Willis Towers Watson

ICI Pension Fund

Actuarial valuation as at 31 March 2017

12 February 2019

Summary

The main results of the Fund's actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2017 has increased to 95% (2014: 91%)

- Deficit of assets relative to technical provisions at 2014 of £850 million has reduced to a deficit at 2017 of £604 million

- The recovery plan implemented to address the Fund's funding deficit is expected to achieve full funding on the technical provisions assumptions by 31 March 2019, which is 2 years following the valuation date (2014: 6.8 years)

- The Fund Actuary's statutory estimate of solvency as at 31 March 2017 has increased to 91% (2014: 81%)

- The Trustee and the Company have agreed that contributions will be paid in respect of accrual of future service benefits at the rate of 56.1% and 48.3% of pensionable salaries for Main Section and Holden Section members respectively, less the contributions paid by members. This rate is unchanged from that agreed following the 2014 valuation and has regard to the Company's policy on the application of a cap on increases in pensionable salaries.

Contents

Throughout this report the following terms are used:

Fund
ICI Pension Fund

Trustee
ICI Pensions Trustee Limited

Company
Imperial Chemical Industries Limited

Trust Deed & Rules
The Fund's Definitive Deed and Rules dated 6 April 2006 (as subsequently amended)

Introduction

Scope

This report is the actuarial valuation of the ICI Pension Fund as at 31 March 2017 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial valuation is required under the terms of Clause 42A of the Trust Deed & Rules and Part 3 of the Pensions Act 2004; a copy of this report must be provided to the Company within seven days of its receipt.

The main purposes of the actuarial valuation are to review the financial position of the Fund relative to its statutory funding objective and to determine the appropriate level of future contributions.

The report explains the financial position of the Fund at 31 March 2017 using several different measures of its liabilities and how it has changed since the previous valuation at 31 March 2014. It also describes the strategy that has been agreed between the Trustee and Company for financing the Fund in future and provides projections of the funding position at the expected date of the next valuation.

This report and the work involved in the actuarial valuation are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards 100: Principles for Technical Actuarial Work and 300: Pensions.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Fund and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 March 2020.

In intervening years the Trustee will obtain annual actuarial reports on developments affecting the Fund's assets and technical provisions. The next such report, which will have an effective date of 31 March 2018, must be completed by 31 March 2019.

G McLean

Graham McLean
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson Company
12 February 2019

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http://eutct.internal.towerswatson.com/clients/615507/ICIPFTRVal31Mar17/Documents/ICIPF Valuation Report 310317 Final.docx

Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Fund for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial valuation and takes no account of developments after that date except where explicitly stated otherwise.

Some of the member data (such as date of birth and salary) required for the running of the Fund, including for paying out the right benefits, is known as 'personal data'. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as 'data controllers' under the Data Protection Act). Data controllers would include the Trustee of the Fund and may also include the Fund Actuary and Towers Watson Limited, so we have provided further details on the way we may use this data on our website at http://www.willistowerswatson.com/personal-data.

Assumptions

The choice of long-term assumptions, as set out in the Fund's Statement of Funding Principles dated 12 February 2019, is the responsibility of the Trustee, in agreement with the Company, after taking my advice. They are only assumptions; they are not predictions and there is no guarantee that they will be borne out in practice. In fact I would expect the Fund's experience from time to time to be better or worse than that assumed. The Trustee and the Company must be aware that there are uncertainties and risks involved in any course of action they choose based on results derived from these assumptions.

The funding of the Fund is subject to a number of risks and it is not possible to make an allowance for all such risks in providing our advice. Unless stated, no explicit allowance has been made for any particular risk. In particular, no explicit allowance has been made for climate-related risks, although this is covered more generally through the Trustee's approach to mitigating investment, covenant and longevity risks.

Funding

Statutory funding objective

The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Fund's technical provisions.

The technical provisions are calculated by projecting the benefits (which are mostly pension payments) expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. Benefits accrued in respect of service only up to the valuation date are taken into account in this calculation (although an allowance is made for an assumed level of future pensionable earnings increases for employed members). The main benefits taken into account in this actuarial valuation are summarised in the Additional Information section of this report.

The projections allow for benefit payments being made from the Fund over the next 80 or so years. Most of these payments depend on future increases in price inflation statistics subject to specified limits.

The method and assumptions for calculating the technical provisions as at 31 March 2017 have been agreed between the Trustee and Company and are documented in the Statement of Funding Principles dated 12 February 2019.

The table below summarises the main assumptions used to calculate the Fund's technical provisions for this and the previous actuarial valuation. Unless stated otherwise, the same assumptions are used for the purpose of assessing the value of bulk annuity policies and the value of the corresponding liabilities covered by these policies.

Financial assumptions	**31 March 2017 % pa**	31 March 2014 % pa
Discount rate	**Nominal gilt curve**[1]	Real gilt curve, plus RPI inflation[2]
RPI inflation	**RPI inflation curve**[3]	3.45%
CPI inflation	**RPI curve less 1% pa**	2.45%
Pensionable earnings increases	**RPI curve plus 1% pa, plus an age related promotional scale**[4]	4.45%
Deferred pension revaluation		
- Statutory deferred pension revaluation	**RPI curve less 1% pa**	2.45%
Pension increases		
- RPI minimum 0% pa, maximum 5% pa	**LPI (0,5) curve**[5]	3.35%
- CPI minimum 0% pa, maximum 3% pa	**CPI less 0.15% pa**	2.25%
- RPI minimum 3% pa, maximum 5% pa	**RPI inflation curve plus 0.4% pa**	3.75%

(1) The estimated single equivalent rate is 1.58% pa for the non-insured liabilities

(2) Equates to a single equivalent rate of around 3.32% pa. Other than for assessing the value of bulk annuity policies and the corresponding liabilities covered by these policies, an addition of 0.8% was made to the discount rate in the first year and an addition of 0.6% was made in years 2 to 6 (i.e. until 31 March 2020).

(3) Based on gilts. The estimated single equivalent rate is 3.4% pa

(4) With allowance for the estimated impact of the Company's stated intended cap on increases and subject to a deferred pension revaluation underpin.

(5) Reflecting swap market pricing plus a margin of 0.06%. The estimated single equivalent rate is 3.56% pa.

Pensioner mortality

Base tables	31 March 2014 & 31 March 2017 S2 (Amounts) SAPS table used[1]	Adjustment (multiplier applied to rates of death)
Male members (age retirement)	Male All retirements	97.5%
Male members (ill-health)	Male Ill-health	96%
Dependants of male members	Dependants	108%
Female members (age retirement)	Female Normal retirement heavy	91%
Female members (ill-health)	Female Ill-health	96%
Dependants of female members	Male All retirements	97%

(1) Adjusted from 2007 to year of valuation using the 2013 CMI core projection model, with a long-term rate of improvement of 1.5% pa.

Improvements in longevity from the base tables:

An allowance has been made for improvements in longevity from the valuation date into the future. For both this valuation and the 2014 valuation, the allowance comprises reducing the base table mortality assumptions year by year in line with the 2013 CMI core projections with a long term improvement rate of 1.5% pa.

Commutation

An allowance is made for non-pensioner members to commute 10% of pension on average for retirements over the period 1 April 2017 to 31 March 2020, based on current commutation terms but with an allowance for these to change over time in line with assumed improvements in life expectancy.

The above was also assumed for the 2014 valuation, but additionally an allowance was made for non-pensioner members to commute 20% of pension on average for retirements over the period 1 April 2014 to 31 March 2017.

The table below compares the Fund's technical provisions as at the date of the actuarial valuation (31 March 2017) with the market value of the Fund's assets. The corresponding figures from the previous actuarial valuation are shown for comparison:

Valuation statement	31 March 2017 £m	31 March 2014 £m
Amount required to provide for the Fund's liabilities in respect of:		
Employed members	**306**	291
Deferred pensioners	**1,910**	1,364
Pensioners and dependants	**8,683**	7,616
Collateral reserve*	**41**	23
GMP equalisation reserve	**100**	-
AVCs and other money purchase benefits	**2**	3
Technical provisions	**11,042**	9,297
Market value of assets	**10,438**	8,447
Past service (deficit)/surplus (assets less technical provisions)	**(604)**	(850)
Funding level (assets ÷ technical provisions)	**95%**	91%

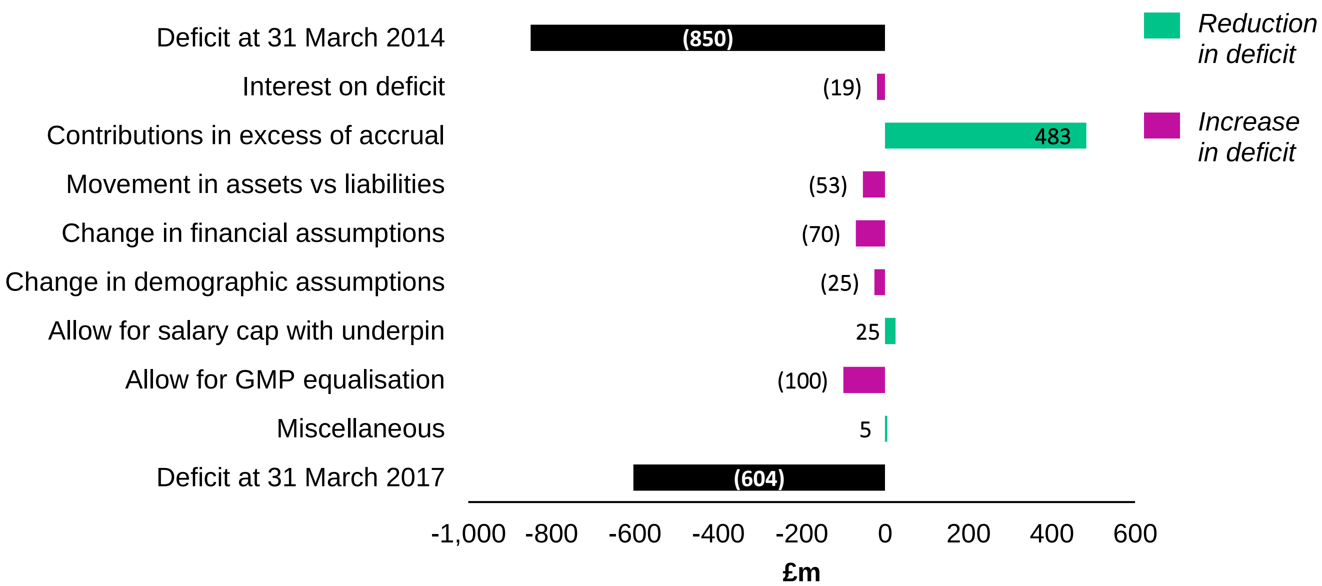
*The collateral reserve shown in the table above represents the reserve for the expenses associated with holding collateral as part of the buy-ins completed prior to the valuation date.

Developments since the previous valuation

The Trustee has purchased a number of bulk annuity policies since 31 March 2014 and has additionally completed other de-risking activity, including hedging and reducing exposure to return-seeking assets.

The Company introduced a policy intending to limit the increases in pensionable salaries with effect from 1 April 2017. This has been included within the technical provisions, although allowance has also been made for an underpin of deferred revaluation.

The funding level has increased to 95% from 91% at the previous valuation. The main factors contributing to this increase are shown below.



Contribution requirements

Future accrual of benefits

Since the valuation as at 31 March 2014 the Company has introduced a cap that it expects to apply to increases to pensionable salaries. Having regard to the financial effect of this cap being implemented, the Trustee and the Company have agreed that the employers will continue to pay future service contributions at the current rates (56.1% and 48.3% of pensionable salaries for Main Section and Holden Section members respectively, less the contributions paid by members) over the period covered by the schedule of contributions, subject to review at the next valuation.

The future service contribution rates do not include allowance for administration expenses or for Pension Protection Fund (PPF) levies as these are either paid directly or reimbursed by the Company.

Recovery plan

As there were insufficient assets to cover the Fund's technical provisions at the valuation date, the Trustee and the Company are required to agree a recovery plan. This specifies how, and by when, the statutory funding objective is expected to be met.

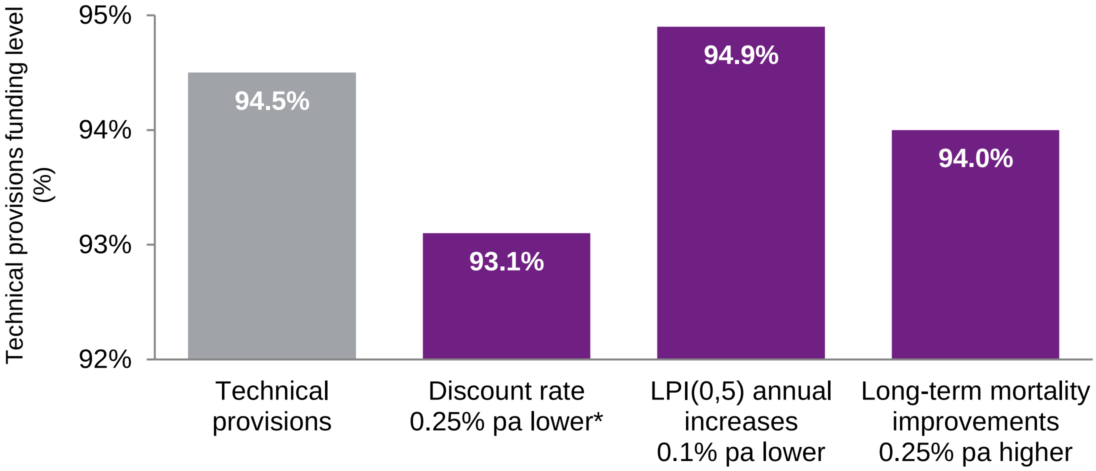
The Trustee and the Company have agreed a recovery plan such that:

- the Company will pay additional contributions to the Fund at a rate of:
    - £125 million payable in January 2018 and January 2019
    - £290 million payable by 31 March 2019
- if the assumptions documented in the Statement of Funding Principles are borne out in practice, the deficit will be removed by 31 March 2019.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2017 and allowing for contributions to be paid to the Fund as described above, the funding level is expected to increase to 100% by the end of the recovery period.

The chart below illustrates the sensitivity of the technical provisions as at 31 March 2017 to variations of individual assumptions. (If more than one of these assumptions is varied, the effect may be greater than the sum of the changes from varying individual assumptions.)



*Please note that the change in discount rate has been applied only to the uninsured liabilities.

Solvency

Discontinuance

In the event that the Fund is discontinued, the benefits of employed members would crystallise and become deferred pensions in the Fund. There would be no entitlement to further accrual of benefits.

If the Fund's discontinuance is not the result of the Company's insolvency, the Company would ultimately be required to pay to the Fund any deficit between the Fund Actuary's estimate of the full cost of securing Fund benefits with an insurance company (including expenses) and the value of the Fund's assets – the "employer debt". The Trustee would then normally try to buy insurance policies to secure future benefit payments. However, the Trustee may decide to run the Fund as a closed fund for a period of years before buying such policies if it is confident that doing so is likely to produce higher benefits for members or if there are practical difficulties with buying insurance policies, such as a lack of market capacity.

If the Fund's discontinuance is a result of the Company's insolvency, the "employer debt" would be determined as above and the Fund would also be assessed for possible entry to the Pension Protection Fund ("PPF").

If the assessment concluded that the assets (including any funds recovered from the Company) were not sufficient to secure benefits equal to the PPF compensation then the Fund would be admitted to and members compensated by the PPF. Otherwise the Fund would be required to secure benefits with an insurance company.

Statutory estimate of solvency

The Pensions Act 2004 requires that I provide the Trustee with an estimate of the solvency of the Fund at the valuation date. Normally, this means an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Fund at the valuation date. For this purpose I have assumed that no further payments are received from the Company.

For the liabilities not covered by a buy-in policy at the valuation date, I have assumed that the insurance company price would be calculated on an actuarial basis similar to that implied by bulk annuity quotations seen by Willis Towers Watson at around the valuation date. For this purpose I have used the assumptions underlying the calculation of the technical provisions with the exception of removing allowance for commutation and assuming annuity pricing for the uninsured liabilities will be 11% higher (2014: 15% higher). I have additionally made allowance for a premium in respect of insurance cover for all-risks and additional costs for asset trade-up and to convert existing buy-in policies to buy-out policies (2014: implicit allowance for these costs).

In arriving at this estimate I have made allowance for the possibility that annuities could be purchased from more than one insurer in a competitive situation and over a period of time. Purchasing annuities with a single insurer in one transaction might give rise to a substantially higher solvency deficit. Given the size and nature of the Fund's liabilities there is very considerable uncertainty over the cost of purchasing annuities in the event of the Fund being wound-up and the approach that I have taken and the figures quoted should not be taken as providing any indication of the debt on the employer that might arise in the event of the Fund being wound up.

My estimate of the solvency position of the Fund as at 31 March 2017 is that the assets of the Fund would have met 91% of the cost of buying insurance policies to secure the benefits at that date, based on the assumptions described above. Further details are set out in the table below alongside the corresponding details as at the previous valuation date:

Valuation statement	**31 March 2017** **£m**	31 March 2014 **£m**
Total estimated cost	**11,468**	10,385
Market value of assets	**10,438**	8,447
Solvency (deficit)/surplus (total assets less estimated cost)	**(1,030)**	(1,938)
Solvency level (assets ÷ total estimated cost)	**91%**	81%

The change in the solvency level from 81% to 91% is due mainly to the recovery plan contributions over the three years to 31 March 2017 together with more favourable insurer pricing, the combined effect of which has only partly been offset by reductions in long-term interest rates, which affect bulk annuity pricing terms.

The solvency estimate should not be relied upon to indicate the position on a future winding-up. Changes in market interest rates and in the supply and demand for annuities mean that the actual position at any particular point in time can be established only by obtaining specific quotations for buying the insurance policies required to secure the benefits.

The coverage for particular benefits depends on where they fall in the statutory priority order below. However, money purchase liabilities, such as those arising from members' Additional Voluntary Contributions (AVCs), are excluded from the statutory priority order; their treatment is determined by the Fund's own rules and would normally be that they are secured in full before any other benefits.

- category 1 – benefits relating to certain pension annuities secured by the Fund before 6 April 1997;
- category 2 – the cost to the Fund of securing the compensation that would otherwise be payable by the PPF if the Company became insolvent;
- category 3 – benefits in respect of defined benefit AVCs not dealt with above;
- category 4 – all other pensions and benefits due under the Fund, including pension increases (where these exceed those under the PPF).

As the Fund assets covered the Section 179 liabilities as at 31 March 2017, the Fund would probably not have qualified for entry to the PPF had the Company become insolvent at 31 March 2017, in which case the members would have received more than the PPF compensation in place of their benefits but, on average, only 91% of the full benefits under the Fund Rules.

Relationship between the cost of securing benefits and the technical provisions

My estimate of the cost of securing benefits with an insurance company of £11,468 million is £426 million higher than the Fund's technical provisions of £11,042 million.

The technical provisions are intended to be a prudent assessment of the assets required under the Fund's investment strategy to meet future benefit payments as and when they fall due but with reliance placed on the Company being able to support the Fund in future if the assumptions are not borne out in practice. By contrast the estimated cost of securing benefits with an insurance company is based on the price that an insurer might be likely to charge to take on the risks associated with operating the Fund without having recourse to future contributions from the Company.

If the statutory funding objective had been exactly met on 31 March 2017 (ie there had been no funding surplus or deficit), I estimate that the solvency level of the Fund would have been 96%. This compares with 90% at the 31 March 2014 actuarial valuation.

Projections and sensitivities

Based on the assumptions underlying the calculation of the Fund's technical provisions as at 31 March 2017 and allowing for contributions to be paid to the Fund summarised in the Funding section of this report, the solvency level is projected to increase over the recovery period, broadly in line with the increase in the technical provisions funding level.

Additional Information

Risks

The table below summarises the main risks to the financial position of the Fund and the actions taken to manage them:

Risk	Approach taken to risk
Company unable to pay contributions or make good deficits in the future	At each valuation the Trustee takes advice from an independent specialist on the ability of the Company to pay contributions to the Fund and, in particular, to make good any shortfall that may arise if the experience of the Fund is adverse. This advice is taken into account when determining the level of technical provisions and in considering the appropriateness of any recovery plan to remove a deficit relative to the technical provisions. Between valuations the Trustee monitors the Company's financial strength regularly.
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Actuary on possible assumptions for future investment returns. For the calculation of the Fund's technical provisions, the Trustee has adopted discount rates that are lower than the expected returns on the Fund assets. The Trustee is able to agree further contributions with the Company at subsequent valuations if future returns prove insufficient.
Investment returns on future income could be lower than the returns available at the valuation date	The Trustee takes this risk into account when determining the Fund's technical provisions, by incorporating a level of prudence into the investment return assumptions. The Fund currently hedges a high proportion of its exposure to changes in interest rates.
Price inflation could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds. The Fund currently hedges a high proportion of its exposure to inflation risk.
Falls in asset values might not be matched by similar falls in the value of the Fund's liabilities	The Trustee considers this risk when determining the Fund's investment strategy. It consults with the Company in order to understand the Company's appetite for bearing this risk and takes advice on the Company's ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.
Fund members live longer than assumed	For the calculation of the technical provisions, the Trustee has adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that higher reserves are targeted in respect of the risk than are expected to be necessary. The Fund also holds bulk annuity policies which provide protection for a proportion of the liabilities.
Options exercised by members could lead to increases in the Fund's liabilities	The Trustee sets the terms for converting benefits in respect of member options on the basis of actuarial advice with the view to avoiding strains on the Fund's finances as far as is reasonably possible without disadvantaging members. The terms are kept under regular review, generally following each actuarial valuation.
Legislative changes could lead to increases in the Fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.
Changing patterns of weather, temperature or disease could adversely affect the funding of the Fund	The Trustee recognises that climate-related issues represent a risk to future economic stability in the long-term, with potentially wide-ranging effects on environmental, societal and governance matters. From the perspective of the funding of the Fund the key ways these risks could manifest are through unmatched falls in asset values, Fund members living longer than assumed or a reduction in the strength of the Company's covenant. Each of these particular risks are separately addressed above.

Economic risk | Demographic risk | Legal risk | Climate-related risk

Under a Deed of Guarantee dated 2 January 2008, Akzo Nobel N.V., the ultimate holding company of the Company, agreed to guarantee the Company's funding obligations to the Fund under the Fund Rules. In assessing risks, the Trustee has regard to this guarantee.

Benefits summary

The Fund is a registered pension scheme under the Finance Act 2004 and was contracted-out of the State Second Pension until 5 April 2016.

Current benefits

The Fund is closed to new entrants. The benefits accruing to active members at the valuation date are summarised below.

Main Section

Normal retirement age	62
Pensionable service	Years and complete months.
Pensionable pay	Total remuneration including commission and overtime, but excluding employee's profit sharing bonus. Increases to pensionable pay are potentially subject to a cap operated by the Company.
Final pensionable pay (FPP)	Greater of average pensionable pay in the year up to leaving and highest pensionable pay in any one of the last ten Fund years.
Member's pension on age retirement	2.2% of the first £11,250 pa of FPP, plus 1.83% of FPP in excess of £11,250 pa less a deduction of 1/50 of the basic single person State pension averaged over the last year, for each year of pensionable service under the 1967 Rules, less the annual State graduated pension earned during pensionable service. In addition, for each year of pre 1967 Rules service, a pension of 1.47% of FPP is payable.
Member's temporary supplement	1/50 of the basic single person State pension averaged over the last year for each year of pensionable service, payable to a member until State pension age or earlier death.
Member's pension on ill-health retirement	An immediate pension, calculated as for age retirement, but based on pensionable service completed with an addition of half the member's potential service to normal retirement age, subject to a maximum addition of ten years. (This maximum is removed for serious ill-health retirements). A temporary supplement is also payable from age 50 to State retirement age or earlier death for either a male or female member.

Spouse's pension on death in service	A pension equal to the amount which would have been payable had the member retired on serious ill-health the day before his or her death is payable at the full rate for the first five years and thereafter at 52½% of that amount.
Spouse’s pension on death after retirement	52½% of the pension payable to the member, ignoring any reduction occasioned by commutation for a lump sum and excluding any temporary supplement. For the balance of five years from the member’s date of retirement, the full member’s pension is payable.
Lump sum on death in service	4 times earnings.
Payments on leaving service	A member is entitled to a scale deferred pension payable from normal retirement age. (Special payment conditions apply to members who were in service on 31 October 1993 and leave after that date, to comply with the sex equalisation requirements.) As an alternative, there is an option of a transfer payment to another scheme or to an individual annuity policy.
Pension increases	Pensions (after commutation and in excess of any GMP in payment, but excluding any temporary supplement in payment accrued before 6 April 1997) are increased in line with the annual rise in the RPI, subject to a maximum of 5%.
Contributions	Members who do not participate in a salary sacrifice arrangement currently contribute at a rate of 3.9% of pensionable pay between the lower and upper earnings limit, and 8.8% of pensionable pay on all earnings in excess of the upper earnings limit.

Holden Section

Normal retirement age	65
Pensionable service	Years and complete months, maximum of 40.
Pensionable salary (PS)	Basic salary plus a proportion of fixed commission where appropriate less one-half of the basic single persons State pension. Determined each October. Increases to pensionable salary are potentially subject to a cap operated by the Company.

Final pensionable salary (FPS)	Greatest of: • PS on the member's birthday prior to retirement • PS on 1 October immediately preceding or coincident with the date five years prior to retirement • Highest average PS over three consecutive years of service in the ten years ending on 1 October immediately preceding the member's birthday prior to retirement.
Member's pension on retirement	1/60 of FPS for each year and complete month of pensionable service. The pension is reduced for early payment.
Spouse's pension on death in service	25% of PS.
Spouse's pension on death after retirement	Two-thirds of the member's pension in payment as if no pension had been commuted for a cash sum on retirement. On death within five years of retirement a lump sum equivalent to the value of the member's pension over the remainder of the five year period is due.
Lump sum on death in service	4 (2 for certain members) times basic salary plus a refund of contributions.
Payments on leaving service	A member is entitled to a scale deferred pension payable from normal retirement age. As an alternative, there is an option of a transfer payment to another scheme or to an individual annuity policy.
Pension increases	Pre-April 1997 benefits attract fixed increases of 3% pa. Post-April 1997 benefits increase in line with the annual rise in the RPI subject to a maximum of 5%. Benefits built up between April 1997 and July 2000 must increase by at least 3% pa.
Contributions	Members who do not participate in the employer's salary sacrifice arrangement currently contribute 8% of PS.

Senior Executive Section

The benefits under the Senior Executive Section are set out in the Rules, which can be accessed from the Trustee website at www.icipensionfund.org.uk

Non-active members

Non-active members are entitled to deferred benefits or are in receipt of pensions. In general deferred pensions are increased in line with price inflation, as measured by the RPI (subject to a cap), pensions are increased in line with RPI based price inflation (subject to a cap) once in payment and dependants' pensions are payable on the death of members. Details of the benefits are provided to members on leaving service and further information is available on the Trustee's website.

Discretionary benefits

No future discretionary benefits or discretionary increases in benefit have been allowed for in the calculation of the technical provisions and statutory estimate of solvency, other than our understanding of established practices in benefit calculations.

Changes to the benefits

Since the valuation as at 31 March 2014 no changes have been made to the Fund's benefits, although the company has introduced a cap that it expects to apply to increases to pensionable salaries. With the cessation of contracting out in 2016, the Company increased the rate of member contributions, by 2.3% of pensionable pay in excess of the lower earnings limit for the Main Section members and by 2% of pensionable salary for Holden Section members.

Uncertainty about the benefits

A reserve of £100 million has been included within the calculation of the technical provisions as an estimate of the financial effect of the possible changes to benefits that may be required to ensure that the Fund provisions in respect of Guaranteed Minimum Pensions do not unlawfully discriminate between male and female members. This is equivalent to an increase in the technical provisions of around 1%. A similar allowance has been included within the statutory estimate of solvency.

The Trustee has identified certain provisions under the Fund Rules which are potentially ambiguous. These provisions have been discussed with the Trustee's legal advisors and the Company (and its legal advisors) and a reserve has been included in the liabilities for this valuation. The Trustee is in the process of reconciling the data held in respect of members' Guaranteed Minimum Pensions (GMPs) with the records held by HMRC. For the purpose of this actuarial valuation it has been assumed that the reconciliation process will not lead to any additional liabilities arising under the Fund.

Membership data

A summary of the data provided for this and the previous valuation is presented below.

Active members	**31 March 2017**			31 March 2014		
	Number	**Pensionable earnings (£m pa)**	**Average age**	Number	Pensionable earnings (£m pa)	Average age
Holden	**65**	**2.2**	**54**	91	2.8	52
ICI	**200**	**10.9**	**54**	325	17.3	52
Total	**265**	**13.1**	**54**	**416**	**20.1**	**52**

Deferred members	**31 March 2017**			31 March 2014		
	Number	**Pension (£m pa)**	**Average age**	Number	Pension (£m pa)	Average age
Britag	**33**	**0.1**	**56**	51	0.2	55
Camtex	**27**	**<0.1**	**60**	49	0.1	59
Holden	**113**	**0.6**	**56**	138	0.6	55
ICI	**7,754**	**39.9**	**54**	9,331	47.1	53
SAI	**211**	**0.8**	**57**	251	1.1	56
Total	**8,138**	**41.5**	**54**	9,820	49.1	53

Pensioners	**31 March 2017**			31 March 2014		
	Number	**Pension (£m pa)**	**Average age**	Number	Pension (£m pa)	Average age
Britag	**195**	**1.3**	**81**	233	1.4	79
Camtex	**198**	**0.3**	**77**	235	0.4	76
Holden	**202**	**1.9**	**72**	179	1.4	70
ICI	**27,922**	**365.1**	**76**	31,013	385.3	75
SAI	**409**	**3.4**	**77**	444	3.6	76
Total	**28,926**	**372.0**	**76**	32,104	392.1	75

Widow(er)s	**31 March 2017**			31 March 2014		
	Number	**Pension (£m pa)**	**Average age**	Number	Pension (£m pa)	Average age
Britag	**98**	**0.5**	**82**	94	0.4	80
Camtex	**65**	**0.1**	**81**	91	0.1	80
Holden	**61**	**0.5**	**80**	58	0.4	79
ICI	**13,478**	**96.6**	**81**	14,837	95.2	80
SAI	**182**	**1.3**	**81**	203	1.3	80
Total	**13,884**	**99.0**	**81**	15,283	97.4	80

Notes on data tables:

- In addition, there were 136 children or other dependants with pensions in payment as at 31 March 2017 (113 as at 31 March 2014).
- The data provided as at 31 March 2017 excluded 271 deaths prior to the valuation date where entitlement to dependants' benefits had not been established when extracting information from the administrator's database (79 as at 31 March 2014). For the purpose of this valuation, allowance has been made for these deaths to give rise to dependants' benefits in line with the family statistics set out in the statement of funding principles. This is equivalent to additional annual dependants' pensions of £1.5 million as at 31 March 2017, with an underlying average age for these dependants of 85.
- Deferred pension amounts include revaluation to the valuation date.
- Average ages are weighted by the amount in the third column of each table.

Asset information

Movements in the market value of assets

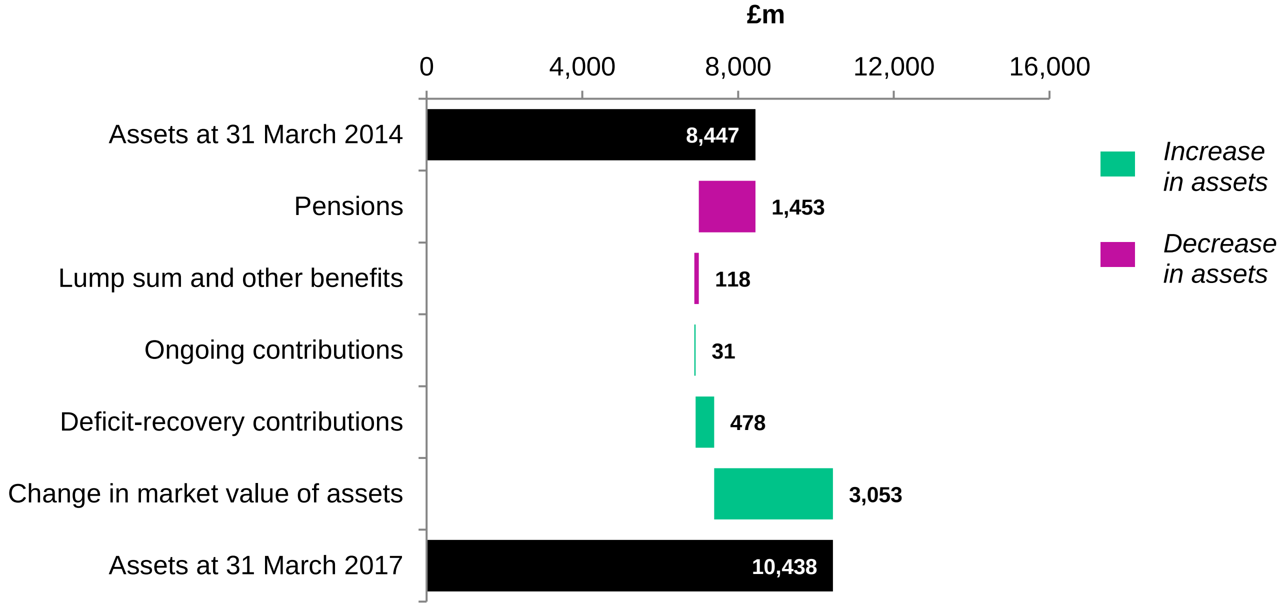
The audited accounts supplied as at 31 March 2017 show that the market value of the Fund's assets was £10,388 million.

The change in the Fund's assets from £8,602 million as at 31 March 2014 to £10,388 million as at 31 March 2017 is detailed in the Trustee's Report and Financial Statements over that period.

The value of the bulk annuities held by the Fund included within the assets as at 31 March 2014 (as shown in the accounts) was calculated as £3,624 million. As described in the Statement of Funding Principles, the value taken into account as part of the actuarial valuation was calculated in a different way (for consistency with the calculations of the technical provisions) giving a figure of £3,469 million and a total asset figure of £8,447 million as at 31 March 2014.

The value of the bulk annuity policies held by the Fund included within the assets as at 31 March 2017 (as shown in the accounts) is £8,434 million. For the purpose of the actuarial valuation this figure has been replaced with £8,484 million, this being the value of the benefits covered under the annuity polices using the assumptions for calculating the technical provisions. The market value of assets taken into account for this actuarial valuation is therefore £10,438 million.

The chart below summarises a broad reconciliation of the change in the market value of assets used for the actuarial valuations (including AVCs):



The Fund's annual accounts show that over the three Fund years to 31 March 2017 the annual investment returns achieved on the Fund's assets were 17.8%, 1.5% and 16.3% for 2014/15, 2015/16 and 2016/17 respectively; this is equivalent to an average return over the period of 11.0% pa.

Investment strategy

The Trustee's investment policy is set out in the statement of investment principles dated July 2015. This describes the Fund's investment strategy as follows:

"It is intended that the investment strategy of the Fund will progressively contain less risk so that, at such a time as full funding on a low risk funding basis is achieved, the portfolio will be fully invested in low risk assets, constructed with regard to the incidence of expected future cash flows of the Fund."

The assets, excluding AVCs (of £2 million in 2017 and £3 million in 2014), were invested as summarised below as at 31 March 2017 and 31 March 2014:

	Market value as at 31 March 2017		Market value as at 31 March 2014	
	£m	**%**	£m	%
Bulk annuity policies	**8,434**	**81%**	3,624	42%
Index-linked gilts	**659**	**6%**	1,780	21%
Fixed interest gilts	**246**	**2%**	246	3%
Swaps and cash	**420**	**4%**	184	2%
Alternative credit	**504**	**5%**	-	-
High yield bonds	**-**	**-**	117	1%
Leveraged loans	**-**	**-**	151	2%
Non-gilt Index-linked bonds	**-**	**-**	168	2%
Emerging market currency	**-**	**-**	87	1%
Emerging market bonds	**-**	**-**	686	8%
Other fixed interest bonds	**-**	**-**	366	4%
Infrastructure	**60**	**1%**	35	-
Property	**-**	**-**	87	1%
Equity call options	**63**	**1%**	440	5%
Equities and convertibles	**-**	**-**	628	8%
Total	**10,386**	**100%**	8,599	100%

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **ICI Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31 March 2017 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 12 February 2019.

Graham McLean
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson Company
12 February 2019

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Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Fund Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Fund's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Fund Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Covenant: This represents an employer's legal obligation and its ability to provide the financial support to a scheme that may be required now and in the future. The trustees' assessment of the sponsor's covenant will inform both investment and funding decisions.

Demographic assumptions: Assumptions relating to social statistics for Fund members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Fund and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Fund. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Fund, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Fund. See also statutory funding objective.

Pension Protection Fund (PPF): Provides compensation to members of an eligible occupational scheme in the event that it is wound up with insufficient assets and the employer is insolvent. The level of PPF compensation provided would not usually be at the full level of the benefits that would otherwise have been due.

Prudence: Regulations require that assumptions are chosen prudently when assessing the level of technical provisions, although they do not define this term. I have interpreted prudence to be the level of conservatism in the assumptions. Where this is interpreted quantitatively, assumptions said to be prudent would result in higher technical provisions than a "best estimate" assumption (where a "best estimate" assumption is one where there is a 50% chance that the actual outcome will be higher or lower than assumed).

The Pensions Regulator: The regulatory supervisor for occupational pension schemes with statutory objectives to protect members' benefits and the Pension Protection Fund, and statutory powers to take interventionist action.

Recovery plan: A document required where an actuarial valuation discloses that the statutory funding objective is not met (ie the assets held are less than the technical provisions). It is a formal agreement between the trustees and the employer that sets out the steps to be taken to achieve the statutory funding objective by the end of an agreed period (the "recovery period").

Schedule of contributions: A document that sets out in detail the agreed contributions payable to a scheme by members and the employers and the dates by which such contributions are to be paid. It includes, but is not limited to, contributions agreed under a recovery plan.

Fund Actuary: The individual actuary appointed (under the Pensions Act 1995) by the trustees to perform certain statutory duties for the Fund.
Scheme-Specific Funding Regime: A term used to refer to the legislative and regulatory rules that stem from the Pension Act 2004 and which govern the funding of occupational defined benefit pension schemes in the UK.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Fund Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Fund's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory estimate of solvency: An estimate of the cost of discharging a scheme's liability to pay benefits through the purchase of insurance policies in respect of each member's full benefit entitlement under the Fund (unless the actuary considers that it is not practicable to make an estimate on this basis, in which case the estimate of solvency can be prepared on a basis that the actuary considers appropriate).

Statutory funding objective: To have sufficient and appropriate assets to cover the Fund's technical provisions.

Statutory priority order: The order in which the assets of a scheme must be applied in securing the benefits of different members in the event of it being wound up. The order is consistent with the Pension Protection Fund (PPF) because benefits covered by the PPF are the highest priority class of defined benefit liabilities.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Fund.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.

Winding-up: This is a particular method of discharging a scheme's liability to pay benefits. It typically arises where the employer no longer provides financial support to it (for example if it becomes insolvent) and would usually involve using the scheme's assets to buy insurance policies that pay as much of the scheme's benefits as possible in accordance with the statutory priority order.