

**AKZO NOBEL (CPS) PENSION SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**  
**PENSION SCHEME REFERENCE NUMBER: 10161703**

**AKZO NOBEL (CPS) PENSION SCHEME**

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**YEAR ENDED 31 MARCH 2022**

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# AKZO NOBEL (CPS) PENSION SCHEME

## TRUSTEE AND ADVISERS

YEAR ENDED 31 MARCH 2022

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<b>Principal Employer</b>	Akzo Nobel UK Ltd The AkzoNobel Building Wexham Road Slough SL2 5DS
<b>Trustee</b>	Akzo Nobel (CPS) Pension Trustee Limited
<b>Trustee Directors</b>	Ms J Shannon (Chair) (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 (resigned 4 November 2021) The Law Debenture Pension Trust Corporation p.l.c **^+&  *Investment committee member ^Valuation committee member +Administration committee member &Sustainable investing group member
<b>Secretary to the Trustee</b>	Mr M Trueblood The AkzoNobel Building Wexham Road Slough SL2 5DS
<b>Administrator</b>	Towers Watson Limited (trading as WTW) PO Box 545 Redhill Surrey RH1 1YX
<b>Actuary</b>	Mr G Oxtoby F.I.A Towers Watson Limited (trading as WTW) Watson House London Road Reigate Surrey RH2 9PQ
<b>Independent auditor</b>	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4OA
<b>Legal advisers</b>	Travers Smith LLP 10 Snow Hill London EC1A 2AL
<b>Investment consultants</b>	Towers Watson Limited (trading as WTW)

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## AKZO NOBEL (CPS) PENSION SCHEME

### TRUSTEE AND ADVISERS *(continued)*

YEAR ENDED 31 MARCH 2022

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<b>Investment managers</b>	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 (until 28 February 2022) 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
<b>Investment custodians</b>	The Northern Trust Company
<b>AVC providers</b>	The Standard Life Assurance Company The Prudential Assurance Company Limited Scottish Friendly Assurance Aviva Life and Pensions UK Limited Phoenix Alba Life
<b>Longevity insurer</b>	ReAssure Limited
<b>Bankers</b>	Barclays Bank Plc

# **AKZO NOBEL (CPS) PENSION SCHEME**

## **TRUSTEE'S REPORT**

**YEAR ENDED 31 MARCH 2022**

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### **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 2022.

### **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 four occasions. In addition, the investment committee met on four occasions and the administration committee on four occasions. Additionally the Sustainable Investing Group met four times and the Valuation committee twice.

The Scheme rules contain provisions for the appointment and removal of Trustee Directors. The Trustee Board at full strength comprises the Chair, one Trustee Director selected from the contributing members of the Scheme, three Trustee Directors selected 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 drawn from Scheme 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, Ian Walton and Jim Kavanagh.

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

### **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 electronically 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 2022

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#### 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 2022

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#### Membership

The changes in membership during the year are as follows:

	Active members	Deferred members	Pensioners, spouses and dependants	Total
At 1 April 2021	304	5,993	16,989	23,286
Adjustments to prior period	(8)	(123)	(4)	(135)
Retirements	(7)	(273)	280	-
Members leaving with deferred benefits	(16)	16	-	-
Deaths	-	(60)	(830)	(890)
New spouses and dependants pensions	-	-	205	205
Commutations and entitlements ceasing	-	(65)	(70)	(135)
Transfers out	-	(61)	-	(61)
<b>At 31 March 2022</b>	<u>273</u>	<u>5,427</u>	<u>16,570</u>	<u>22,270</u>

In addition to the above there are 225 (2021: 271) contingent deferred pensioners and 2,883 (2021: 3,170) deferred pensioners due only a lump sum payment from the Scheme on retirement.

At the year end there were 3,932 (2021: 4,101) 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 2020	1.7%
6 April 2021	0.5%
6 April 2022	3.1%

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 3.1%.

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.

Deferred pensions were increased in line with statutory requirements.

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.

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## AKZO NOBEL (CPS) PENSION SCHEME

### TRUSTEE'S REPORT *(continued)*

#### YEAR ENDED 31 MARCH 2022

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##### **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 has paid a further £3.7 million during 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 2022

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#### 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.

##### Going Concern

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.

As a result of the recent political events there was a dramatic downturn in UK debt markets in September 2022 which impacted LDI portfolios and provision of additional collateral. The Scheme has a sufficient buffer within the LDI portfolio to withstand rise in gilt rates and the LDI portfolio has been able to meet its collateral calls without the need for additional cash input as at the date these financial statements were approved. The Trustee has designed and implemented an investment strategy to withstand short term fluctuations. The Trustee continues to take proactive and considered steps, in conjunction with their advisers, to assess the situation and respond to it.

# AKZO NOBEL (CPS) PENSION SCHEME

## TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2022

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### 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.

### 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 12, the SIP is also available on link: <http://akzonobelcspensionscheme.co.uk/library.html>

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 +1.1% p.a. decreasing to gilts +0.25% over a 10 year period from 2020. The asset allocation as at 31 March 2022 is provided below.

<b>Asset Class</b>	<b>Proportion as at 31/03/2022</b>	<b>Value as at 31/03/2022</b>
	<b>%</b>	<b>£m</b>
Equities	5	191
Property	11	389
LDI portfolio	85	2,959
Secure income assets	5	168
Cash deposits, derivatives and other pending investments	-6	-206
<b>Total</b>	<b>100</b>	<b>3,501</b>

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 2022

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##### 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
	%	%
2022	+1.5	+1.0
2021	+3.7	+0.6
2020	+4.1	+3.2
2019	+6.2	+6.1
2018	+3.3	+2.8
3 year (annualised)	+3.1	+2.5
5 year (annualised)	+3.8	+3.1

Note: The numbers above have been provided by the Scheme's custodian, Northern Trust, as at 31 March 2022, 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 2022

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#### **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.
- 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
- 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. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the IC will consider terminating and replacing the manager.
- 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.

## **AKZO NOBEL (CPS) PENSION SCHEME**

### **TRUSTEE'S REPORT** *(continued)*

#### **YEAR ENDED 31 MARCH 2022**

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##### **Socially responsible investments** *(continued)*

- 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.
- 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.
- 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.

The Trustee's Implementation Statement 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.

##### **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**

At the year-end employer related investments are held indirectly through pooled investment vehicles (Legal & General MSCI ACWI Adaptive Capped ESG Index Fund). The value of employer related investments within this fund 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

### TRUSTEE'S REPORT *(continued)*

YEAR ENDED 31 MARCH 2022

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#### 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 members 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:

**Towers Watson**  
**Akzo Nobel (CPS) Pension Scheme**  
**PO Box 545**  
**Redhill**  
**Surrey**  
**RH1 1YX**  
**(e mail: [cps.pacontact@wtwco.com](mailto:cps.pacontact@wtwco.com))**

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

*I Walton*

Trustee Director

Date 20/10/2022

*Keith Scott*

Director for the Law Debenture Pension  
Trust Corporation plc

Trustee Director

Date 20/10/2022

## **AKZO NOBEL (CPS) PENSION SCHEME**

### **ACTUARIAL CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS**

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#### **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**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

**Date** 28 September 2021

## AKZO NOBEL (CPS) PENSION SCHEME

### TRUSTEE'S SUMMARY OF CONTRIBUTIONS

YEAR ENDED 31 MARCH 2022

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#### 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 monitoring 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 2022

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 2022. The Scheme auditor report on contributions payable under the schedules in their auditor's statement about contributions.

	£000
<b>Contributions required by the Schedules of Contributions</b>	
<b>Employers</b>	
Normal contributions	6,606
Deficit funding contributions	3,748
<b>Employees</b>	
Normal contributions	15
Contributions payable under the Schedules (as reported on by the Scheme auditor and reported in the financial statements)	<u>10,369</u>
<b>Other contributions</b>	
<b>Employees</b>	
Additional voluntary contributions	124
<b>Total contributions reported in the financial statements</b>	<u><u>10,493</u></u>

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

*I Walton*

Trustee Director

Date 20/10/2022

*Keith Scott*

Director for the Law Debenture Pension Trust Corporation plc

Trustee Director

Date 20/10/2022



## **AKZO NOBEL (CPS) PENSION SCHEME**

### **INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE**

#### **YEAR ENDED 31 MARCH 2022**

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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 2022 which is set out on page 14.

In our opinion contributions for the Scheme year ended 31 March 2022 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid for the period from 1 April 2021 to 27 September 2021 at least in accordance with the Schedule of Contributions certified by the Actuary on 28 September 2018 subsequently at least in accordance with the Schedule of Contributions certified by the Actuary on 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 14, 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.

*G. Broom*

Gemma Broom  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE

Date 20 October 2022

## **AKZO NOBEL (CPS) PENSION SCHEME**

### **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE**

**YEAR ENDED 31 MARCH 2022**

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#### **Opinion**

We have audited the financial statements of the Akzo Nobel (CPS) Pension Scheme ("the Scheme") for the year ended 31 March 2022 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 2022 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 3A 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 it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the 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.

## AKZO NOBEL (CPS) PENSION SCHEME

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

#### YEAR ENDED 31 MARCH 2022

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#### **Fraud and breaches of laws and regulations - ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of the Trustee as to the Scheme's high-level policies and procedures to prevent and detect fraud as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board 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 Trustee (or its delegates including the Scheme administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the valuation of the Scheme's directly held property, longevity swap and level 3 pooled investment vehicles. 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 agreed schedules or pre-determined by the Trustee; 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.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

##### *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 its delegate (as required by auditing standards), and discussed with the Trustee and its 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.

## AKZO NOBEL (CPS) PENSION SCHEME

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

YEAR ENDED 31 MARCH 2022

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#### **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 its 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 15 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.

## AKZO NOBEL (CPS) PENSION SCHEME

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

YEAR ENDED 31 MARCH 2022

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#### **Trustee's responsibilities**

As explained more fully in its 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

#### **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](http://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.

*G. Broom*

Gemma Broom  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE

Date 20 October 2022

**AKZO NOBEL (CPS) PENSION SCHEME****FUND ACCOUNT****YEAR ENDED 31 MARCH 2022**

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	Note	2022 £000	2021 £000
<b>Contributions and benefits</b>			
Employer contributions		10,354	32,005
Employee contributions		139	179
Total contributions	4	<u>10,493</u>	<u>32,184</u>
Benefits	5	(121,065)	(122,639)
Payments to and on account of leavers	6	(24,427)	(18,869)
Administrative expenses	7	(6)	(5)
		<u>(145,498)</u>	<u>(141,513)</u>
<b>Net withdrawals from dealings with members</b>		<b>(135,005)</b>	<b>(109,329)</b>
<b>Returns on investments</b>			
Investment income	8	62,655	70,702
Change in market value of investments	9	12,314	61,017
Investment management expenses	10	(3,041)	(1,912)
<b>Net return on investments</b>		<b>71,928</b>	<b>129,807</b>
<b>Net (decrease)/increase in the fund during the year</b>		<b>(63,077)</b>	<b>20,478</b>
<b>Net assets of the Scheme</b>			
At 1 April		<u>3,458,053</u>	<u>3,437,575</u>
<b>At 31 March</b>		<b><u>3,394,976</u></b>	<b><u>3,458,053</u></b>

The notes on pages 22 to 41 form part of these financial statements.

**AKZO NOBEL (CPS) PENSION SCHEME****STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)****AS AT 31 MARCH 2022**

	Note	2022 £000	2021 £000
<b>Investment assets</b>	<b>9</b>		
Equities		103	103
Bonds		2,958,779	2,998,213
Property	12	309,145	271,910
Pooled investment vehicles	13	468,946	573,290
Derivatives	14	48,953	18,486
Insurance policies	15	1,219	1,377
AVC investments	17	3,978	4,171
Cash	18	63,759	86,684
Other investment balances	19	73,753	23,369
		<u>3,928,635</u>	<u>3,977,603</u>
<b>Investment liabilities</b>	<b>9</b>		
Derivatives	14	(36,000)	(26,541)
Longevity hedging insurance contract	16	(114,510)	(121,200)
Other investment balances	19	(386,227)	(374,942)
		<u>(536,737)</u>	<u>(522,683)</u>
<b>Total investments</b>		<u>3,391,898</u>	<u>3,454,920</u>
<b>Current assets</b>	<b>24</b>	<b>5,870</b>	<b>5,530</b>
<b>Current liabilities</b>	<b>25</b>	<b>(2,792)</b>	<b>(2,397)</b>
<b>Net assets of the Scheme at 31 March</b>		<u><u>3,394,976</u></u>	<u><u>3,458,053</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 8 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:**

*I Walton*

*Keith Scott*

Director for the Law Debenture Pension  
Trust Corporation plc

Trustee Director

Trustee Director

Date 20/10/2022

Date 20/10/2022

The notes on pages 22 to 41 form part of these financial statements.

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2022**

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**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 on page 12.

**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 the impact of the current economic environment on investments, future income and capital growth, portfolio liquidity, cashflow requirements and the Employer covenant. The Trustee has considered the impact of the current economic environment 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%, the most recent formal measuring point. No further deficit contributions are due under the current Schedule of Contributions. 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.

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 2022**

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**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 2022**

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**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 2022**

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**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 2022. 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 benefits 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 2022**

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**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**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Employer contributions</b>		
Normal	<b>6,606</b>	5,905
Deficit funding	<b>3,748</b>	26,100
	<u><b>10,354</b></u>	<u>32,005</u>
<b>Employee contributions</b>		
Normal	<b>15</b>	24
Additional voluntary contributions	<b>124</b>	155
	<u><b>139</b></u>	<u>179</u>
	<u><b>10,493</b></u>	<u>32,184</u>

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 additional contribution to the Scheme of £26.1m, in March 2021 plus an additional payment of £3.7m equal in amount to the remaining Deficit Escrow Assets following the release of £20 million to the Company.

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 2022**

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**5. Benefits**

	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
Pensions	<b>109,774</b>	110,635
Commutations and retirement lump sums	<b>10,997</b>	10,953
Lump sum death benefits	<b>191</b>	614
Taxation (where lifetime or annual allowance exceeded)	<b>103</b>	437
	<b><u>121,065</u></b>	<u>122,639</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**

	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
Individual transfers to other schemes	<b><u>24,427</u></b>	<u>18,869</u>

**7. Administrative expenses**

	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
Administration and processing	-	(1)
Other fees	<b>6</b>	6
	<b><u>6</u></b>	<u>5</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**

	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
Net income from properties	<b>8,077</b>	7,476
Income from bonds	<b>58,323</b>	56,802
Dividends from equities	<b>10</b>	(6)
Income from pooled investment vehicles	<b>6,335</b>	4,769
Income from derivatives	<b>(9,703)</b>	2,045
Income from annuities	<b>387</b>	373
Income from repurchase agreement	<b>(783)</b>	(2,111)
Income on cash deposits and cash equivalents	<b>9</b>	1,354
	<b><u>62,655</u></b>	<u>70,702</u>

The net income from properties above has been reduced by an amount of £5,600,000 (2021: £1,452,000) relating to property expenses deducted.

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2022**

**9. Investments**

	<b>Value as at 01/04/21 £000</b>	<b>Purchases at cost and derivative payments £000</b>	<b>Sales proceeds and derivative receipts £000</b>	<b>Change in market value £000</b>	<b>Value as at 31/03/22 £000</b>
Equities	103	–	(21)	21	<b>103</b>
Bonds	2,998,213	444,347	(402,813)	(80,968)	<b>2,958,779</b>
Property	271,910	2,780	(4,625)	39,080	<b>309,145</b>
Pooled investment vehicles	573,290	444,229	(570,322)	21,749	<b>468,946</b>
Derivatives	(8,055)	12,406	(21,553)	30,155	<b>12,953</b>
Insurance policies	1,377	–	–	(158)	<b>1,219</b>
Longevity swap	(121,200)	5,845	–	845	<b>(114,510)</b>
AVC investments	4,171	124	(599)	282	<b>3,978</b>
	<u>3,719,809</u>	<u>909,731</u>	<u>(999,933)</u>	<u>11,006</u>	<u><b>3,640,613</b></u>
Cash	86,684			1,311	<b>63,759</b>
Other investment balances	(351,573)			(3)	<b>(312,474)</b>
	<u>3,454,920</u>			<u>12,314</u>	<u><b>3,391,898</b></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:

	<b>2022</b>			<b>Total</b>	<b>2021</b>
	<b>Fees £000</b>	<b>Commission £000</b>	<b>Taxes £000</b>	<b>£000</b>	<b>Total £000</b>
Equities	150	–	–	<b>150</b>	–
Other	130	–	–	<b>130</b>	457
Total 2022	<u>280</u>	<u>–</u>	<u>–</u>	<u><b>280</b></u>	<u>–</u>
Total 2021	<u>457</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>457</u>

**10. Investment management expenses**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Management fees	<u><b>3,041</b></u>	<u><b>1,912</b></u>

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2022**

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**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**

	<b>2022</b>	2021
	<b>£000</b>	£000
UK Property - direct	<b><u>309,145</u></b>	<u>271,910</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:

	<b>2022</b>	2021
	<b>£000</b>	£000
Equity	<b>190,752</b>	233,889
Bond	-	57,005
Hedge funds	<b>346</b>	712
Private equity	<b>167,954</b>	168,291
Property	<b>80,169</b>	75,684
Cash	<b>29,725</b>	37,709
	<b><u>468,946</u></b>	<u>573,290</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:

	<b>31 March 2022</b>		<i>31 March 2021</i>	
	<b>Assets</b>	<b>Liabilities</b>	<i>Assets</i>	<i>Liabilities</i>
	<b>£000</b>	<b>£000</b>	£000	£000
Swaps	48,264	(25,236)	9,059	(25,023)
Forward FX contracts	689	(10,764)	9,427	(1,518)
	<u>48,953</u>	<u>(36,000)</u>	<u>18,486</u>	<u>(26,541)</u>

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**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 £7,275,000 (2021: £2,501,000) and received cash collateral of £75,000 (2021: £2,276,000), this collateral is reported within other investment balances. In addition, the Scheme has pledged collateral in the form of gilts with market value of £8,925,000 (2021: 46,120,000) 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:

<b>Nature</b>	<b>No. of contracts</b>	<b>Notional amounts £000</b>	<b>Expires</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
Interest rate swap (receiving fixed/paying floating)	108	283,555	2022-2072	286	(20,314)
Interest rate swap (paying fixed/receiving floating)	108	374,187	2022-2051	27,214	(20)
Inflation rate swaps (paying fixed/receiving floating)	9	194,598	2023-2031	20,764	–
Inflation rate swap (receiving fixed/paying floating)	1	32,000	2027	–	(4,902)
<b>Total 2022</b>		<u>884,340</u>		<u>48,264</u>	<u>(25,236)</u>
Total 2021		<u>1,039,106</u>		<u>9,059</u>	<u>(25,023)</u>

At the year end there was 10 inflation rate swap and 216 interest rate swap contracts of which 127 were in the UK and 99 were overseas.



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**14. Derivatives (continued)**

**Forward FX contracts**

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

<b>Contract</b>	<b>Settlement date</b>	<b>No. of contracts</b>	<b>Currency bought '000</b>	<b>Currency sold '000</b>	<b>Asset value £000</b>	<b>Liability value £000</b>
OTC traded	1 month	7	EUR 9,810	GBP 8,222	73	(2)
OTC traded	2 months	4	EUR 8,849	GBP 7,452	36	(1)
OTC traded	1 month	9	GBP 107,351	EUR 128,310	–	(1,110)
OTC traded	2 months	1	GBP 59,397	EUR 70,288	–	(67)
OTC traded	1 month	4	GBP 215,994	USD 293,887	10	(7,225)
OTC traded	1 month	10	GBP 73,937	USD 100,210	1	(2,177)
OTC traded	2 months	5	GBP 1,823	USD 2,471	–	(55)
OTC traded	1 month	12	USD 49,432	GBP 37,187	477	(120)
OTC traded	1 month	8	USD 8,015	GBP 6,000	92	(4)
OTC traded	2 months	5	USD 1,855	GBP 1,412	–	(3)
OTC traded	1 month	1	GBP 148	USD 195	–	–
<b>Total 2022</b>					<u>689</u>	<u>(10,764)</u>
Total 2021					<u>9,427</u>	<u>(1,518)</u>

**15. Insurance policies**

	<b>2022 £000</b>	<b>2021 £000</b>
Buy-in policy	<u>1,219</u>	<u>1,377</u>

**AKZO NOBEL (CPS) PENSION SCHEME**  
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**16. Longevity hedging insurance contract**

	<b>2022</b>	2021
	<b>£000</b>	<i>£000</i>
Longevity hedging insurance contract	<b>(114,510)</b>	<i>(121,200)</i>

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 Phoenix Group, 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 £133.74m has been pledged during the year (2021: £140.51m) and the collateral as at the year-end was £130.13m (2021: £137.96m).

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.

**17. AVC investments**

	<b>2022</b>	2021
	<b>£000</b>	<i>£000</i>
The Standard Life Assurance Company: unit linked	<b>192</b>	<i>206</i>
Phoenix Life Limited: unit linked	<b>6</b>	<i>6</i>
Aviva Life and Pensions UK Limited: unit linked	<b>3,303</b>	<i>3,376</i>
The Prudential Assurance Company: unit linked	<b>476</b>	<i>582</i>
MGM Limited: unit linked	<b>1</b>	<i>1</i>
	<b><u>3,978</u></b>	<i><u>4,171</u></i>

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**

	<b>2022</b>	2021
	<b>£000</b>	<i>£000</i>
<b>Cash assets</b>		
Sterling	<b><u>63,759</u></b>	<i><u>86,684</u></i>

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. Other investment balances**

	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
<b>Other investment balances assets</b>		
Amounts due from brokers	<b>3,338</b>	264
Reverse repurchase agreements	<b>42,902</b>	–
Accrued rental income	<b>1,547</b>	1,608
Accrued income	<b>18,692</b>	18,995
Cash collateral held elsewhere	<b>7,274</b>	2,502
	<b><u>73,753</u></b>	<u>23,369</u>
<b>Other investment balances liabilities</b>		
Amounts due to brokers	<b>(6,081)</b>	(1,566)
Repurchase contracts	<b>(360,955)</b>	(354,018)
VAT due to HMRC	<b>(312)</b>	(506)
Deferred rental income	<b>(3,016)</b>	(2,693)
Rental deposits due to tenants	<b>(15,788)</b>	(13,883)
Obligation to return collateral	<b>(75)</b>	(2,276)
	<b><u>(386,227)</u></b>	<u>(374,942)</u>
	<b><u>(312,474)</u></b>	<u>(351,573)</u>

As at 31 March 2022 bonds are held by the Scheme amounting to £39,597,039 (2021: £Nil) as part of the reverse repurchase agreements, these bonds are not recognised in the Scheme's financial statements.

As at 31 March 2022 £343,510,568 (2021: £338,459,666) 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

**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.

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

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

	<b>At 31 March 2022</b>			<b>Total £000</b>
	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	
Equities	–	103	–	<b>103</b>
Bonds	–	2,958,779	–	<b>2,958,779</b>
Property	–	–	309,145	<b>309,145</b>
Pooled investment vehicles	–	220,360	248,586	<b>468,946</b>
Derivatives	–	(10,075)	23,028	<b>12,953</b>
Insurance policies	–	–	1,219	<b>1,219</b>
Other investments	–	–	(114,510)	<b>(114,510)</b>
AVC investments	–	3,782	196	<b>3,978</b>
Cash	63,759	–	–	<b>63,759</b>
Other investment balances	5,578	(318,052)	–	<b>(312,474)</b>
	<u>69,337</u>	<u>2,854,897</u>	<u>467,664</u>	<b><u>3,391,898</u></b>

  

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

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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**  
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**21. Investment risk disclosures (continued)**

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

	<b>Credit risk</b>	<b>Market risk</b>			<b>2022 Value (£000s)</b>	<b>2021 Value (£000s)</b>
		<b>Currency</b>	<b>Interest rate</b>	<b>Other price</b>		
<b>Scheme assets</b>						
Equities	*	*	*	#	103	103
Bonds (LDI)	#	*	#	*	2,958,779	2,998,213
Property	^	*	*	#	309,145	271,910
<i>Pooled investment vehicles</i>						
Equities	*	#	*	#	190,752	233,889
Property	^	*	*	#	80,169	75,684
Reinsurance	^	#	^	#	346	712
Infrastructure	^	*	^	*	167,954	168,291
CLO debt	#	^	#	*	–	57,005
Cash (pooled)	^	*	*	*	29,725	37,709
Cash and other investment balances (incl derivatives)	^	^	*	^	(235,762)	(272,944)
Longevity Contract	^	*	#	*	(114,510)	(121,200)
<b>Total investments</b>					<b>3,386,701</b>	<b>3,449,372</b>

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 initially targeted an investment return on its assets of gilts+1.1% p.a. decreasing to gilts+0.5% over a 10 year period from 2020.

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 properties with diverse tenant, sector and geographical spread.

<b>Grade</b>	<b>2022</b>	<b>2021</b>
<b>Investment grade</b>	<b>2,917,277</b>	<b>2,953,373</b>
<b>Non-investment grade</b>	<b>41,502</b>	<b>44,840</b>
<b>Total</b>	<b><u>2,958,779</u></b>	<b><u>2,998,213</u></b>

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. The pooled investment vehicles are not rated by credit agencies. 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 36 and notes 9 and 13 of the financial statements.

**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. Investment risk disclosures** *(continued)*

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

<b>Legal nature</b>	<b>2022</b>	<b>2021</b>
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))	<b>464</b>	<b>1,581</b>
English Limited Liability Partnership	<b>57,373</b>	<b>52,516</b>
Guernsey domiciled Protected Cell Company. (Limited liability, registered as an open-ended collective investment scheme)	<b>–</b>	<b>57,005</b>
Guernsey Property Unit Trust	<b>11,262</b>	<b>10,671</b>
Jersey Property Unit Trust	<b>14,279</b>	<b>13,535</b>
Limited partnership registered in England (authorised in Guernsey to be a closed-ended collective investment scheme)	<b>31,465</b>	<b>31,809</b>
Limited partnership registered in England and Wales	<b>55,770</b>	<b>60,460</b>
Luxembourg SICAV	<b>–</b>	<b>46,564</b>
Open ended investment company	<b>10,555</b>	<b>13,643</b>
Property Authorised Investment Fund (PAIF). (Note prior to April 2019 the fund was an Exempt Unauthorised Unit Trust (EUUT))	<b>54,628</b>	<b>51,478</b>
Registered limited partnership	<b>23,346</b>	<b>23,506</b>
UCITS Mutual Fund	<b>19,170</b>	<b>24,066</b>
Unit linked life insurance funds	<b>190,634</b>	<b>91,052</b>
Unit-Linked Insurance Fund	<b>–</b>	<b>48,783</b>
Unit-linked life fund (mutual fund)	<b>–</b>	<b>46,621</b>
	<b><u>468,946</u></b>	<b><u>573,290</u></b>



**AKZO NOBEL (CPS) PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2022**

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**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, £0.5 million (2021: £48.1 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 bond holdings is eliminated by hedging through currency forward contracts.

	2022		2021	
	EUR	USD	EUR	USD
<b>Bonds</b>	148,075	251,733	163,697	248,944
<b>Swaps</b>	6,714	5,468	287	1,871
<b>Total</b>	<u>154,789</u>	<u>257,201</u>	<u>163,984</u>	<u>250,815</u>

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 35. 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 (2021: 44%). Assets subject to interest rate risk are set out in the table on page 36 and also notes 9 and 13 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 36 and notes 9 and 13 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 with the exception of certain pooled investment vehicles, namely the GPDA - MSCI ACWI ADAPTIVE CAP ESG IDX (5.6%).

## AKZO NOBEL (CPS) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### YEAR ENDED 31 MARCH 2022

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#### 23. Employer related investments

At the year-end employer related investments are held indirectly through pooled investment vehicles (Legal & General MSCI ACWI Adaptive Capped ESG Index Fund). The value of employer related investments within this fund 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.

#### 24. Current assets

	2022	2021
	£000	£000
Other debtors and prepayments	37	19
Cash balances	5,833	5,511
	<u>5,870</u>	<u>5,530</u>

#### 25. Current liabilities

	2022	2021
	£000	£000
Unpaid benefits	691	592
Accrued expenses	1,054	757
PAYE payable	1,043	1,043
Other creditors	4	5
	<u>2,792</u>	<u>2,397</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 £154,171 (2021: £171,443) 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 2022 the balance in the escrow account was £Nil (2021: £23.7m).

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**  
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**27. Contingent liabilities and contractual commitments**

The Scheme has no outstanding capital commitments (2021: £0.2m).

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.

**28. Subsequent events**

As a result of the recent market events there was a dramatic downturn in UK markets in September 2022 which impacted LDI portfolios and provision of additional collateral. The Scheme's LDI portfolio has been able to meet its collateral calls without the need for additional cash as at the date these financial statements were approved. The Trustee has designed and implemented an investment strategy to withstand short term fluctuations. The Trustee continues to take proactive and considered steps, in conjunction with their advisers, to assess the situation and respond to it.

## AKZO NOBEL (CPS) PENSION SCHEME

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

YEAR ENDED 31 MARCH 2022

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#### **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 2022.

This document aims to meet the requirements set out below and draws on drafting advice issued by the Pensions and Lifetime Savings Association (PLSA). The implementation statement must be included in the annual Scheme report and accounts and published online once the Annual Report is signed.

The purpose of this statement is to:

- Detail any reviews of the SIP that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the reviews
- Set out the extent to which, in the opinion of the Trustee, the Plan's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the Plan year
- Describe the voting behaviour by, or on behalf of, trustees during the year and any use of the services of a proxy voter during that year

<b><i>Implementation Statement Requirements to be included in annual Reports &amp; Accounts</i></b>
<i>1. Set out how, and the extent to which, in the opinion of the trustees, the statement of investment principles required under section 35 of the 1995 Act has been followed during the year</i>
<i>2. Describe any review of the statement of investment principles undertaken during the year including any review of how the statement of investment principles has been met</i>
<i>3. Explain any change made to the statement of investment principles during the year and the reason for the change</i>
<i>4. Where no review was undertaken during the year give the date of the last review</i>
<i>5. Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year</i>



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

There were no changes to the SIP over the year to 31 March 2022 and the SIP in place during the year was dated September 2020. As such, the September 2020 SIP is the version referenced in the following sections of this document, where we set out how the principles have been implemented.

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.

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

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#### **Section 2: How the Trustee has adhered to policies related to voting and engagement**

As set out in the Trustee's ESG Beliefs, engagement and voting are both thought to be highly influential activities and the Trustee recognises that they can lead to changing behaviour of companies and ultimately improving investment performance, as well as having a positive impact on the environment and society. The primary goal of the Trustee is to act in the best financial interests of its members, and the investment strategy is formulated to support its primary objective of paying member benefits as and when they fall due. Contributing towards this objective, the Trustee works in close partnerships with the Scheme's investment managers, monitoring stewardship processes closely, with the advice and expertise of third parties.

The Scheme makes use of both pooled and segregated vehicles. Investing in pooled funds allows the Scheme to benefit from economies of scale and potentially lower fees. However, this means that the investment or engagement decisions regarding the companies invested in by each fund are made at the discretion of the investment manager of the pooled fund. The Trustee is comfortable with this approach, given that ESG factors form a significant part of manager selection exercises and ongoing due diligence, particularly when considering long-term investments. Across both pooled and segregated mandates, whilst the Trustee does not direct voting or engagement activities themselves, they seek to exert their influence as an asset owner through engaging with the managers where concerns are highlighted through the various monitoring processes. The Trustee has not set any specific guidelines around manager voting but requires the investment managers to develop and maintain appropriate voting and engagement policies, both as part of the initial selection process and ongoing where applicable. 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 or peer group 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 sustainable investment factors as outlined below, and views of the 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). Historically, 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).

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The Sustainable Investment Group (the "SIG") was established in 2020 as a subset of the Trustee in order to ensure that the Trustee continues to meet regulatory requirements in the area of Sustainable Investment, including obligations under TCFD, and to accelerate the pace of the Scheme's progress towards good practice within this area.

As part of this, during the Scheme year to 31 March 2022, the SIG improved Trustee engagement on the topic of Sustainable Investment in a number of ways. This included agreeing a net zero target of 2050 (whilst looking to halve emissions by 2030), and constructing a "carbon journey plan" as a framework to help achieve this and inviting BlackRock to join the October 2021 SIG meeting to challenge the manager on its credit engagement ability, its own carbon emissions pathway, and its publicly stated net zero targets. In February 2022, the SIG also conducted an annual review of its effectiveness to reflect on the work undertaken by the Group over the year and evaluate progress against the Group's set role and objectives.

#### 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, and regularly as appropriate thereafter. 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:

Whilst no new managers were appointed in the Scheme year to 31 March 2021, at the May 2021 IC meeting, the Committee resolved to consolidate the Scheme's equity managers into a single fund tracking the MSCI ACWI Adaptive Cap ESG index, chosen to avoid the concentration risk associated with the world's largest companies within a market cap index, whilst tilting the portfolio towards those companies with the strongest, or most rapidly improving, ESG credentials. Legal and General Investment Management (LGIM) was the manager chosen for this fund. Following a detailed review process comparing different options available to the Scheme, the IC were satisfied with the nature and construction of the underlying index.

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#### **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:**

The Trustee distributed the SIP to 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. 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 a number of 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, CBRE were invited to present to the September 2021 IC on the Scheme's property portfolio, whilst BlackRock were invited to the October 2021 SIG to present on integrating sustainability into the Scheme's buy-and-maintain credit mandate with the manager.

At the May 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, a number of changes were made to manager ratings. No managers have been terminated or replaced as a result of unsatisfactory alignment.

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#### 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. 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.

#### 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:

Quarterly performance reports and bespoke manager reports were reviewed by the investment committee. Three managers were invited to IC or SIG meetings over the Scheme year, and no manager ratings were changed by the Scheme's investment advisor. In addition, over the course of the year, the IC and SIG carried out a dedicated sustainable investment review, a fee review and a buy-and-maintain credit peer group monitoring exercise to ensure managers are appropriately assessed over the long-term through number of lenses. No managers were terminated off the basis of short-term performance, however, the Scheme's equity mandates were consolidated into a simplified portfolio (which involved the termination of three equity managers), with the decision taken from a strategic perspective



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#### **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. The Scheme's investment advisor conducts an annual fee review of the Scheme's investment fee arrangements and any developments to the manager fees and additional costs. The most recent fee review was conducted in November 2021.

##### 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 charges 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:

Costs, including turnover costs, were reviewed in the Scheme year as part of the MiFID II reporting process and the annual fee review. 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.

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#### 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 a number of 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 May 2021 SIG, the annual manager sustainable investment report was considered, rating each of the Scheme's manager against 10 ESG factors. Areas for improvement and next steps were identified.
- At the August 2021 SIG, the Committee discussed the upcoming TCFD regulation and what the Trustee will need to do in order to meet regulation. As part of this, the SIG considered an initial draft of the Scheme's Sustainability Scorecard, with a particular focus on the methodology and assumptions behind the analysis.
- In October 2021, BlackRock attended the SIG meeting to discuss how they integrate ESG in the Buy and Maintain portfolio and how the portfolio could evolve from a carbon exposure perspective. BlackRock also provided a sample of ESG reporting for the B&M portfolio and discussed its publicly stated net zero targets.
- At the February 2022 SIG, the Committee proposed targets of a 50% reduction in carbon footprint by 31 March 2030 and net carbon neutrality by 2050 (excluding gilts and insured assets), which was subsequently approved by the Trustee Board. As part of the established journey plan and targets, the SIG provisionally agreed on 4 carbon and climate metrics which will be published in the Scheme's TCFD statement.
- 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 being a signatory of the revised 2020 UK Stewardship Code and to the United Nations Principles for Responsible Investment (UN PRI), and an active member of the Institutional Investors Group on Climate Change (IIGCC)

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#### Section 3: Voting information (including most significant votes)

##### Voting

The Scheme is invested in a range of asset classes. However, this section focuses on the equity investments which have voting rights attached. The Trustee delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. Over the course of the year, the Scheme held equities in the following standalone equity funds:

- **LGIM MSCI ACWI Adaptive Capped ESG Index Fund:** ESG-weighted Global equity index fund that employs an index tracking strategy, aiming to replicate the performance of its benchmark.
- **LGIM FTSE RAFI All World 3000 Equity Index Fund:** Global equity index fund that employs an index tracking strategy, aiming to replicate the performance of its benchmark (*part year only*)
- **LGIM MSCI World Adaptive Capped 2x Index Fund:** Global equity index fund that employs an index tracking strategy, aiming to replicate the performance of its benchmark (*part year only*)
- **BlackRock Aquila Life World (Ex UK) Equity Index Fund:** Global equity index fund that aims to generate a return in line with the FTSE All-World Developed ex-UK index (*part year only*)
- **Genesis Emerging Markets Investment Company SICAV:** Active emerging market equity fund investing across equity markets of developing countries (*part year only*)

As part of the Trustee's ongoing engagement with, and monitoring of the Scheme's investment managers, the Trustee has set out the voting activities of the Scheme's equity investment managers over the Scheme Year, including detail of the managers' use of proxy voting.

The Scheme's investment managers have their own policies which determine their approach to voting, and the principles they follow when voting on investors' behalf. The Trustee is not aware of any material changes to these policies over the past 12 months.

The Trustee, via its investment advisor, has assessed the investment managers' voting policies as part of its overall assessment of the investment manager's capabilities. The Trustee has considered the policies to be appropriate, and consistent with the Trustee's own policies and objectives, therefore ultimately in the best financial interests of the members. Whilst the Trustee does not have their own formal policy on significant votes, with the increase in focus on responsible investment, and desire to exhibit good practice with regards to ESG considerations, the Trustee deems key votes to include those in support of the Scheme's ESG beliefs in particular, albeit that this does not preclude votes on other matters to be significant too.

The Trustee expects investment managers to act as responsible stewards of capital as applicable to their mandates. The Trustee considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis through meetings with the managers. The Trustee engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Scheme Year.

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The Trustee believes that the voting practices demonstrated by the Scheme's equity managers are a key part of manager engagement, which may add value to the Scheme's assets over the relevant time period. All investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the tables below, which include significant voting data provided by the Scheme's equity managers spanning the whole Scheme Year. For funds which were only invested for part of the Scheme Year, significant votes were selected based on the relevant periods over which the Scheme had holdings within those funds.

- LGIM's criteria for defining significant votes is complex and involves an assessment of each vote outcome to determine significance and is considered across each of the largest stocks in the underlying portfolios. Whilst a large proportion of the significant votes provided by LGIM in particular are in relation to board composition, diversity and the separation of the Chair and CEO role, we have also extracted some key climate-related votes in order to align the examples provided with one of the Trustee's major priorities over the past 12 months, alongside key votes on some of the portfolio's largest holdings.
- BlackRock's process for determining significant votes is to prioritise work around themes they believe will shape sound governance practices, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which they look at the sustainable long-term financial performance of investee companies.
- Genesis define significant votes as those made against the management recommendation, though this may not always align with the Trustee's view on what defines a vote as significant. The votes determined as significant by Genesis are not necessarily sustainability related, however, the Trustee recognises that a contradicting vote with management should often be considered as important, particularly if effective at prompting positive change at a company.

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***Legal and General Investment Managers***

	MSCI Adaptive Capped Index Fund	ACWI ESG	MSCI Adaptive Capped 2x Index Fund	World 2x Index	FTSE RAFI All World Equity 3000
Total fund size as at 31 March 2022:	£4,036,108,340		£176,273,210		£176,273,210
Scheme proportion of total fund as at 31 March 2022:	4.73%		0% (disinvested)		0% (disinvested)

**Voting Statistics (over the year to 31 March 2022)**

	MSCI Adaptive Capped ESG	ACWI	MSCI Adaptive Capped	World	RAFI AW 3000
How many meetings were you eligible to vote at?	3,221		1,687		3,695
How many resolutions were you eligible to vote on?	36,110		22,576		43,863
What % of resolutions did you vote on for which you were eligible?	100%		100%		99.74%
Of the resolutions on which you voted, what % did you vote with management?	79%*		79%*		81%*
Of the resolutions on which you voted, what % did you vote against management?	19%*		20%*		19%*
Of the resolutions on which you voted, what % did you abstain from voting?	1%*		0%*		1%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	12%		15%		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

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#### Most Significant Votes (over the year to 31 March 2022)

Please provide the company name and date of the vote
<i>Cigna Corporation, 28<sup>th</sup> April 2021</i>
Please provide an approximate size of the holding as at the date of the vote
<i>0.16% (Adaptive Capped ESG)</i>
Please provide a summary of the resolution
<i>Resolution 6: Report on Gender Pay Gap</i>
How did you vote?
<i>LGIM voted for the resolution (management recommendation: against).</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</i>
Please provide a brief rationale for your voting decision
<i>Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, we expect all companies in which we invest globally to have at least one female on their board. Please note we have stronger requirements in the UK, North American, European and Japanese markets, in line with our engagement in these markets. For further details, please refer to our vote policies on our website.</i>
What was the outcome of the vote?
<i>32.3% of shareholders supported the resolution.</i>
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</i>
On which criteria have you assessed this vote to be "most significant"?
<i>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</i>

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Please provide the company name and date of the vote
<i>Apple Inc., 4<sup>th</sup> March 2022</i>
Please provide an approximate size of the holding as at the date of the vote
2.47% (RAFI)
Please provide a summary of the resolution
<i>Request for the company to conduct a third party civil rights audit</i>
How did you vote?
<i>For</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</i>
Please provide a brief rationale for your voting decision
<i>Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</i>
What was the outcome of the vote?
53.6%
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</i>
On which criteria have you assessed this vote to be "most significant"?
<i>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</i>

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Please provide the company name and date of the vote
<i>Oracle Corporation, 10<sup>th</sup> November 2021</i>
Please provide an approximate size of the holding as at the date of the vote
<i>0.13% (Adaptive Capped)</i>
Please provide a summary of the resolution
<i>Require Independent Board Chair.</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>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</i>
Please provide a brief rationale for your voting decision
<i>A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.</i>
What was the outcome of the vote?
<i>35.5%</i>
What are the implications of the outcome? Were there any lessons learned? What steps will you take in response?
<i>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</i>
On which criteria have you assessed this vote to be "most significant"?
<i>LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</i>



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

Total fund size as at 31 March 2022: £1,644,661,285

Scheme's proportion of total fund as at 31 March 2022: 0% (*disinvested*)

#### **Voting Statistics (over the year to 31 March 2022)**

How many meetings were you eligible to vote at?	2,118
How many resolutions were you eligible to vote on?	24,777
What % of resolutions did you vote on for which you were eligible?	99% (24,736 proposals)
Of the resolutions on which you voted, what % did you vote with management?	91% (22,753 proposals)*
Of the resolutions on which you voted, what % did you vote against management?	8% (1,983 proposals)*
Of the resolutions on which you voted, what % did you abstain from voting?	0%   139 proposals*
In what % of meetings, for which you did vote, did you vote at least once against management?	36%   770 meetings
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%   77 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.

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

**YEAR ENDED 31 MARCH 2022**

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**Most Significant Votes (over the year to 31 March 2022)**

Please provide the company name and date of the vote
<i>Berkshire Hathaway Inc., 1<sup>st</sup> May 2021</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>Shareholder resolution requesting that the company produces a report on Climate-Related Risks and Opportunities</i>
How did you vote?
<i>For</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>The company does not meet our expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy or disclosures of natural capital policies and/or risk.</i>
What was the outcome of the vote?
<i>Fail</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)****YEAR ENDED 31 MARCH 2022****Genesis - Emerging Markets Investment Company SICAV**

Total fund size as at 31 March 2022:

£1,308,858,222

Scheme's proportion of total fund as at 31 March 2022:

0% (disinvested)

**Voting Statistics (over the year to 31 March 2022)**

How many meetings were you eligible to vote at?	125
How many resolutions were you eligible to vote on?	1,257
What % of resolutions did you vote on for which you were eligible?	98.6%
Of the resolutions on which you voted, what % did you vote with management?	86.3%*
Of the resolutions on which you voted, what % did you vote against management?	10.3%*
Of the resolutions on which you voted, what % did you abstain from voting?	3.2%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	5.8%
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

**Most Significant Vote (over the year to 31 March 2022)**

Please provide the company name and date of the vote
<i>CSPC Pharmaceutical Group Limited, 18<sup>th</sup> May 2021</i>
Please provide an approximate size of the holding as at the date of the vote
<i>1.29%</i>
Please provide a summary of the resolution
<i>Approve Deloitte Touche Tohmatsu as Auditor and Authorize Board to Fix Their Remuneration</i>
How did you vote?
<i>Against Management</i>
If voting against management, did you communicate your intent to the company ahead of the vote?
<i>No</i>
Please provide a brief rationale for your voting decision
<i>The non-audit fees exceeded the total audit fees paid to the company's audit firm in the latest fiscal year without satisfactory explanation.</i>
What was the outcome of the vote?

**AKZO NOBEL (CPS) PENSION SCHEME**

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

**YEAR ENDED 31 MARCH 2022**

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*Given the range of issues decided, the outcomes of shareholder votes will be assessed by the portfolio manager responsible for that company on a case-by-case basis.*

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

*Not provided.*

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

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

**Section 4: Conclusion**

As highlighted throughout this statement, the Trustee has undertaken a large number of activities over the Scheme year in order to build on their approach towards engagement and is proud of the progress made thus far. The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the year, going above and beyond in a number of areas, and strives to further improve practice in the future.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that its managers are acting in the Scheme members' best interest and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis in order to ensure that the Scheme's investment strategy and Trustee decision-making consistently aligns with the Trustee's investment beliefs and contributes towards achieving the Trustee's mission statement to provide long-term value and security to the Scheme's members.