Summary Funding Statement

ICI Pension Fund (the 'Fund')
Summary Funding Statement as at 31 March 2010

This statement is being sent to you on behalf of ICI Pensions Trustee Limited, which is the Trustee responsible for administering the Fund. As you are a person entitled to benefits from the Fund, you receive updates on the Fund's financial position. You will be sent a statement like this at least once a year so that you have updated information about the funding position.

In October last year you received a Summary Funding Statement showing how the funding position had changed between the full actuarial valuation of the Fund as at 31 March 2008 and the interim review as at 31 March 2009. This statement updates the position to illustrate the results of the interim review as at 31 March 2010. The content of this statement is defined by Government regulations and so what we cover in it may vary from year to year where the regulations change.

The ongoing funding position

The last full funding valuation of the Fund showed that on 31 March 2008 there was a shortfall of £1,225 million (i.e. the Fund's assets were £1,225 million less than the estimated amount needed to provide benefits over the life of the Fund) and the funding level was 85%. As a result, ICI agreed to pay additional contributions to eliminate the shortfall. Further details of this were provided in the Summary Funding Statement issued in March 2009.

Since then, the Fund has continued to receive the planned additional contributions and investment performance in the year to 31 March 2010, offsetting the poor returns over the previous year (some of which were included within the results of the 2008 actuarial valuation).

Consequently, the ongoing funding position as at 31 March 2010 is estimated as follows:

Assets	**£7,416 million**
Amount needed to provide benefits	**£8,158 million**
Shortfall	**£742 million**
Funding level	**91%**

The schedule of shortfall contributions was revised in March 2009 as a result of the 2008 full actuarial valuation, and the shortfall contributions due (or already paid) from ICI from 31 March 2008 are as follows:

- a total of £175m by the end of March 2009 (including shortfall contributions of £122 million already paid before the schedule was revised);
- contributions of £175m in January 2010 and in January 2011; and
- contributions of £195m each January from 2012 to 2017 inclusive.

No payments back to ICI

There has not been any payment to ICI out of the Fund's assets over the period 1 April 2008 to 31 March 2010 nor, so far as the Trustee is aware, at any time previously to any company connected with ICI or with AkzoNobel. The Trust Deed which governs the ICI Pension Fund contains strict provisions about the payment of Fund money to employers. Essentially, payments can only be made to employers if the Fund is terminated at a time when it has more than enough money to secure every member's benefits in full.

No intervention by the Pensions Regulator

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the statutory funding objective, setting the terms of the recovery plan for meeting the statutory funding objective and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Fund.

Valuation on a solvency – or 'winding up' – basis

As part of the interim funding review, the Fund's solvency position was assessed as at 31 March 2010. It showed a shortfall of £1,850 million and a solvency funding level of 80% compared with the estimated amount needed to ensure that all members' benefits could have been paid in full if the Fund had started winding up (full solvency).

Takeover by AkzoNobel N.V. ('AkzoNobel')

Since 2 January 2008, ICI has been a wholly-owned subsidiary of AkzoNobel. With effect from the same date, the Fund also has the benefit of an unlimited guarantee from AkzoNobel of all ICI's obligations to make payments to the Fund in accordance with the Trust Deed, pensions legislation and any specific agreements between the Trustee and ICI (such as the Schedule of Contributions).

What would happen if the Fund started to wind up?

The Fund can only be wound up if ICI goes into liquidation and ICI would then be required to pay enough into the Fund to enable members' benefits to be completely secured with an insurance company. If ICI itself could not pay, then the Trustee would look to the AkzoNobel guarantee for payment instead. In the unlikely event that neither ICI nor AkzoNobel were able to pay this amount in full, you would, in those circumstances, not receive the full amount of pension you have built up, even if the Fund is fully funded on an ongoing basis.

However, the Pension Protection Fund (PPF) should, in those circumstances, ensure that members receive a statutory minimum level of compensation. A summary of the PPF compensation regime was given on page 10 of the 2009 Pensions News, and is also available on the Fund's website at www.icipensionfund.org.uk

Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.

Transferring your benefits out of the Fund

You may not yet have retired and, if so, you may wish to transfer your pension to another arrangement. It is possible that the funding level could affect the level of future transfer payments. Details of transfer values are available on request from ICI Pensions Services at the address stated at the end of this statement.

Important: If you are thinking of leaving the Fund for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

The importance of employer financial support (the 'employer covenant')

The Trustee's ongoing funding target is to have enough money in the Fund to pay pensions in full now and in the future, assuming that ICI (supported as necessary by AkzoNobel) is able to continue to support the Fund.

- ICI (supported as necessary by AkzoNobel) will be paying deficit contributions as explained previously, plus the cost of employed members' benefit accrual, as well as the expenses of running the Fund.
- The funding level can fluctuate as a result of changes in investment conditions, and when there is a funding shortfall, ICI (supported as necessary by AkzoNobel) will usually need to put in more money.
- The target funding level may turn out to be too low – for instance as a result of improved life expectancy – so that ICI (supported as necessary by AkzoNobel) will need to put in more money.

Whilst the Fund remains ongoing, even though funding is temporarily below target, pensions will continue to be paid in full.

Measuring the Fund deficit if the employer covenant were to weaken

In the event that the Trustee were not able to rely on the financial support of ICI (or AkzoNobel) in the future to the same extent that they can now, the deficit would be reassessed and could increase substantially. This includes (but is not limited to) situations which could arise following a change in ownership of ICI (or of AkzoNobel).

The Trustee policy for such eventualities has been developed to meet the UK regulatory regime for Scheme-Specific Funding (modified by the special protective provisions in the ICI Pension Fund Trust Deed) and is set out in more detail in the Fund's Statement of Funding Principles (available on the Trustee website at www.icipensionfund.org.uk). These regulations assume that the valuation principles will normally be agreed between the Trustee and ICI. In the event of a failure to agree, the Pensions Regulator normally has power to decide for itself the actual level of employer contributions. However, if AkzoNobel were to be taken over, or if its credit rating were to be significantly damaged, the Pensions Regulator would also have to take account of the powers of the Scheme Actuary to set a minimum level of contributions in those circumstances. 'Scheme-Specific Funding' means, broadly, the amount of money that the Fund needs in order to provide reasonable security for members' accrued benefits. This depends on the specific circumstances of the Fund at the time and, in particular, on the extent to which it can confidently rely on ICI's and AkzoNobel's continued financial support. This means that there is no single answer as to the appropriate size of the funding deficit if circumstances change.

For instance, the current assessment of the deficit effectively includes some advance credit for expected higher investment returns from some riskier assets, which could go down as well as up. If the employer covenant were not strong enough in future to cope with higher investment risk, the Trustee would have to change the investment policy to one where expected returns were lower but more predictable. Depending on the extent to which investment returns were lower and other assumptions needed to be more cautious, the deficit to be met by employer contributions could increase quite substantially.

For example:

- Significant reduction in investment risk
  It might be prudent to increase the proportion of the Fund invested in low-risk bonds to 90%, to maximise the level of inflation protection and increase the certainty of investment returns.
- Self-sufficiency basis
  It might be prudent to assume that no future employer contributions at all would be available in the long term, so the Fund would need to minimise all investment risks. The Fund may also need to make further provision for the difficulty in forecasting how long pensioners may live in future.
- Buyout or 'solvency' basis
  This is the estimated amount necessary to secure all pension benefits with external insurers, which is relevant if it becomes certain that no future employer support would be available.

These examples can be illustrated using the 31 March 2010 position as a point of comparison.

Shortfall	**£ billion**
Latest interim review as at 31 March 2010 (see page 1)	**0.7**
With significant reduction in investment risk	**1.1**
Buyout or 'solvency' basis	**1.9**

The Scheme Actuary has estimated that the cost of funding to a self-sufficiency basis would have been broadly similar to the buyout shortfall as at 31 March 2010.

Next formal actuarial valuation

In light of the results of the 2010 interim review and the continuing strength of the employer covenant, at this time the Trustee does not consider it necessary to review the Company's contribution requirements in advance of the next formal actuarial valuation due to be carried out as at 31 March 2011.

Where can I get more information?

This Summary Funding Statement is based on the actuarial valuation report of the Scheme Actuary as at 31 March 2008 and the interim funding review as at 31 March 2010. If you would like any more information on this subject, copies of the 2008 valuation report are available to members (price £5 for a hard copy or free by email) from ICI Pensions Services at the address given below. You can also request further information about any other aspect of your pension from ICI Pensions Services. The full valuation report is also available on the Trustee website at www.icipensionfund.org.uk

The next Summary Funding Statement you receive should be part of the 2011 Pensions News and should contain the results of the full actuarial valuation of the Fund as at 31 March 2011.

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