by managers. Fees negotiated on appointment and on an ad-hoc basis

Examples:

- Tiered fees have been negotiated for the Scheme's buy-and-maintain credit mandates, with the Scheme thus benefiting from lower fees as the mandates have grown in size. Performance-related fees are only included in a sub-set of secure income strategies.

7. Reviewing costs (including turnover costs)

Engagement Policy:

- The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Action:

- Manager asset management chargers are reviewed on a quarterly basis. Other costs, including turnover costs, are reviewed on an annual basis as part of an annual review of fees and costs and/or MiFID reporting. For segregated mandates turnover ranges are considered as part of the manager selection process and in manager guidelines.

Examples:

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(*continued*)

YEAR ENDED 31 MARCH 2021

- Costs, including turnover costs, were reviewed in the Scheme year as part of the MiFID II reporting process. Additionally, annual management charges are reviewed on a quarterly basis. Expected portfolio turnover (and thus transaction costs) is considered as a key factor when the investment committee assesses the performance of the Scheme's buy-and-maintain credit mandate relative to its peer group on an annual basis.

8. ESG Factors, including climate change

Engagement Policy

- The Trustee is further exploring ESG factors with its investment managers with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, in order to understand how they exercise these duties, with a view to monitoring the Scheme's managers' internal policies and processes in relation to ESG factors, and how these are practically implemented into the investment strategy at a fund level. The consideration of climate-related risks will be covered explicitly within this review.

Action:

- The Scheme's managers are surveyed on an annual basis with respect to sustainable investment and rated by the Scheme's investment adviser in 10 categories relating to ESG issues. Additionally, the Scheme receives updates from its investment advisor's manager research team with notable updates on managers and any changes of investment rating (which includes integration of sustainable investment/ESG characteristics within the rating).The Scheme's advisors also engage with managers on ESG issues on the Scheme's behalf, as well as policy makers and the industry as a whole.
- The introduction of the Sustainable Investment Group has materially increased the level of resource that can be afforded to the Trustees in order to assess the ESG credentials of the Scheme's managers, including factors related to climate change.

Examples:

- At the December 2020 SIG the Trustees agreed a set of sustainable investment beliefs, which included policies to guide their engagement with managers on ESG factors, including climate change
- At the February 2021 SIG the annual SI/ESG report was considered, rating each manager on 10 ESG factors. Areas for improvement and next steps were identified.
- In February 2021 GSAM also attended the SIG meeting and discussed their ESG processes, philosophy and capabilities for the Buy and Maintain portfolio, as well as discussing ways to reduce the carbon intensity of the portfolio.
- Subsequent to the end of the Scheme year, the SIG agreed to undertake bespoke ESG reporting both on the portfolio as a whole and individual mandates, and put in place a plan to meet TCFD requirements, including climate scenario analysis and reporting.
- The Scheme's investment advisors conducted multiple meetings with the Scheme's managers over the year, no changes were made to manager ratings.
- Examples of industry engagement by the Scheme's investment adviser include:
 - Tier 1 signatory of the UK Stewardship Code
 - A signatory of the Principles for Responsible Investment (PRI) and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations
 - A member of the Institutional Investors Group on Climate Change (IIGCC)
 - A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum)

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)*(continued)*

YEAR ENDED 31 MARCH 2021

Section 3: Voting behaviour (including most significant votes)

Voting

The Scheme's equity holdings are held within pooled investment vehicles and are managed on a passive basis relative to a defined index, with the exception of the standalone emerging market mandate with Genesis. The Trustee delegates voting rights and the execution of those rights to the underlying managers for the securities they hold.

The Scheme's investment advisors engage managers on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements.

Further information on the voting and engagement activities of the managers is provided below. All commentary is provided directly by the managers, references to "us" or "we" refers to the managers themselves rather than the Scheme.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT) *(continued)*

YEAR ENDED 31 MARCH 2021

BlackRock - Aquila Life World (Ex UK) Equity Index Fund

Total fund size:	£1,870,000,000
Akzo Nobel's proportion of total fund:	2.6%

Voting Statistics (over the year to 31 March 2021)

How many meetings were you eligible to vote at?	2,152
How many resolutions were you eligible to vote on?	25,744
What % of resolutions did you vote on for which you were eligible?	100% 25,743 proposals
Of the resolutions on which you voted, what % did you vote with management?	93% 24,106 proposals*
Of the resolutions on which you voted, what % did you vote against management?	6% 1,637 proposals*
Of the resolutions on which you voted, what % did you abstain from voting?	0% 128 proposals*
In what % of meetings, for which you did vote, did you vote at least once against management?	29% 636 meetings
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0% 83 proposals
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	
We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.	

* Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

Voting Policies (over the year to 31 March 2021)

What is your policy on consulting with clients before voting?
<i>BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.</i>
<i>Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given us authority, through</i>
Please provide an overview of your process for deciding how to vote
<i>The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

How, if at all, have you made use of proxy voting services?

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.

What process did you follow for determining the "most significant" votes?

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?

- 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding
- 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
- 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
- 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
- 5) There are differences between the stewardship policies of managers and their clients

As an investment manager, BlackRock has a duty of care to its clients. BlackRock's duty extends to all of its employees and is critical to our reputation and business relationships, and to meeting the requirements of our various regulators worldwide. Employees are held responsible by BlackRock to seek to avoid any activity that might create potential or actual conflicts with the interests of clients.

BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest. The program is carried out through our employees' adherence to relevant policies and procedures, a governance and oversight structure and employee training.

Among the various policies and procedures that address conflicts of interest is BlackRock's Global Conflicts of Interest Policy. This policy governs the responsibility of BlackRock and its employees to place our clients' interests first and to identify and manage any conflicts of interest that may arise in the course of our business. In order to mitigate potential and actual conflicts of interest, each BlackRock employee must, among other things:

- Identify potential or actual conflicts of interest both in relation to existing arrangements and when considering changes to, or making new, business arrangements;
- Report any conflicts of interest promptly to his/her supervisor and Legal & Compliance;
- Avoid (where possible) or otherwise take appropriate steps to mitigate a conflict to protect our clients' interests; and
- Where appropriate, disclose conflicts of interest to clients prior to proceeding with a proposed arrangement

BlackRock Legal & Compliance conducts mandatory annual compliance training, which includes a discussion of the Global Conflicts of Interest Policy.

Read more about how we manage conflicts of interest in our Global Corporate Governance and Engagement Principles found [here](https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf) <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>, and in our stand alone statement found [here](https://www.blackrock.com/corporate/literature/publication/blk-statement-conflicts-of-interest.pdf) <https://www.blackrock.com/corporate/literature/publication/blk-statement-conflicts-of-interest.pdf>

For more information about securities lending, please see our commentary, *Securities Lending Viewed through the Sustainability Lens* [here](https://www.blackrock.com/corporate/literature/publication/securities-lending-viewed-through-the-sustainability-lens.pdf) <https://www.blackrock.com/corporate/literature/publication/securities-lending-viewed-through-the-sustainability-lens.pdf>

Please include here any additional comments which you believe are relevant to your voting activities or processes

On behalf of our clients we intend to vote at all shareholder meetings of companies in which our clients are invested. In certain markets, there might be regulatory constraints or operational issues which can affect BlackRock's ability to vote certain proxies, as well as the desirability of doing so. We do not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy the constraint. Where we experience impediments in relation to a specific shareholder meeting, we will review the resolutions to assess whether the business under consideration warrants voting despite the complications caused by the impediment. For example, we currently

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

do not vote at shareholder meetings that require share blocking: the restriction that is imposed when a vote is cast represents a liquidity constraint on the portfolio managers and increases the risk of failed trades, which can be costly to clients. BlackRock may in its discretion determine that the value of voting outweighs the costs of blocking shares from trading, and thus cast the vote and block the shares in that instance.

With regards to US assets, we have approximately a 100% success rate in voting our funds' assets, with the exception of certain portfolios that utilize a long/short strategy whereby the funds leverage may prevent us from voting.

With regards to non-U.S. assets generally, we have approximately a 90% success rate in voting our funds' assets. Of the remaining: 8% were uninstructed due to share blocking, and 2% of the votes go unexecuted result from either the fund's leverage or market-based impediments such as ballots received post cut-off date or post meeting date, meeting specific power of attorney requirements, special documentation, etc.

Most Significant Votes (over the year to 31 March 2021)

Please provide the company name and date of the vote
<i>Santos Limited., 3rd April 2020.</i>
Please provide an approximate size of the holding as at the date of the vote
<i>Not provided</i>
Please provide a summary of the resolution
<i>Approve Climate Related Lobbying</i>
How did you vote?
<i>Against</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>Not provided</i>
Please provide a brief rationale for your voting decision
<i>Upon serious engagement and discussion, conditional support of management.</i>
What was the outcome of the vote?
<i>Withdrawn</i>
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>Not provided</i>
On which criteria have you assessed this vote to be "most significant"?
<i>Vote Bulletin</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

Genesis - MFO GENESIS EMERGING MKTS INV - B

Total fund size: £1,961,454,842

Akzo Nobel's proportion of total fund: 2.4%

Voting Statistics (over the year to 31 March 2021)

How many meetings were you eligible to vote at?	143
How many resolutions were you eligible to vote on?	1,317
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	87%*
Of the resolutions on which you voted, what % did you vote against management?	11%*
Of the resolutions on which you voted, what % did you abstain from voting?	3%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	8%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	
We use Institutional Shareholder Services, Inc. ("ISS") to execute votes, keep various records necessary for tracking proxy voting materials and provide proxy research and recommendations. Although ISS executes our proxy voting, the voting decisions are made by our PMs, independent from company management or external recommendations.	

*Figures may not sum to 100% due to rounding

Voting Policies (over the year to 31 March 2021)

What is your policy on consulting with clients before voting?
<i>In all voting decisions, our objective is to protect and enhance long-term shareholder value. Proxy voting decisions are based on our set of corporate governance principles and in the best interests of clients but we are mindful of the varied market practices across emerging market countries and we recognise that more than one governance model may be effective.</i>
Please provide an overview of your process for deciding how to vote
<i>We view proxy voting as an investment function and in evaluating a proposal, our investment team draw on a variety of resources including their many years of experience as investment analysts. We are long-term investors and our detailed knowledge and internal assessment of a company's business, performance and management is supplemented by the results of our ongoing engagement efforts, company disclosures and external research.</i>
How, if at all, have you made use of proxy voting services?
<i>Genesis has contracted with Institutional Shareholder Services, Inc. (ISS), an independent third-party provider of proxy voting and corporate governance services. Specifically, ISS has been retained to provide proxy research and recommendations, execute votes as instructed by Genesis and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for our clients' accounts. ISS services, performance and potential conflicts of interest are reviewed on a periodic basis.</i>
What process did you follow for determining the "most significant" votes?
<i>Genesis considers any vote significant that is against the management recommendation.</i>
Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings? 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding; 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer

5) There are differences between the stewardship policies of managers and their clients

No

Please include here any additional comments which you believe are relevant to your voting activities or processes

Our proxy voting guidelines are based on a core set of corporate governance principles and we assess each proxy proposal in light of these principles and the particular circumstances of the company.

Most Significant Vote (over the year to 31 March 2021)

Please provide the company name and date of the vote

58.com Inc., 7th September 2020

Please provide an approximate size of the holding as at the date of the vote

1.37%

Please provide a summary of the resolution

Approve Merger Agreement

How did you vote?

Against Management

If voting against management, did you communicate your intent to the company ahead of the vote?

No

Please provide a brief rationale for your voting decision

Material concerns regarding the offer price (which we believe is insufficient) and the inherent conflicts of interest and poor corporate governance relating to the transaction.

What was the outcome of the vote?

The going private offer was approved at the EGM over the objections and negative votes of the minority shareholders.

What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?

We have recommended that our clients pursue their right for a fair value assessment of their shares in a dissent litigation. This is an ongoing.

On which criteria have you assessed this vote to be "most significant"?

Genesis considers any vote significant that is against the management recommendation.

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

Legal and General Investment Managers - FTSE RAFI All World 3000 Equity

Total fund size:	£6,375,794,981
Akzo Nobel's proportion of total fund:	0.7%

Voting Statistics (over the year to 31 March 2021)

How many meetings were you eligible to vote at?	4,160
How many resolutions were you eligible to vote on?	49,156
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	82%*
Of the resolutions on which you voted, what % did you vote against management?	18%*
Of the resolutions on which you voted, what % did you abstain from voting?	0%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	

*Figures may not sum to 100% due to rounding

Voting Policies (over the year to 31 March 2021)

What is your policy on consulting with clients before voting?
<i>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</i>
<i>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</i>
Please provide an overview of your process for deciding how to vote
<i>All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</i>
How, if at all, have you made use of proxy voting services?
<i>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

What process did you follow for determining the "most significant" votes?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website

Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?

- 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
- 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
- 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
- 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
- 5) There are differences between the stewardship policies of managers and their clients

Please refer to the LGIM investment stewardship conflict of interest document at the following link: <https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

Please include here any additional comments which you believe are relevant to your voting activities or processes

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Most Significant Vote (over the year to 31 March 2021)

Please provide the company name and date of the vote
<i>Qantas Airways Limited, 23rd October 2020</i>
Please provide an approximate size of the holding as at the date of the vote
<i>Not provided</i>
Please provide a summary of the resolution
<i>Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.</i>
How did you vote?
<i>LGIM voted against resolution 3 and supported resolution 4.</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.</i>
Please provide a brief rationale for your voting decision
<i>The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.</i>
What was the outcome of the vote?
<i>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.</i>
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>We will continue our engagement with the company.</i>
On which criteria have you assessed this vote to be "most significant"?
<i>It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

Legal and General Investment Managers - MSCI World Adaptive Capped 2x Index Fund

Total fund size: £1,789,910,536

Akzo Nobel's proportion of total fund: 2.6%

Voting Statistics (over the year to 31 March 2021)

How many meetings were you eligible to vote at?	1,923
How many resolutions were you eligible to vote on?	25,454
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	81%*
Of the resolutions on which you voted, what % did you vote against management?	19%*
Of the resolutions on which you voted, what % did you abstain from voting?	0%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	

*Figures may not sum to 100% due to rounding

Voting Policies (over the year to 31 March 2021)

What is your policy on consulting with clients before voting?
<i>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</i>
<i>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</i>
Please provide an overview of your process for deciding how to vote
<i>All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</i>
How, if at all, have you made use of proxy voting services?
<i>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

What process did you follow for determining the "most significant" votes?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website

Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?

- 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
- 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
- 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
- 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
- 5) There are differences between the stewardship policies of managers and their clients

Please refer to the LGIM investment stewardship conflict of interest document at the following link: <https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

Please include here any additional comments which you believe are relevant to your voting activities or processes

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Most Significant Vote (over the year to 31 March 2021)

Please provide the company name and date of the vote
<i>Qantas Airways Limited, 23rd October 2020</i>
Please provide an approximate size of the holding as at the date of the vote
<i>Not provided</i>
Please provide a summary of the resolution
<i>Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.</i>
How did you vote?
<i>LGIM voted against resolution 3 and supported resolution 4.</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.</i>
Please provide a brief rationale for your voting decision
<i>The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.</i>
What was the outcome of the vote?
<i>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.</i>
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>We will continue our engagement with the company.</i>
On which criteria have you assessed this vote to be "most significant"?
<i>It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

State Street Global Advisors - MPF All World Equity Low Volatility / High Quality Screened Fund

Total fund size: £46,639,976

Akzo Nobel's proportion of total fund: 100%

Voting Statistics (over the year to 31 March 2021)

How many meetings were you eligible to vote at?	1,182
How many resolutions were you eligible to vote on?	14,399
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	90%*
Of the resolutions on which you voted, what % did you vote against management?	10%*
Of the resolutions on which you voted, what % did you abstain from voting?	1%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	7%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	
ISS	

*Figures may not sum to 100% due to rounding

Voting Policies (over the year to 31 March 2021)

What is your policy on consulting with clients before voting?
<i>All voting decisions are exercised in accordance with our in-house guidelines or specific client instructions.</i>
Please provide an overview of your process for deciding how to vote
<i>In order to facilitate SSGA's proxy voting process, SSGA retains Institutional Shareholder Services Inc. (ISS), a firm with expertise in proxy voting and corporate governance. SSGA utilizes ISS's services in three ways. First, as SSGA's proxy voting agent, ISS provides SSGA with vote execution and administration services. Second, ISS applies SSGA's Proxy Voting Guidelines where appropriate. Lastly, ISS provides the highest level of research and analysis related to general corporate governance issues and specific proxy items. The Stewardship team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS affects the proxy votes in accordance with SSGA's Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship team. Members of the Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with SSGA's Proxy Voting Guidelines, which seek to maximize the value of our client accounts. As an extra precaution, the Stewardship team will refer significant issues to the PRC for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether or not to refer a proxy vote to the PRC. For instance, the Stewardship team takes seriously whether a material conflict of interest exists between our client and those of SSGA or its affiliates. If such a case occurs, there are detailed guidelines for how to address this concern (i.e., please refer to our Mitigating Conflict of Interest Guidelines for additional details). SSGA votes in all markets where it is feasible. However, when SSGA deems appropriate, it could refrain from voting meetings in cases as listed below:</i>
<i>1. Where power of attorney documentation is required,</i>
<i>2. Voting will have a material impact on our ability to trade the security,</i>
<i>3. Voting is not permissible due to sanctions affecting a company or individual, or</i>
<i>4. Issuer-specific special documentation is required or various market or issuer certifications are required.</i>
<i>5. SSGA is unable to vote proxies when certain custodians, used by our clients, do not offer proxy voting in a jurisdiction or when they charge a meeting specific fee in excess of the typical custody service agreement.</i>

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

SSGA's Vote Prioritization Process:

SSGA votes at over 17,000 meetings on an annual basis and prioritizes companies for review based on factors including the size of our holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, SSGA will not only allocate appropriate time and resources to shareholder meetings, but will also assign specific ballot items of interest to ensure maximization of value for our clients.

All voting decisions are exercised exclusively in accordance with SSGA's in-house policies and/or specific client instructions. SSGA has established robust controls and auditing procedures to ensure that votes cast are executed in accordance with SSGA instructions. Transparency on these key issues is vital at SSGA. In this regard, SSGA publishes a record of its global voting activity on the Asset Stewardship section of the website.

Please refer to SSGA's Standard Proxy Voting Guidelines.

How, if at all, have you made use of proxy voting services?

State Street Global Advisors has contracted the services of a third party provider - Institutional Shareholder Services ("ISS") - to assist us with the management of the voting process and provide inputs into our research of shareholder meetings. We use ISS as:

- a proxy voting agent providing us with vote execution and administration services;
- our trusted resource for applying Proxy Voting Guidelines; and
- our provider of research and analysis relating to general corporate governance issues and specific proxy items.

In addition to ISS, State Street Global Advisors has access to proxy research from a number of global and regional providers including Glass Lewis & Co. and the Institutional Voting Information Service.

Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items. All final voting decisions are based on State Street Global Advisor's proxy voting policies and in-house operational guidelines.

What process did you follow for determining the "most significant" votes?

State Street Global Advisors identifies "significant votes" for the purposes of Shareholder Rights Directive II as follows:

1. All votes on environmental related shareholder proposals.
2. All votes on compensation proposals where we voted against the company management's recommendation.
3. All against votes on the re-election of board members due to poor ESG performance of their companies (as measured by their R-Factor ESG score*).
4. All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies (as measured by their R-Factor CorpGov score**).
5. All against votes on the re-election of board members due to a lack of gender diversity on board.

In the report our clients have the option to apply all or some of the criteria listed above to their portfolios (using filters) depending on their requirements. In addition, our reports offer the option to apply a market cap data filter to further reduce the population of significant votes when required.

*In 2019, we created an engagement and voting screen that leverages R-Factor, our proprietary scoring system. R-Factor measures the performance of a company's business operations and governance as it relates to financially material and industry-specific ESG risk factors, as defined by the Sustainability Accounting Standards Board (SASB). Beginning in the 2020 proxy season, we started taking action against board members at companies in the S&P 500, FTSE 350, ASX 100, TOPIX 100, DAX 30 and CAC 40 indices that are laggards based on their R-Factor scores and that cannot articulate how they plan to improve their score.

**In 2020, our team implemented a proactive screen to identify portfolio companies in our key markets that do not comply with their country-specific governance codes. The screen's methodology centers around the R-Factor Corporate Governance score component (CorpGov), leveraging our proprietary framework to develop insights and drive our engagements with companies identified as laggards based on their low-ranking scores relative to their domestic and global peers. Laggard companies score in the bottom 10% relative to their local peers, and belong to one of the major indices where we applied the screen. Since most governance codes are implemented on a comply-or-explain basis,

AKZO NOBEL (CPS) PENSION SCHEME

IMPLEMENTATION STATEMENT (FORMING PART OF TRUSTEE'S REPORT)(continued)

YEAR ENDED 31 MARCH 2021

we engaged with these companies to understand their reasons for the laggard score status. In the event companies were unable to provide effective explanations for their noncompliance or have not made evident progress to improve their practices, we held them accountable by taking voting action against the independent leader of the board standing for election.

Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?

- 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
- 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
- 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
- 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
- 5) There are differences between the stewardship policies of managers and their clients

No answer provided.

Please include here any additional comments which you believe are relevant to your voting activities or processes

No answer provided.

Most Significant Vote (over the year to 31 March 2021)

Please provide the company name and date of the vote

Alphabet Inc., 3rd June 2020

Please provide an approximate size of the holding as at the date of the vote

1.4%

Please provide a summary of the resolution

Advisory Vote to Ratify Named Executive Officers' Compensation

How did you vote?

Against

If voting against management, did you communicate your intent to the company ahead of the vote?

We do not publicly communicate our vote in advance.

Please provide a brief rationale for your voting decision

This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.

What was the outcome of the vote?

75% for, 25% against

What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?

Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.

On which criteria have you assessed this vote to be "most significant"?

Compensation