The Chair's Annual Governance Statement ('the Statement')

This Statement has been prepared by the Trustee of AkzoNobel Benefit Builder (the 'Plan') to demonstrate how the Plan has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This Statement is for the Plan year covering 1 April 2019 to 31 March 2020.

Over the reporting period AkzoNobel notified the Trustee that it would be moving future contributions to its selected master trust arrangement. AkzoNobel provided a proposal to the Trustee to also move members' existing assets under the Plan to the selected master trust arrangement. The Trustee having fully reviewed the Company's proposal agreed that it would be in the best interests of members to proceed with the move to master trust. The Trustee, working with the Company as part of a joint working group, undertook a thorough selection exercise to determine the most appropriate master trust arrangement for members of the Plan. The movement of existing assets is expected to take place in the first quarter of 2021 and the content of this Statement has been written with this in mind.

Investment strategy – relating to the Plan's default investment arrangements

The Trustee's general investment aims for its default investment option are for it to generate income and capital growth which, together with new contributions from members and the Participating Employers, will provide a fund at retirement to provide sufficient financial resources for members to help support their retirement.

The Plan offers three pre-determined target date fund strategies. The aim of the strategies is for members to achieve a reasonable level of long-term growth on their investments over the majority of their working life. These strategies are offered via a series of LifePath funds with varying end dates, which automatically switch assets between funds as members approach the end date of their selected fund. Each LifePath fund will switch from an allocation of equities, to a diversified asset allocation. At retirement the three LifePath strategies have different asset allocations. The three strategies available are:

- LifePath Capital (targeting taking a cash lump sum(s) on retirement)
- LifePath Flexi (targeting using an income drawdown arrangement on retirement)
- LifePath Retirement (targeting purchasing an annuity on retirement)

For members who do not make an active investment decision on joining, the Trustee makes available a default investment strategy. The Plan's last default strategy review was undertaken in June 2017. The results of the review found that currently, most members are choosing to take their Plan benefits as cash lump sums direct from the Plan, and the member demographics analysis indicated that members are likely to continue to do so in the medium term. As a result, in April 2018 the Trustee changed the Plan's default strategy to be the LifePath Capital range (which targets members taking their retirement benefits via a cash lump sum(s)). The member retirement decisions over the reporting period has continued to support this.

In addition, following advice from its investment adviser, who no longer felt the fund manager would continue to produce its performance return target net of fees, the Trustee closed the Active Global Equity Fund in April 2018 and moved members to the Passive Overseas Equity Fund. As members were moved to the Passive Overseas Equity Fund without making an active choice to do so, this Fund is now also classified as a default arrangement. The objective of this Fund is to invests in shares of overseas companies (Europe ex-UK, Japan, Pacific Rim, US and Canadian markets) according to market capitalisation weightings and aims to produce a return in line with its benchmark the FTSE All-World Developed ex-UK Index.

Investment Monitoring

The Trustee reviewed both the performance of the default arrangements and the funds underlying the default arrangement on a quarterly basis by reviewing the performance of these funds to ensure they are meeting their objectives as set out in the Plan's Statement of Investment Principles (SIP). The Trustee also monitored the performance of the Plan's other investment managers, in conjunction with its advisers, against agreed performance objectives.

In between meetings the Trustee's investment adviser monitored the Plan's fund managers on an ongoing basis and provided updates on, and ratings of, the Plan's investment managers as and when required.

The Plan's investment managers (including the manager of the default arrangements) attended a Trustee meeting in June 2019 and were questioned by the Trustee face to face on their investment process with the assistance of the Trustee's advisers. The purpose of this is to help satisfy the Trustee that the investment managers remain suitable for the Plan and that the fund managers are likely to continue to meet their and the Trustee's objectives. The Trustee may decide to replace investment managers if it feels it is appropriate. As noted above, this has been evidenced through the closure of the Active Overseas Equity Fund.

Based on the reporting received and advice from the Trustee's investment consultant, the Trustee believes the performance of the default arrangements was consistent with the Trustee's aims and objectives for these funds as set out in the SIP.

A copy of the Plan's SIP, including those relating to the default arrangements, is appended to this Statement.

Core financial transactions

The Trustee regularly monitors the core financial transactions of the Plan. These include the investment of contributions, transfers into and out of the Plan, fund switches and payments out of the Plan to, and in respect of, members.

The Plan's administrator has in place a dedicated contribution processing team to manage the monthly contribution payment process. All financial transactions are reviewed with transactions over £100,000 also receiving an additional review. The administrator also undertakes daily monitoring of the Trustee bank account.

The Trustee has a service agreement in place with its administrator which covers the accuracy and timeliness expected for processing core financial transactions. Examples of the SLAs for core financial transactions set out above are:

- 5 working days to invest contributions and process member investment switches
- 5 working days to pay payments relating to transfer of member assets out of the Plan
- 10 working days to process payments relating to transfer of member assets into the Plan
- 5 working days to make payment of a members retirement benefits

To ensure the accuracy of the Plan's data the Trustee receives quarterly reporting from the Plan administrator about the Plan's common and conditional data. The Trustee target is to have 100% of both the required common and conditional data items. The Plan's most recent data report dated November 2019 showed that the Plan's common and conditional data scores were 93% and 98%

respectively. The common data failures were not related to items required to process core financial transactions as these were in respective of missing member addresses. The Plan's administrator has undertaken an address tracing during the reporting period exercise to attempt to obtain the missing data. For the conditional data failings these related to missing salary information for active members and these were all addressed over the reporting period. The Trustee is satisfied it has the required data to process core financial transactions accurately.

During the reporting period, the Trustee monitored the performance of its administrator against the service agreement through receiving various monitoring documents over the reporting period including quarterly administration reports from the Plan's administrator. In addition, the Trustee reviewed the administrators AAF 01/06 internal controls report including ensuring that robust controls were in place in relation to the processing of core financial transactions. Over the reporting period the average SLA performance for the Plan was 94.9% which is an increase on the previous year (86.9%) and broadly in line with the Trustee's expectations.

The Trustee's also undertook the following actions over the reporting period in response to issues with the service received in the previous reporting period and to ensure core financial transaction were processed promptly and accurately

- Having senior representatives from the administrator attend Trustee meetings to report on the administration service being provided.
- Bi-weekly reporting being provided to the Plan secretary on key performance statistics.
- The Plan secretary having regular calls with the administration team.

The Plan's accounts were audited by the Plan's appointed auditors during the reporting period with no issues raised.

The Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the reporting period and that no issues relating to core financial transactions occurred during the reporting period.

Fund Charges

The Trustee reviews the charges paid by members on an annual basis with the help of its advisers.

The investment charges that applied to all funds under the Plan over the reporting period are set out below. The investment charge shown is each fund's total expense ratio (TER) which is a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of an annual management charges (AMC) and variable additional expenses such as trading, legal, auditor fees and other operational expenses.

Fund	Investment charges
LifePath Capital (default arrangement)	0.16%
LifePath Retirement	0.16%
LifePath Flexi	0.16%
Passive UK Equity Fund	0.09%
Passive Overseas Equity Fund (default arrangement)	0.21%
Passive Gilt Fund	0.09%

Passive Corporate Bond Fund	0.11%
Passive Index-Linked Gilt Fund	0.09%
Cash Fund	0.13%
Active UK Equity Fund	0.77%
Active Corporate Bond Fund	0.32%
Active Property Fund*	1.19%
Passive Diversified Growth Fund	0.27%

*Plus a bid/offer spread of up to 6.4%.

The ongoing governance and administration costs of the Plan are met in part by members. Members pay a £25 flat charge through a deduction from members' funds in September each year and through an annual management charge of 0.15% (in addition to the above fund-specific charges) which is deducted through unit cancellation each March. Any Plan costs which are not covered by the member charges are met by the Company.

Transaction costs

In some cases, members may be charged transaction costs, for example, when they switch investments. These costs are taken into account via the unit price for each of the funds and are not directly charged to the members. Transaction costs are those incurred by fund managers as result of buying, selling, lending or borrowing investments. These costs are typically categorised as:

- Explicit costs which are directly observable and include broker commissions and taxes, or
- Implicit costs which cannot be observed in the same way but can also result in a reduction in the value of capital invested, these implicit costs include market impact or delay costs which can also result in a gain for the fund (i.e. a negative transaction cost).

The FCA's Policy Statement 'Transaction Cost Disclosure in WorkPlace Pensions' establishes a defined methodology to calculate transaction costs (known as the 'slippage cost' methodology). Details of the transaction costs incurred for each of the Plan investments options are outlined in Appendix A.

Information on the website and illustrative examples of the cumulative effect of costs and charges

The Trustees have taken into account the new statutory guidance which requires trustees to make available certain information on a publicly accessible website. This is now in place and can be accessed using the website address:

https://www.benefitbuilder.co.uk/useful_information/annual_statement

The information on the website includes the 'pounds and pence' illustration comparing the cumulative effects of cost and charges on example members' funds. In addition, example illustration tables are included in Appendix A of this Statement (which have been prepared in accordance with regulation 23(1)(ca) of the Scheme Admin Regulations).

Value for Members (VFM)

The Trustee is committed to ensuring that the Plan provides value for members i.e. the costs and charges deducted from members' pots and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Trustee.

In accordance with regulation 25(1)(b) of the Scheme Admin Regulations, the Trustees, with the assistance of their advisers (Willis Towers Watson), assessed the extent to which the charges and transaction costs above represent good value for members during the reporting period.

The assessment was undertaken in line the Regulator's guidance under its DC Code of Practice and considered the following areas:

- Based on analysis of the membership data, decision making and interactions with the Plan what the expected needs of the membership across the key areas identified by the Regulator in its DC Code of Practice.
- The assessment considered the services members pay for as part of the fund and administration charges that apply and assessed the extent to which these services meet members' needs. Under the Plan, members bear the cost in full or part for the Plan's governance and management, administration, investment and communication services. The assessment specifically considered:
  - The investment performance of the Plan's fund options and whether the range of funds remained suitable
  - The performance of the administration service covering the service standards achieved, data quality and interactions with members
  - The quality of the communciation services provided to members with a specific focus on the retirement support provided to members
  - The quality of the overall governance and management of the Plan
- To assess the extent to which these services offer good value for members, the assessment benchmarked the Plan charges against other pension schemes broadly offering the same services for which members pay for and other types of pension vehicles.

The assessment showed that broadly members are receiving good value for the services they pay with no areas of poor value identified. The assessment specifically found for each element of the assessment that:

- The charges are providing good value as the Plan's investment options are broadly in line with schemes of a similar asset size and structure and below other relevant market comparators.

- The default investment options provided good value as members have access to a LifePath options that allow them to tailor their investment choice based on when and how they take their savings. The majority of members are in the LifePath Capital option which was selected based on detailed analysis of the membership and their likely retirement decisions. The retirement decisions made by members continue to support this decision.

- A range of active and passive investment options covering various asset classes are available for those who wish to design their own investment strategy. The Trustee identified that the Active UK Equity Fund and the Passive Diversified Growth Fund have performed poorly over the reporting period and not met their stated objectives. In response, the Trustee, with support from its investment advisor, implemented closer scrutiny of these funds but agreed that no action should be taken due to the impending move to master trust.

- In terms of the administration service, the assessment showed that members receive sufficient value for this service. This is based on service levels over the reporting period being broadly in line with the Trustee's expectations, the fact a dedicated administration team is on hand to support members with any queries or payment of their benefits and that members continue to have access to a good quality online service allowing them to quickly and efficiently update their records, make investment switches and request payment of benefits from the administration team. The Trustee is continuing to work with the administrators to ensure continued improvement in the speed and accuracy of processing member tasks.

- In terms of the governance and oversight provided by the Trustee these provide excellent value to members as the Trustee invests significant time and resource into the ongoing management of the Plan as well as undertaking extensive monitoring of all of the Plan's service providers and investment managers.

- In terms of the communication support provided to members this is providing sufficient to good value to members. Members have access to a bespoke Plan website and a retirement guidance and advice service to support with their key retirement decisions. The Trustee identified supporting with making appropriate investment and retirement decisions as an area where they wish to add further value to members. These areas were considered by the Trustee with the Company as part of the wider review of the Plan's future and it was agreed that these areas will be addressed as part of the forthcoming movement of the Plan assets to a master trust arrangement.

Trustee Directors' knowledge and understanding (TKU)

The Trustee has a TKU process in place which enables it, together with the advice available to it, to exercise its functions as Trustee of the Plan. The Trustee Board includes individuals who have a long and broad experience of the pensions industry, and individuals who, outside of their Trustee role, work in a variety of business areas. The Trustee Board includes a professional independent trustee who has been in the position since 23 March 1999. The Trustee Directors therefore bring a broad range of knowledge that is relevant to the Plan.

The Trustee's approach to meeting the TKU requirements during the Plan year included:

- The Trustee has in place a new Trustee Director training process which involves the training needs being assessed and then appropriate training being given in the first 6 months from the appointment date. New Trustee Directors are provided with the opportunity to attend a new trustee training course provided by Willis Towers Watson as the Trustee's adviser. All new Trustee Directors are expected to complete the Regulator's trustee toolkit within six months of their appointment. No new Trustee Directors were appointed over the reporting period.
- An assessment and review of each Trustee Director's knowledge and training needs covering key knowledge areas including an understanding of pension and trust law and the investment and funding of defined contribution schemes. The assessment showed that there were no significant knowledge gaps to be addressed but the Trustee agreed the following actions:
    - Undertaking group Board training on the role and duties of a trustee in respect of a transfer to master trust and winding up a pension plan. This training was completed in the reporting period (see below).
    - Individual Trustee Director training on regulatory developments.

  This training was completed in the reporting period (see below).
- All training and attendance at appropriate seminars are recorded via the Trustee training logs.
- Regular training was provided during Trustee meetings by the Plan's advisers. Over the reporting period this has included:
    - Receiving updates from M&G as the Plan's active UK equity manager on their investment approach, philosophy and factors impacting on the Fund's performance.
    - Receiving updates from BlackRock as the manager of the Plan's default LifePath strategy and passive fund options on its approach to ESG investing and monitoring as well as developments with the LifePath investment strategy.
    - Master trust arrangements.
    - Winding up pension schemes and the key areas for the Trustee to consider as part of this.
    - The bulk transfer regulations.
    - The new SIP requirements around environmental, social, governance (ESG) and stewardship considerations and the requirements to produce an implementation statement setting out the extent to which the policy set out within the SIP had been followed during the scheme year.

  - The Competition and Markets Authority ("CMA") completed its investigation into the investment consulting and fiduciary management industry specifically trustees being required to set strategic objectives for their investment advisors.
  - Legal advice on the requirements to produce a Chair's statement when a Plan is in wind up.
- All Plan documents including the Trust Deed & Rules and SIP are reviewed by the Trustee and available on the dedicated Trustee site. At regular Trustee meetings key Plan documents are referred to and reviewed, if required, to ensure these are being adhered to correctly when making decisions. Over the reporting period, the Trustee maintained its knowledge of the Plan's key documents through:
  - Receiving an update from the Trustee's legal advisors at the September 2019 Trustee meeting around the powers under the Trust Deed & Rules available to the Trustee's to pay members benefits where an investment fund closes to redemptions.
  - Receiving an update at the June 2019 Trustee meeting from the Trustee's legal advisors on the powers under the Trust Deed & Rules in relation to winding up the Plan
  - Reviewing and agreeing an updated SIP which reflected the changes to the Plan's ESG and stewardship policy at the June 2019 Trustee meeting.
  - Reviewing its declaration of hospitality and gifts policy, TKU policy and payment schedule at the March 2020 Trustee meeting.
  - Agreeing new strategic objectives for the Plan's investment advisor at the December 2019 Trustee meeting
  - Reviewing and agreeing an updated risk register at the March 2020 Trustee meeting.
- All Trustee Directors have completed the Pensions Regulator's trustee toolkit before the reporting period but within six months of their appointment. The Trustee Directors were encouraged to review this on a regular basis including during the reporting period in response to the Trustee TKU assessment.
- The Trustee has in place Key Performance Indicators (KPIs) that are used to monitor the performance of the Plan against its objectives.

The Trustee was due to commence its first Trustee Board 'effectiveness assessment' in Q4 2019 however, due to the Company's intention to move future contributions to a master trust arrangement and the Trustee's decision that members assets will also be transferred to this arrangement, it was agreed this assessment would be delayed due to a need to focus on this transfer process.

On behalf of the Trustee, I hope the information provided above is helpful. Should you have any queries, please contact the pension administration team on 01707 607597 or by emailing: benefit.builder@willistowerswatson.com

Approved by the Trustee of the Plan at a meeting held on 17 August 2020

Appendix A – Transaction costs

The below table provides the transaction costs for the fund options members are invested in. Reporting of transaction costs has only recently been introduced and the Trustee will be building up more information in this area in the future which will enable us to provide more meaningful transaction cost information over longer periods.

Where the Trustee has been provided with negative transaction costs, we have used a zero cost to reflect this. Negative costs can occur when the change in the price of the fund between the sale and buy point results in a gain, where a sale out of a fund and into another fund takes place. It is important to note that using a negative or zero cost during any one Plan year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.

Fund	Transaction costs (%)
Active Corporate Bond Fund	0.00136
Active UK Equity Fund	0.00000
Active Property Fund	0.00000
Passive Index-Linked Gilt Fund	0.02174
Passive Corporate Bond Fund	0.16438
Passive Diversified Growth Fund	0.13748
Passive Gilt Fund	0.01317
Passive UK Equity Fund	0.04537
Passive Overseas Equity Fund	0.02990
Cash Fund	0.01144
LifePath Capital 2019-2021 (BLK)	0.01085
LifePath Capital 2022-2024 (BLK)	0.02179
LifePath Capital 2025-2027 (BLK)	0.02753
LifePath Capital 2028-2030 (BLK)	0.03798
LifePath Capital 2031-2033 (BLK)	0.04746
LifePath Capital 2034-2036 (BLK)	0.05957
LifePath Capital 2037-2039 (BLK)	0.06769
LifePath Capital 2040-2042 (BLK)	0.08508
LifePath Capital 2043-2045 (BLK)	0.09137
LifePath Capital 2046-2048 (BLK)	0.10964
LifePath Capital 2049-2051 (BLK)	0.10373
LifePath Capital 2052-2054 (BLK)	0.11436
LifePath Capital 2055-2057 (BLK)	0.09244
LifePath Capital 2058-2060 (BLK)	0.09129

LifePath Capital 2061-2063 (BLK)	0.08873
LifePath Capital 2064-2066 (BLK)	0.08869
LifePath Capital 2067-2069 (BLK)	0.08753
LifePath Capital 2070-2072 (BLK)	0.08378
LifePath Flexi 2019-2021 (BLK)	0.02020
LifePath Flexi 2022-2024 (BLK)	0.03278
LifePath Flexi 2025-2027 (BLK)	0.03488
LifePath Flexi 2028-2030 (BLK)	0.04303
LifePath Flexi 2031-2033 (BLK)	0.04746
LifePath Flexi 2034-2036 (BLK)	0.05957
LifePath Flexi 2037-2039 (BLK)	0.06769
LifePath Flexi 2040-2042 (BLK)	0.08508
LifePath Flexi 2043-2045 (BLK)	0.09137
LifePath Flexi 2046-2048 (BLK)	0.10964
LifePath Flexi 2052-2054 (BLK)	0.11436
LifePath Flexi 2064-2066 (BLK)	0.08869
LifePath Flexi (BLK)	0.03753
LifePath Retirement (BLK)	0.01373
LifePath Retirement Year (BLK)	0.09074
LifePath Retirement 2022-2024 (BLK)	0.02668
LifePath Retirement 2025-2027 (BLK)	0.03010
LifePath Retirement 2028-2030 (BLK)	0.03836
LifePath Retirement 2031-2033 (BLK)	0.04746
LifePath Retirement 2034-2036 (BLK)	0.05957
LifePath Retirement 2037-2039 (BLK)	0.06769
LifePath Retirement 2040-2042 (BLK)	0.08508
LifePath Retirement 2043-2045 (BLK)	0.09137
LifePath Retirement 2046-2048 (BLK)	0.10964
LifePath Retirement 2049-2051 (BLK)	0.10373
LifePath Retirement 2052-2054 (BLK)	0.11436
LifePath Retirement 2055-2057 (BLK)	0.09244
LifePath Retirement 2058-2060 (BLK)	0.09129

Appendix B – costs and charges illustrations

The below illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for example members and a range of investment funds.

The three example members have been selected to cover a range of different members. In the below tables we have provided the impact of costs and charges for two self-select funds and a different LifePath option for each example member that is applicable to the age and expected retirement age of each. The three example members are

1. Youngest member of the Plan: age 16, total annual contribution: £600, starting fund value: £0, normal retirement age: 68, LifePath option invested in: LifePath Capital 2070-2072
2. Average member of the Plan: age 41, total annual contribution: £5,200, starting fund value: £25,000, normal retirement age: 68, LifePath option invested in: LifePath Capital 2046-2048
3. Member approaching retirement: age 55, total annual contribution: £4,900, starting fund value: £35,000, normal retirement age: 67, LifePath option invested in: LifePath Capital 2031-2033

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

The illustrations below show the projected fund values (rounded to the nearest £25) based on certain assumptions before and after charges so that the potential impact of charges is clearly shown. Members should be aware that these are simply illustrations, and so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. Due to the effect of rounding, the impact of charges on member account values may appear uneven, particualrly in the early years. The information contained in this Appendix is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

Example Member	Years	LifePath Capital (Default)		Active UK Equity Fund		Passive Gilt Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	600	600	600	600	600	600
	3	1,875	1,850	1,875	1,875	1,750	1,750
	5	3,175	3,175	3,250	3,175	2,900	2,900
	10	6,775	6,725	7,050	6,775	5,600	5,575
	15	10,800	10,675	11,475	10,800	8,100	8,050
	20	15,325	15,075	16,650	15,350	10,450	10,350
	25	20,300	19,875	22,725	20,475	12,625	12,500
	30	25,550	24,875	29,800	26,225	14,650	14,475
	35	30,875	29,925	38,075	32,725	16,550	16,300
	40	36,100	34,825	47,775	40,025	18,300	18,000
	45	40,850	39,225	59,075	48,250	19,950	19,600
	50	44,300	42,325	72,300	57,525	21,475	21,050
	52	45,075	42,975	78,200	61,525	22,050	21,600
Average member	1	30,775	30,725	31,075	30,850	29,800	29,775
	3	42,650	42,450	43,800	43,000	39,225	39,150

	5	54,875	54,475	57,350	55,750	48,375	48,225
	10	86,675	85,525	95,175	90,375	70,175	69,750
	15	119,500	117,275	139,400	129,350	90,450	89,725
	20	151,650	148,025	191,075	173,250	109,350	108,225
	25	179,125	173,900	251,475	222,650	126,950	125,400
	27	187,775	181,875	278,400	244,125	133,650	131,900
Approaching retirement	1	40,325	40,275	41,075	40,800	39,375	39,350
	3	51,050	50,850	53,850	52,825	47,925	47,825
	5	61,650	61,250	67,425	65,425	56,250	56,050
	10	86,775	85,775	105,325	99,675	76,050	75,575
	12	95,700	94,400	122,225	114,550	83,575	82,975

Assumptions and notes

1. Projected pension account values are shown in today’s terms.
2. Charges applying are in line with those outlined in the ‘Fund charges’ section and Appendix A of this Statement.
3. Contributions and costs/charges that are shown as a monetary amount and reductions are made halfway through the year.
4. Investment returns and percentage costs and charges (including the 0.15% administration charge) are assumed to be deducted at the end of the year.
5. Charges and costs are deducted before applying investment returns.
6. Switching costs are not considered in the LifePath options.
7. Inflation is assumed to be 2.5% each year.
8. The Plan’s £25 administration charge is assumed to apply annually and is not adjusted for inflation.
9. Contributions are assumed to be paid from the assumed starting age for each member to the assumed normal retirement age
10. Values shown are estimates and are not guaranteed.
11. The real projected growth rates (net of inflation at 2.5%, charges and transaction costs) for each fund are as follow:
    - Lifestyle strategies: from -0.640% to 2.389% (adjusted depending on term to retirement)
    - Active UK Equity: 3.17%
    - Passive Gilt Fund: -1.41%
12. Transactions cost assumptions are based on the latest information which has been supplied by Aegon and M&G. For Aegon funds these are an average of the current and previous reporting periods and for M&G these cover the current reporting period as the costs for the previous corresponding period was not available. The Trustee has had assurance from M&G that this information will be available in future reporting periods.
13. Where the Trustee has been provided with negative transaction costs, we have used a zero cost to reflect this. Negative costs are a feature of price movements in a fund as members trade in and out of the fund and are not a reflection of explicit costs paid by members. It is important to note that using a negative or zero cost during any one Plan year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.

Appendix C – Statement of Investment Principles –

AkzoNobel Benefit Builder

Statement of Investment Principles

July 2020

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Section 1: Introduction

Plan details

1.1 This document describes the investment policy pursued by the Trustee Directors ("the Trustee") of AkzoNobel Benefit Builder ("the Plan").

1.2 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Plan operates on a defined contribution basis.

1.3 The Plan is a registered pension scheme under the Finance Act 2004.

1.4 A brief summary of the Plan's history is outlined in Appendix B.

Pensions Acts

1.5 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee is required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles adopted by the Trustee of the Plan.

1.6 Before preparing this document, the Trustee has consulted the Principal Employer and the Trustee will consult the Principal Employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.7 In drafting this document, the Trustee has sought advice from the Plan's investment consultant, Towers Watson Limited ("Willis Towers Watson"). Before preparing this document the Trustee has had regard to the requirements of Section 36 of the Pensions Act 1995, concerning diversification of investments and suitability of investments, and will consider those requirements in any review of this document or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that they exercise their powers of investment so as to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.8 In accordance with the Financial Services and Markets Act 2000, the Trustee will set the general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies.

Code of practice

1.9 The Regulator has launched a revised Code of Practice 13 (CoP13) which incorporates the new freedom and choice retirement flexibilities and new statutory minimum quality standards for all workplace DC schemes. CoP13 sets out the standards of conduct and practice that the Regulator expects trustee boards of occupational pension schemes providing money purchase benefits to comply with in fulfilling their legal duties in the pursuit of good member outcomes. This document has been drafted taking account of CoP13 and the DWP's minimum governance standards, and specifically the recommendations relating to the content of Statements of Investment Principles generally.

Compliance with this Statement

1.10 The Trustee will monitor compliance with this Statement annually.

Review of this Statement

1.11 The Trustee will review this Statement in response to any material change to any aspects of the Plan, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.

1.12 This review will occur no less frequently than every three years. Any such review will be based on written expert investment advice and the Principal Employer will be consulted.

Section 2: Division of responsibilities

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

2.2 The Plan Trustee's responsibilities include:

(i) Reviewing the content of this Statement of Investment Principles and modifying it if deemed appropriate, in consultation with the Investment Consultant and the Principal Employer.

(ii) Producing a Chair's Statement in line with the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

(iii) Developing a work plan for the Plan.

(iv) Appointing and monitoring the administrator of the Plan.

(v) Appointing and monitoring the advisors to the Plan.

(vi) Assessing their own performance and those of their advisors and delegates in fulfilling the requirements of the work plan.

(vii) Reporting to Plan members as appropriate on the content of and compliance with this statement.

(viii) Monitoring investment arrangements on an ongoing basis.

(ix) Communicating and providing reasonable assistance to help members make informed retirement savings decisions and monitor their progress.

2.3 In accordance with the Financial Services and Markets Act 2000, the Trustee sets the general investment policy, but has delegated the ongoing monitoring of the investment managers to the Investment Consultant. The Trustees monitor the investments each quarter, receiving investment updates from their investment consultant. A more detailed analysis is undertaken in one quarter in which each investment manager will attend the Trustee meeting.

Members

2.4 The individual member is responsible for:

(i) Investing in suitable investment funds from the range provided by the Plan.

(ii) Ensuring these investment choices are appropriate to their personal circumstances and needs.

(iii) Keeping the chosen investment choices under review, along with the choice of contribution levels payable, to ensure they continue to meet their personal circumstances and needs.

Underlying investment managers

2.5 The underlying investment managers' responsibilities include:

(i) At their discretion, but within the guidelines for each individual fund, implementing changes in the asset mix and selecting securities within each asset class.

(ii) Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Plan as and when they occur.

(iii) Providing the Trustee with quarterly statements of the assets together with a quarterly report on actions and future intentions and any changes to the processes applied to the portfolio.

(iv) The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Plan.

Investment Consultant

2.6 The Investment Consultant's responsibilities include:

(i) Participating with the Trustee in reviews of this Statement of Investment Principles.

(ii) Undertaking project work as required including transitions, implementations, strategy reviews and reviews of the underlying investment managers.

(iii) Advising the Trustee on:

- As requested, how any changes within the Plan’s membership profile may affect the manner in which the assets should be invested.
- How any changes in the underlying investment managers’ organisations could affect the interests of the Plan.
- How any changes in the investment environment could either present opportunities or problems for the Plan.

(iv) Undertaking trustee education on DC investment matters.

(v) Providing commentary on investment performance.

(vi) Providing general advice in respect of the Plan’s investment activities.

(vii) Providing views of the investment managers employed by the Plan.

DC Administrator

2.7 The Trustee has appointed Willis Towers Watson's Technology and Administration Solutions ("TAS") to provide administration services. The DC Administrator and platform providers' responsibilities include:

(i) Allocating the contributions paid by members to their individual accounts as soon as practicable after receipt

(ii) Providing the Trustee with quarterly statements

(iii) Ensuring that the Plan's funds are priced correctly to the extent this is within its power to influence

(iv) Providing regulatory and operational governance for the Plan's funds.

Section 3: Objective and investment strategy

3.1 The Plan is a defined contribution scheme and therefore members' benefits are solely dependent on the amount of money paid into their individual accounts and the performance of investments.

Investment Objective

3.2 The Trustee's objective is to make available to members a programme of investment via pooled funds which seeks to generate income and capital growth which, together with new contributions from members and the Principal Employer, will provide a fund at retirement with which to purchase a pension.

Investment Strategy

3.3 The Plan provides investment fund options sourced directly from the investment managers.

3.4 A full list of the range of funds offered is shown in Appendix A of this document. This includes the pre-determined default target date fund and the self-select fund range.

3.5 The Plan offers three pre-determined target date fund strategies. The aim of the strategies is for members to achieve a reasonable level of long-term growth on their investments over the majority of their working life. These strategies are offered via an array of BlackRock LifePath target date funds with varying vintage years, which automatically switch assets to manage investment risk as members approach their selected retirement age. Each LifePath fund will switch from an initial concentration in equities, to a more diversified asset allocation. At retirement the three LifePath strategies have different asset allocations and are invested in the below asset classes.

- LifePath Capital – cash
- LifePath Flexi – equities, commodities, property, fixed income and cash
- LifePath Retirement – fixed income and cash

3.6 Members who opt to invest in the self-select fund range can choose any of the funds in any combination they wish.

Default Option

3.7 The Trustee offers members the option to invest in the range of funds described in Appendix A entirely at their own discretion. If members fail to make a choice, the BlackRock LifePath Capital fund acts as a default with State Pension Age as the default target retirement age. The BlackRock LifePath Capital fund is designed to provide stable growth through the early years and gradually de-risk members as they near retirement. When members are within 10 years to retirement, the fund is designed to start moving to an asset allocation which is most suitable for members that intend to withdraw their benefits as a cash lump sum at retirement. Members are able to change their investment choice at any time if they do not believe this fund is appropriate for their needs.

3.8 The Trustee also considers the BlackRock World ex-UK Equity Index Fund to be a default arrangement as it may have received member assets on a non-consent basis following the removal of the MFS Global Equity Fund (as outlined in Appendix B).

3.9 The Trustee also considers the Cash Fund to be a default arrangement as member assets may be invested in this fund on a non-consent basis following the receipt of redemption proceeds from the sale of units in the Property Fund, as outlined in Appendix B. The Trustee also decided to redirect future contributions from the Property Fund to the Cash Fund following its decision to redeem all assets in the Property Fund in March 2020.

Expected Risk and Return

3.10 The investment options invest in the following asset classes and have the following risk and expected return characteristics:

(i) Equities – Expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.

(ii) Diversified assets – Expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than that of equities.

(iii) Property - allows members to gain exposure to an alternative asset class. By diversifying away from equities, the return seeking portion of the member's investment is less reliant on the equity risk premium and is expected to be less volatile than equities.

(iv) Bonds – Capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of bonds is expected to move broadly in line with the price of annuities, providing some protection to the 'purchasing power' of a member's account near retirement.

(v) Cash – Limited investment returns associated with low risk to capital values.

Additional Voluntary Contributions (AVCs)

3.11 The Plan provides a facility for members to pay AVCs into the Plan to enhance their benefits at retirement. Members have the choice of investing their AVCs in any of the self-select or target date fund strategy options. The Trustee's objective is to provide funds which offer a suitable long term return for members, consistent with members' investment needs as they approach retirement. The AVC investment options are the same as the main Plan investment options.

Section 4: Other investment policies

The Trustee also faces other requirements relating to investment, be it legislative, regulatory or considered best practice.

Choosing investments

4.1 The Trustee has appointed investment managers who are authorised under Financial Services and Markets Act 2000 to undertake investment business. After gaining (and reconfirming at least annually) appropriate investment advice, the Trustee has specified the asset allocation of every manager. Investment choices have been delegated to these investment managers, subject to defined tolerances relative to their respective benchmarks.

4.2 In this context, investment advice is defined by Section 36 of Pensions Act 1995 (as amended).

Financially material considerations

4.3 The Trustee takes account of financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

4.4 The Trustee's policy is that day-to-day decisions relating to the selection, retention, and realisation of the Plan's assets is left to the discretion of the investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee explores these issues with its advisers to understand how the investment managers exercise these duties in practice.

4.5 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including engagement and voting policies where relevant.

4.6 The Trustee's policy at this time is not to take into account members' views on non-financial matters in the selection, retention and realisation of investments.

Rights attached to investments

4.7 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments, to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

4.8 The Trustee periodically reviews reports from investment managers to ensure that the policies outlined in sections 4.4, 4.5, and 4.7 are being met.

Liquidity and realisation of investments

4.9 Members' accounts are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

Diversification

4.10 The Trustee believes that the provision of the self-select investment funds and the target date fund strategy meet the Plan's investment needs and that these funds provide adequate diversification of investments.

Suitability

4.11 The Trustee has taken advice from the Investment Consultant to ensure that the investment options specified above are suitable for the Plan. The Trustee continues to monitor, and take advice on, the various options on an ongoing basis.

Fee basis

4.12 Members bear the investment management charges on their investments. These fees are charged by adjustment to the unit prices within the funds, calculated daily on the value that day. The Trustee believes the charging structure is appropriate and in line with standard market practice.

4.13 The Trustee is aware of the importance of fees for members over long periods of time and therefore takes into account the level of fees when selecting funds and any fees generated when implementing changes to the underlying strategies, and seeks to negotiate improved terms where possible.

Section 5Investment manager arrangementsInvestment Manager Structure

5.1 Currently, the Plan offers members a range of self-select and target date fund strategies as listed in Appendix A of this document.

5.2 The Trustee's policy is to obtain ongoing advice on whether these funds continue to be satisfactory as required by the Pensions Act 1995, Section 36.

5.3 The investment managers have regard to:

(i) at their discretion, but within the guidelines for each individual fund, implementing changes in the asset mix and selecting securities within each asset class.

(ii) informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the Plan as and when they occur.

5.4 The Trustee has delegated day-to-day management of the assets to the investment managers.

Performance Objectives

5.5 Whilst the Trustee is not involved in each investment managers' day-to-day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review manager appointments. A set of measurable objectives has been developed for each investment manager, consistent with the achievement of the Plan's longer term objectives with an acceptable level of risk.

5.6 The investment managers set performance objectives and risk tolerances for each of the Plan's funds. The Trustee considers these investment performance objectives to be an appropriate measure to assess each fund's performance against.

5.7 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk level of the Plan or any part of it.

5.8 The Trustee recognises that the active managers' performance will be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with their target, given the levels of risk adopted.

Fees

5.9 The Trustee has accepted the fees of the Plan's investment managers are at least in line with the manager's stated fee scale.

5.10 The Trustee will pay investment consulting fees to Willis Towers Watson based on time cost (or as agreed in advance for specific projects).

Arrangements with investment managers

5.11 Alignment between an investment manager's management of the Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new investment manager. As the Plan only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee's own policies and objectives. However, the Trustee will seek to ensure that the investment objectives and guidelines of any investment fund used are consistent with its own policies and objectives. The Trustee will also seek to understand the investment manager's approach to sustainable investment (including engagement).

5.12 The Trustee is responsible for monitoring the investment funds and managers. As part of this, the Trustee will provide investment managers with the most recent version of this Statement of Investment Principles (SIP) on a regular basis to ensure managers are aware of the Trustee's expectations regarding how the Plan's assets are being managed.

5.13 Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible the Trustee may consider alternative options available in order to terminate and replace the manager.

5.14 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. For most of the Plan's investments, the Trustees 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.

5.15 When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment 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.

5.16 Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

5.17 The Trustee reviews the costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

6.1 The Trustee recognises specific investment risks that can be managed by the range of investment options provided to members. These are:

(i) 'Inflation risk' - the risk that the investment return over members' working lives does not keep pace with inflation.

(ii) 'Conversion risk' - the risk that the investment strategy chosen near retirement is not suitable for the expected retirement benefits to be taken.

(iii) 'Shortfall' or 'opportunity cost' risk - the risk that members end up with insufficient funds at retirement with which to be financially independent.

(iv) 'Manager risk' - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.

(v) 'Capital risk' - the risk of a fall in the value of the members' fund.

6.2 The funds offered through the Plan have been chosen, in part, to help members mitigate these risks.

The Trustee recognises a number of risks involved in the investment of the assets of the Plan:

1. Manager risk:

   (i) is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

   (ii) is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment processes.

2. Liquidity risk:

   1. is measured by the amount of a pooled fund investment that can be redeemed by members over a specified period.

   2. is managed by typically offering members pooled funds that are readily redeemable in normal circumstances at reasonable prices.

3. Political risk:

   (i) is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

   (ii) is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4. Diversification risk:

(i) is measured by observing the relative and absolute volatility of the investment options.

(ii) is managed through the selection of broad based funds that show internal diversification, as well as by offering the membership a fund range which provides for reasonable diversification.

5. Currency risk:

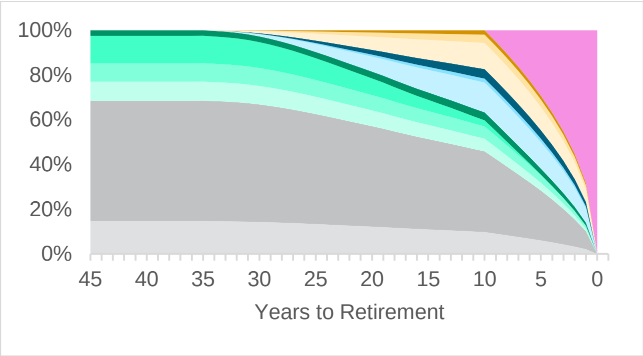
(i) is measured by observing the difference between hedged and unhedged returns.

(ii) is managed by providing the membership with a number of GBP based investment options and communicating those funds which invest overseas.

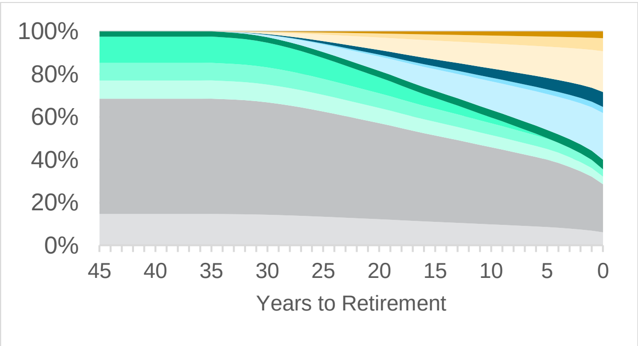
Appendix A: Fund range

There are three LifePath strategies which members may choose from. All LifePath strategies have an AMC of 0.16%. The asset allocation of these LifePath strategies is shown below:

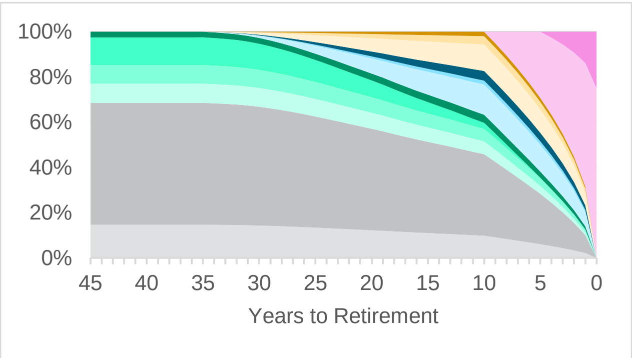
LifePath Capital:



LifePath Flexi:



LifePath Retirement:



Notes: O/S = overseas

Fund name	Investment manager	Performance target (before expenses)	Self-select fund range AMC
UK Equity Fund	BlackRock	To match the performance of the FTSE All-Share Index	0.08%
World ex UK Equity Fund	BlackRock	To match the performance of the FTSE Developed World ex-UK Index	0.20%
Corporate Bond Over 15 Years Index Fund	BlackRock	To match the performance of the iBoxx £ Non-Gilts Over 15 Years Index	0.08%
Over 15 Years Gilt Index Fund	BlackRock	To match the performance of the FTSE A Gilts Over 15 Years Index	0.08%
Over 5 Years Index-Linked Gilt Index Fund	BlackRock	To match the performance of the FTSE A Gilts Index-Linked Over 5 Year Index	0.08%
Cash Fund	BlackRock	To match the performance of 7-Day LIBID	0.10%
Aquila Life Market Advantage Fund	BlackRock	To achieve similar returns and take approximately 40% less risk than the diversified portfolio comparator (60% MSCI World GBP Hedged Index and 40% Barclays Capital Global Aggregate GBP Hedged Index) while experiencing lower downside exposure during extreme drawdowns	0.25%
Long Dated Corporate Bond Fund	M&G	To outperform by 0.8% pa the iBoxx £ Non-Gilts Over 15 Years Index	0.30%
Recovery Fund	M&G	To outperform by 1.5%-2.0% pa the FTSE All-Share Index	0.75%
Property Fund	M&G	To outperform by 0.5% pa the IPD UK Pooled Property Fund All Balanced Index	0.55%

Appendix B: Background

AkzoNobel Benefit Builder (‘the Plan’) is a defined contribution occupational pension scheme. Contributions into the Plan are paid by both AkzoNobel and by the member. In March 2006, the Company introduced a salary sacrifice arrangement. From this date, member contributions effectively ceased to be paid (although members may opt out of salary sacrifice arrangements). Employees who are members of the ICI Pension Fund or the ICI Specialty Chemicals Pension Fund are also eligible to make additional voluntary contributions to Benefit Builder.

The investment structure of the Plan was deliberately designed to start with a relatively straightforward structure and a limited range of options available to members. Following the advent of revised legislation in 2006 regarding pension provision, the Trustee, at the request of the Company, made available access to the Plan for members of the ICI Pension Fund and the ICI Specialty Chemicals Pension Fund as an AVC option.

In April 2006, four actively managed funds were added to the fund range and these are reviewed and refined from time to time, as appropriate.

From 1 January 2011, following consultation with members, the Plan’s age-related contribution structure was simplified to a flat/matching basis. This follows AkzoNobel’s wider harmonisation strategy which also included the introduction of members from the Company’s other DC arrangement, the CPS, into the Plan from 1 February 2011. Former CPS members were permitted to transfer their accrued benefits to the Plan in June 2011.

April 2011 saw the introduction of a member administration fee of £50 per annum. This is deducted from members’ accounts in two tranches of £25 in April and September each year. This charge was delayed for two years for existing deferred members of the Plan and applied in April 2013.

From April 2011, active members benefited from an additional Company contribution of £50 per annum.

During 2011, the Trustee undertook a detailed review of BlackRock’s changes to the LifePath strategy which saw the introduction of a diversified growth phase as a transition between the equity concentrated accumulation phase and the bond focussed consolidation phase and a change in the underlying bonds which make up the consolidation phase. The BlackRock Aquila Market Advantage (ALMA) will be used in the diversified growth phase and is also made available to members as a stand-alone fund.

The Trustee Directors have engaged in an ongoing dialogue with BlackRock in relation to the design of the Plan’s default investment option, LifePath, and will review its continued suitability on an ongoing basis.

A review of the Plan’s investment strategy was undertaken in 2017. As a result of this review, it was agreed that the default investment strategy would be changed from LifePath Retirement to LifePath Capital, with all assets being transitioned in April 2018, with the exception of those members who had actively elected to remain in the current LifePath Retirement funds. In addition, the active MFS Global Equity Fund was removed from the Plan’s range of investment options and all assets were transitioned to the passive BlackRock World ex-UK Equity Index Fund in April 2018.

In June 2019 the Trustee was informed that the M&G Property Fund had applied its deferral policy on redemptions. After taking advice from its advisors, in March 2020 the Trustee agreed to instruct a redemption of all units held in the M&G Property Fund and invest the proceeds in the Cash Fund as they are received. Members are able to switch their assets into other funds from the range of available options thereafter if they wish.