Imperial Chemical Industries Limited

Annual Report and Financial Statements

Registered number 218019

31 December 2021

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Strategic Report

The directors present their Strategic Report for the year ended 31 December 2021.

BUSINESS STRATEGY AND OBJECTIVES

Principal Activities and Purpose

The principal activity of the Company is the sale and distribution of decorative paints and the provision of toll manufacturing services to the wider AkzoNobel decorative paints business. The Company's unique purpose is to 'inspire beautiful living spaces' which is delivered through the 5 pillars outlined below.

The Company is also an investment holding company and manages legacy matters relating to former businesses and assets which were owned by the Company when it operated as a public limited company.

Due to the COVID-19 pandemic, the Company extended its 2020 strategy into 2021, specifically focussing on the concepts of being: More Connected, More Trade and More Direct business.

5 Pillars underpin and deliver on these ambitions:

1. **Quality Leadership**

   To become the undisputed leader for quality in the eyes of our customers

2. **A Brilliant Place to Work**

   To engage, enable and empower our people to succeed by taking care and investing in developing themselves, our communities and the environment

3. **Trusted Partner**

   To delight our customers by connecting our physical and digital assets, delivering a personalised experience that continually deepens loyalty

4. **Routes to Market**

   Ensuring that our products and services are available to our customers where and when they want to buy them

5. **Operational Excellence**

   Continuously improving our core business processes and ways of working to deliver an unrivalled customer experience

As an evolving and growing business, our passion is to ensure that our customers and their satisfaction is at the forefront of our thinking.
Our customer experience ambition for 2021 is: Finding 'Opportunities to Delight,' realising that our success comes from our brands and our customers. A key behaviour in organisation is strong customer focus and we believe that everyone in our Company can play a part in having a customer focussed mindset.
We introduced initiatives that include:

- Colleagues to be ambassadors of brands and customers
- We understand the customer's 'pain points' and take action
- We consider: Will our idea excite customers, drive loyalty, satisfy customer needs?
- Our No. 1 priority, if there are conflicting deadlines, is the customers' needs

We also understand the importance of innovation to meet the needs of our customers.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

CASE STUDY 1
Objective: To provide a simple and convenient merchant access to our operational and marketing services/benefits, including a single-entry point driving connected ecosystem to the broad spectrum of Merchant partners.

How do we plan to deliver this?

- Digital single entry point hub, embedding and/or linking existing services
- Tiered model with mix of complimentary, subscription and Pay As you Go opportunities
- Maintain an element of bespoke support and leverage opportunity to drive targeted communication from the proposition
- Build alongside webshop 2

Timings:

- Proposition development and build H2 2021-H1 2022
- Launch H2 2022

CASE STUDY 2
Initiative: Store Of the Future

Objectives: To drive trade up into added value (increasing profit); To provide DMG Point of Difference (POD)
How do we plan to deliver this?

- Increased category navigation to get people to buy the right product (trade up)
- In store demos to provide POD vs. online
- Ends and in store merchandising items to drive further trade up

Timings

- Trial August 2021
- 2022 rollout to the market

Business Review

The Company made a profit before taxation for the financial year of £136m (2020: £91m) during the financial year and has net assets of £4,588m (2020: £4,504m) as at 31 December 2021.

Operational performance
In 2021, market conditions were challenging as consumer confidence remained low and higher levels of inflation continued. The Company maintained its decorative paints market share, although revenue from sale of products decreased by £13m (2%). This was partly offset by an increase of £5m in revenue from services including the Company's toll manufacturing activities. Cost of sales reduced by £27m due to a reduction in the price paid for stock purchased within the Akzo Nobel Group. As a result, the Company recorded an operating profit of £16m (2020: operating loss £10m). There was also an increase in interest income and dividend income, meaning profit before taxation was £136m compared with £91m in the previous year.

The Company's business is part of the AkzoNobel Decorative Paints EMEA Business Unit. Full information on the strategy of the Business Unit can be found in the Annual Report and financial statements of the ultimate parent company, Akzo Nobel N.V. (Strategy - page 17, Consolidated Financial Statement - page 92 of Annual Report), copies of which are available as indicated in note A of the Akzo Nobel N.V. 2021 financial statements.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Products

The Company manufactures, distributes and sells directly a full range of interior and exterior decoration and protection products for both the professional and do-it-yourself ("DIY") markets within the UK. The business operates under brands such as Dulux®, Dulux Trade®, Cuprinol®, Polycell®, Hammerite®, Armstead®, Sikkens® and International®. The Company prides itself on product innovation and continues to invest and bring new products to market.

Brand Strategy - Let's Colour

As an organisation, we understand that the pandemic has had a global impact in terms of how we live and work. During periods of lockdown, we have had to shift our means of operating to accommodate our customers' needs. That meant having **MORE PRODUCTS** available online.

We also understand that cultural change means our customers want **MORE HONESTY** and access to online content that is real and more human. Our brands create memorable and emotional connections, deeper engagement with our customers via a more experiential, immersive, and more shoppable content.

As a business, we aim to be **MORE RESPONSIVE**, rethinking priorities at every level. Not just in the way consumers are living and using their homes, but in how brands have quickly stepped up to help consumers around big current issues – such as COVID-19 to sustainability and reducing carbon footprint to help with everyday living.
To deliver on these needs, we are thinking digital first with new formats and channels, more social media content, empowered by smaller projects, real-life stories and visually stimulating products.

During the year, the Company began a partnership with Volunteer it Yourself (ViF) to deliver the *Dulux Let's Colour* initiative, using the power of colour and paint to transform lives by making community spaces brighter and more welcoming. This partnership led to the completion of over a dozen projects nationwide. Through its partnership with VIY, the *Dulux Let's Colour* initiative delivers high standard community projects, while helping to create opportunities for local at-risk young people to learn valuable decorating skills.

Product Launch - Simply Refresh
During the year, the Dulux brand launched the new Simply Refresh range, which gives a high-quality finish in just one coat – removing the hassle from decorating and helping to save valuable time. Simply Refresh is available in two ranges; the One Coat range is formed of 30 modern, neutral shades, and the Feature Wall range comprises of 15 striking on-trend colours.

'As a nation, we've fallen in love with DIY again and the pleasure and satisfaction that come from a job well done in the home,' says Marianne Shillingford, Creative Director of Dulux. 'As our homes become more multifunctional – they now need to be gyms, offices, and places to relax in – the individuality of each room and its design have become much more pronounced. This can make the thought of giving a fresh lick of paint to a whole house or flat daunting and overwhelming, which it shouldn't be. That's why we've launched Simply Refresh, to let a beautiful new look be achieved quickly and easily.'

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Product Launch - Heritage

In 2021 we also launched Dulux Heritage. The Heritage range is premium in look and feel, with a colour palette inspired by classic shades from the history of British architecture and design, reimagined for the modern-day home. Quality and durability meet to create 112 stylish shades that offer both style and substance.

This range features a unique premium quality velvet matt emulsion for walls and ceilings, an eggshell for wood and metalwork and an undercoat, all developed to meet the highest standards of both the professional decorator and the 'DIYer'. The Heritage range can also be mixed at Dulux paint desks in stores, giving customers the freedom to choose the colour that works for them.

Product Launch Scuffshield

The Company also launched innovative products through its Dulux Trade brand. This included Scuffshield Matt a highly advanced anti-scuff formulated coating. Dulux Trade Scuffshield Matt is a tough, water-based Matt emulsion paint that contains ultimate scuff resistant technology. It is designed to protect walls against scuff marks being left behind from items such as shoes and bags, to help keep walls looking good for longer. It is also cleanable and offers good stain resistance. Dulux Trade Scuffshield Matt is perfect for use in high traffic areas such as corridors, stairwells and hallways, and busy commercial spaces.

The development of the product was led by Gary Jefferson, EMEA Interior Wall Paints R&D Manager, who explains: "Creating a really smooth surface at a microscopic level is the key to lessening scuffing on walls."

Indirect Subsidiary Activities

On 12 January 2021, the Company's indirectly owned subsidiaries changed name: Cuprinol Limited changed name to Horseferry Investments Limited, and the former Horseferry Investments Limited was renamed Cuprinol Limited; Polycell Products Limited changed name to ICI North America Limited and the former ICI North America Limited was renamed Polycell Products Limited.

On 1 March 2021, ICI Limited, an indirectly owned subsidiary changed its name to Canliq 3 Limited and was placed into Member's Voluntary Liquidation on 30 March 2021.

On 9 December 2021, Horseferry Investments (formerly Cuprinol Limited) and ICI North America Limited (formerly Polycell Products Limited) were placed into Members' Voluntary Liquidation.

Post Balance Sheet Events

On 19 January 2022, the Company's indirectly owned subsidiary, Akzo Nobel Paints Vietnam Limited merged with four other companies in Vietnam and was renamed Akzo Nobel Vietnam Limited.

On 27th April 2022, the Company's indirectly owned subsidiaries, Cambrian SW Limited and Cambrian Decorator Supplies (C.D.S.) Limited were placed into Members' Voluntary Liquidation.

Key Performance Indicators

The Company assesses business performance over many indicators; both stand alone and also as a key part of the Decorative Paints European Business Unit. Full analysis of this business unit is provided in the annual report of Akzo Nobel N.V. as indicated above. The standalone indicators are presented in the table on the next page.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Indicator	2021	2020	Delta
Turnover from sale of product	£517m	£530m	(£13m)
Adjusted Profit before taxation ROS	21%	15%	6%

The results reflect the challenging market conditions and inflationary environment, but the Company maintained market share. The Company continues to drive operational excellence and strategy execution. Turnover includes both third parties and intercompany sales. Adjusted profit before tax return on sale (ROS) is calculated as profit before taxation excluding income from shares in group undertakings, and disposal of fixed assets, as a percentage of turnover from sale of products.

Further information on the Company's decorative paints business can be found at www.dulux.co.uk

Impact of COVID-19 on our business

The onset of COVID-19 has had a huge global impact, the repercussions of which will be felt for generations to come. The first national lockdown on 26 March 2020, led to closure of all non-essential stores in the UK. The UK government advised people to 'stay at home' which included working from home if possible.

The UK subsequently entered into a second national lockdown on 22nd September 2020, which encouraged a return to working at home, and a third national lockdown took place on 6 January 2021. For further details on the Company's response to COVID-19 during the height of the pandemic, please refer to the 2020 Annual Report.

During this ongoing period of uncertainty, the Board of Directors supported plans and activities to keep our colleagues safe whilst following UK government guidance.
On 19 July 2021, the UK government removed the vast majority of the restrictions in so far as they related to the Company. The Company issued communications to colleagues, outlining steps for a phased return to the office environment over the second half of the year. Plans were monitored regularly and using feedback from colleagues, adapted to suit their needs with health & safety and wellbeing at the forefront of the transition to returning to work in an office environment.

Following the rise in number of Omicron cases in December 2021, the UK government announced Plan B. The Company has continued to follow government advice to maintain a COVID-19 secure workplace. Colleagues in logistics and manufacturing operations and in our stores continued to attend their place of work, whilst all other colleagues who could work from home were encouraged to do so. Updated risk assessments were undertaken across all sites and any changes to policy were communicated by the relevant site leadership team. Face coverings were reintroduced for moving around and in communal areas.

The Board of Directors receives COVID-19 updates from the project team on a bi-weekly basis and reviewed the long-term progress of activities at quarterly board meetings to ensure that the health and safety of our colleagues is at the heart of our business.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Sustainability

Sustainability remains a key driver for the Company and also a core value, integrated in everything we do in the AkzoNobel Group. We strive to lead our industry by pioneering a world of possibilities to empower people and reduce our impact on the planet, while consistently innovating to deliver the most sustainable solutions for our customers.

The Group approach to sustainable business is called "People. Planet. Paint."

People: We act with integrity and respect human rights across our operations and value chain, embracing diversity and inclusion, to transform the communities in which we operate.

Planet: We minimise our environmental footprint, reducing carbon emissions and moving towards zero waste by pioneering increasingly sustainable solutions and processes.

Paint: We constantly innovate to bring surfaces to life by offering our customers the most sustainable solutions that go beyond generations.

General Targets & progress

AkzoNobel, are committed to achieving Net Zero. To continue our progress to achieving Net Zero, as a Company have adopted the following operational carbon reduction targets (Scopes 1&2).

We want to achieve a 50% reduction in carbon emissions by 2030 (from a 2018 baseline) and will do so by:

- cutting energy use by 30%
- increasing our renewable electricity use to 100% globally
- aiming to reach zero non-reusable waste by 2030
- setting a 2025 ambition for all plastic packaging used by our Decorative Paints Europe business to contain at least 50% recycled content
- reusing water at 100% of our water intensive sites

More holistically, AkzoNobel has become the first paints and coatings company to set science-based sustainability targets, officially validated by the Science Based Targets initiative (SBTi), by announcing carbon reduction targets for the full value chain.

PEOPLE

Modern Slavery Statement

The Company respects human rights across our operations and value chain. Our Modern Slavery Statement can be found at AkzoNobel Modern Slavery Statement 2020

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Hybrid-working

During the COVID-19 pandemic, our Company and the wider Group had to rethink its ways of working. As a result, the AkzoNobel Group is operating a system of hybrid working under a Team Charter for colleagues in roles that allow home-based working. This initiative supports the needs of our colleagues whilst continuing to drive our business to deliver on its strategy for the year. The system is reviewed on a regular basis by the UK Management Team to adapt to both the needs of the business and our people as required.

Gender Pay Gap

The Company is aware, that the historical gender imbalance which exists within some business areas continues to form an area of focus for us to improve upon. We have implemented a number of initiatives to seek to address these imbalances, where they exist. Equally, we acknowledge that real and long-term difference to the current gender pay gap will take time and as a Company, we remain committed to continuing this journey.

The data provided in this report is based upon the snapshot date of 5 April 2021, and the 12-month reference period up to 5 April 2021 for the purpose of bonus analysis.

<u>Mean Gender Pay Gap</u>

ICI 1.36% (2020 : 3.38%)

<u>Median Gender Pay Gap</u>

ICI -5.9% (2020 : -4.8%)

<u>Mean Gender Bonus Pay Gap</u>

ICI 31.5% (2020 : 31.4%)

<u>Median Gender Bonus Pay Gap</u>

ICI 25.9% (2020 : 19.8%)

Proportion of employees receiving a bonus payment

		Female	Male		Female	Male
ICI	2021	97.8%	97%	2020	100%	99%

Proportion of employees within each pay quartile

	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4
	F	M	F	M	F	M	F	M
ICI	37%	63%	25%	75%	34%	66%	36%	64%

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Gender Pay Gap – Hourly Rate and Bonus

Across the Company, the gender pay gap remains minimal - below 1.5% and this demonstrates the continued efforts to maintain a gender balanced approach to recruitment and career development. However, there is an absolute focus from the business to ensure that we recruit more women into senior positions as well as the lower levels of management to enable a pipeline of talent to be developed which will lead to more opportunities for women to be promoted into higher levels of management and into the executive level roles over time.

With regards to the current bonus gender pay gap, it's driven by the increased bonus opportunity as employees move into more senior positions – so as with most gender pay gap challenges the Company face, increasing the number of women in executive levels will have the most positive impact on reducing the current differential.

At a corporate level, AkzoNobel has launched a program to strengthen the senior female leadership pipeline with a target of reaching 30% of female leaders by 2025. Taking a holistic view of AkzoNobel across the UK, whilst we have business areas where the gender pay gap is not an issue, we fully acknowledge that this does not justify the differences which exist in other areas, and the local and global management teams will continue to take every opportunity to ensure that gender diversity and the associated pay gaps remains at the forefront of decisions taken within the business.

Diversity and Inclusion

During 2021, our senior executives as well as other colleagues within the business made pledges on the Women Inspired Network to drive the development of women's careers by setting targets for improvement:

Decorative Paints UK&I Targets

- 36% of Managers female by end 2022
- 25% of Sales Team Female by end 2025

The targets will change over time, as the Company's ambition is for the percentage of women in leadership roles to match the percentage of women in the business.

How do we intend to attract more female colleagues?

Active leadership in promoting our sale of our brands as an attractive career for women

Competitive Salary & benefits such as flexible working; shared parental leave; childcare support

Employer Brand – we must develop our employer brand to demonstrate our values and diversity

Recruitment Process – Gender decoding adverts; challenging stereotypes & like for like recruitment; variety of assessment methods; Interview and unconscious bias capability training; diverse interview panels; measuring output

Apprenticeships – Using Retail Management & Sales programs to provide opportunities for women to develop their skills and experience

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Secondments/Projects – Encourage cross functional development opportunities particularly between Marketing and Sales but across the BU

Internal recruitment – ensuring wherever possible opportunities are offered and visible

Active Talent Management – Have regular check-ins and record the interest of individuals in future opportunities

Health and Safety

The Company has a proactive Safety Management Program in place, driving a positive behavioural based culture. This is support by a structured Behavioural Based System – which is implemented in all UK Manufacturing facilities. The Total Reportable Injury Rate during the year was 1.59.

All sites commenced a Fork-Lift Truck / Pedestrian segregation program with associated risk assessments. The project is due for completion at the end of 2022.

A UK Safety Taskforce was initiated to focus on driving best practice in leadership, change, communication and common safety system deployment.

PAINT

Take Care Awards 2021 – Ashington CASE STUDY

During 2021, the business received an AkzoNobel award for the installation of the new Solvent Recovery Unit ("SRU") at the Ashington site. The new SRU has enabled the site to recover 100% of the solvent produced at site in the cleaning process, removing the need for a secondary tolling process which cost over £500,000 per year.
The new installation recovers 100% dirty solvent by-product, which eliminates the need for a toll manufacturing process. It also performs this within a 64% lower operating window than our previous solvent recovery unit, which only recovered 25% dirty solvent in the 133 hour per week operating window.

An additional cost is saved due to the reduced running time needed, realising a 39% drop in energy requirements from the unit, while recovering 4 times the amount of solvent. It gives the site access to all of the by-product sale from the residues with a third-party buyer, improving material efficiency.
Additional levels of safety interfaces have been implemented to ensure optimal safe running at all times.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon reporting

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1 and 2 emissions, an appropriate intensity metric, the total energy use of electricity, gas and an energy efficiency actions summary taken during the relevant financial year.

	2021	2020
Energy consumption used to calculate emissions (kWh)	15,712,286	13,660,092
Emissions from combustion of gas (Scope 1) tCO_2e	633	785
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	2,603	2,287
Total gross tCO_2e based on above	3,235	3,071
Intensity ratio ($kgCO_2e$/kl of production)	25.20	20.41

ENERGY EFFICIENCY ACTION SUMMARY
Year to 31st December 2021

Imperial Chemical Industries Limited achieves direct and indirect savings in energy and associated carbon emissions continuously through operational and technological improvements, including;

- Continued work from 2020 on the more efficient powder transfer infrastructure through powder silos
- Rolling programme of work on LED lighting upgrades and installation of LED lights in the academy
- More robust factory shutdown procedures to save energy at weekends and closed periods
- More efficient batch processing to reduce water waste from washing infrastructure between batches
- Increase in the use of recycled water into paint batches
- Adjustment of the Server Room Temperature following ESOS review from 26 to 24
- Replacement of the oversized boiler to a more suitable one in the academy- installed in June 2021
- Installation of new smart meters in March 2021

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

METHODOLOGY NOTES

Reporting Period	1st of January 2021 – 31st of December 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Imperial Chemical Industries Limited's annual accounts made up to 31st of December 2021.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
Emissions and Conversion factor source	DEFRA, 2021 for all emissions factors https://www.gov.uk/government/publications/greenhousegas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Reason for the intensity measurement choice	Based on the nature of our business, as well as following the recommendations of the SECR legislation we chose the following intensity metric: production volume (kiloliters). This metric reflects the total tCO_2e emitted in line with our business performance and shows the development of our energy efficiency. Through the comparison of the two financial years, this metric reveals the trend in Imperial Chemical Industries Limited's energy efficiency. The increase in the intensity ratio is mainly due to decrease in the 2021 production, attributable to the global supply chain challenges of raw materials provision coupled with a slowing down of post pandemic demand.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).
Other relevant information on calculation	Electricity and natural gas consumption data was received in kWh, consumption from kWh was converted to emissions using the DEFRA emission factors linked above. The emissions from Natural gas have been calculated using the gross CV for each kWh of energy reported. The increase in electricity and gas consumption is mainly due to offices reopening after Covid lockdown.

Carbon Trust update

In 2021, the Company was re–accredited with the Carbon Trust Triple Standard for the third time, recognising its reduction efforts in greenhouse emissions, waste and water management and continues to comply with the UK Government's Carbon reporting requirements.

COP26 – Virtual Pavilion

To help drive the sustainability agenda, the Company was also proud to part sponsor the UK Green Building Council's Built Environment Virtual Pavilion for COP26. This aligns with our long-standing Gold Leaf membership of the UK Green Building council and support of their campaigning.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Principal Risks and Uncertainties

Economy

The main risks and uncertainties relating to the business are a downturn in the UK economy, specifically in relation to reduction in consumer investment in home decoration and commercial construction projects. This uncertainty is heightened by the impact of COVID-19. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time.

Risk is managed via a group-wide 'InControl' framework, using Enterprise Risk Management processes and mitigation action tracking, and a strong Internal Audit function which assesses the adequacy and efficiency of risk management and internal controls procedures.

More information can be found here (https://report.akzonobel.com/2020/ar/governance/risk-management.html and here (https://www.akzonobel.com/en/about-us/governance-/policies---procedures/risk-management-)

There is also an Integrity and Compliance Committee at Akzo Nobel N.V. Group level.
The Company also faces the following business and governance risks:

Brexit
The business continues to monitor and manage the risks associated with Brexit

Supply Chain
- The risk of non-availability of critical raw / pack materials to produce our paint due to global supply chain scarcity
- Freight unreliability combined with high level of single sourcing resulting in poor service level, potential lost sales and lower margins
- The risk that (post) COVID induced negative economic effects due to shortages and high inflation These shortages are causing significant supply interruptions, reduced margins and reduction demand
- It is not clear to customers if there are stock shortages at point of ordering, so we risk potential poor customer experience
- 2020 stock challenges impact on 2021 ability to fulfil orders on time and in full

Processing Payments
- The risk of the continued issue in supplier & customer payment, leading to suppliers putting us on stop
- Impacts upon product availability and affects payment of supplier (e.g rent and electric, facilities) customer payment, marketing plans / PRF) legal, credit
- Reputation damage from non/late payments

Governance Risks
- Insufficient diversity on the Board
- Accounting Resources for production of Annual Report
- Further actions to be taken in relation to Wates Principles

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Actions

- The impact of raw material shortages and volatility of supply is being mitigated through prioritising manufacture of key finished goods for consumption of critical raw materials, use of alternative raw materials and packaging, additional sources of raw materials, additional raw material stock holding
- Improve communication of orders by providing order confirmation and notice to customers in advance of shortfalls
- Continued improvement in processes and system to ensure timely payment of suppliers

As a Company, we understand that there are some business risks that cannot be mitigated when impacted by global or political events.

The Company continues to improve its governance in line with the Wates Principles and is aware that due to board changes during the year, is lacking sufficient diversity in board membership. Within the wider Group HR policies, the Company is working towards improving diversity and succession planning on the board and in doing so, presents the opportunity to bring new perspectives to the Board of Directors.

The accounting function deploys its resources to manage the activities involved in the preparation of the Company's annual accounts and tax returns. In conjunction with the UK Secretariat, they provide updates to the Board of Directors on the progress of activities and take early action to mitigate the risk of late filing.

Post-retirement benefits risk

The Company is the principal employer of the ICI Pension Fund ("ICIPF") and the ICI Specialty Chemicals Pension Fund ("ISCPF"), two defined benefit pension schemes. Both are closed to new entrants. They are managed and controlled by independent trustees. The funded status of these schemes is affected by the trustees' investment decisions, market conditions, demographic experience and any regulatory actions. They both require additional funding (top up contributions) to address funding deficits determined in previous triennial funding valuations along with regular contributions at agreed rates. Changes in the funding deficits may adversely impact our business and results. AkzoNobel practices proactive pension risk management and continuously reviews options to reduce the financial risks associated with all defined benefit schemes. Further details of the schemes are in note 23.

Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Report 2021, pages 126 to 129 and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: https://akzonobel.com/en/investors

An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

SECTION 172(1) REPORT

During discussions and decisions made during the year ended 31 December 2021, the directors of Imperial Chemical Industries Limited have acted in the way that they consider in good faith and would be most likely to promote the long-term success of the Company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

a) The likely consequence of any decision in the long term

It is the responsibility of the Company's board to make decisions in line with our ambitions and ensure the business is aware of and actively implementing the strategies devised to get and keep us there. The shareholders of our ultimate parent company, Akzo Nobel N.V. are an essential component when considering our operations. The Company values and actively looks to facilitate shareholder involvement through its engagement with our ultimate parent company and the wider group. A range of internal stakeholders are consulted in the pre-board approval process to enable the Directors to have confidence that material transactions presented are of value to the Company. There may be occasions where there are conflicting priorities between the needs and benefits of the Company versus the wider Group and the directors are careful to assess all the risks in their decision-making, aware that not all stakeholder needs can be met.

Conflicts of Interest

The board is aware of the ever-present risk of conflicts of interest that may affect their decision-making capabilities and follows the policies and procedures in place to identify and manage conflicts as they arise, which is also embedded in the Company's Articles of Association.

Strategy

The directors take seriously the perennial risk posed by prioritising short-term pressures over longer term strategic priorities and as a Board, considers how to ensure a balance is struck between the need to meet immediate financial objectives and our desire to achieve the kind of organic, long-term and sustainable growth that we believe is the most secure means to provide value to our shareholders and other stakeholders.

The directors understand that COVID-19 has had a huge impact on the Company's operations not only from a financial perspective, but also in terms of personal safety, security and mental wellbeing of its colleagues. The directors give high regard to the wellbeing of the Company's colleagues and customers and the communities we operate in and supported decisions made in line with UK government guidance. The section on 'Impact of COVID-19 on our business' on page 5 sets out the actions the Company took to support colleagues working from home and the planning, communication and monitoring activities surrounding the 'Return to Workplace' plans to ensure the wellbeing and health and safety of all colleagues.

Following the strong performance of our business over the last year, the Company repaid all furlough money received under the Coronavirus Job Retention Scheme (JRS) in April 2021.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Future of the Board

The directors understand the business and the challenges faced in an evolving environment. Based upon the purpose of the Company to provide cleaner, more environmentally friendly products, the directors make decisions intended to strengthen the position of being a leading paints and coatings company in its sector, whilst keeping safety and social responsibility fundamental to the business approach. The directors recognise the long-term success of the Company is dependent on the stakeholders and the external impact of the business activities on society.

To strengthen the Company in its purpose, work continues on delivering a governance framework for the UK group of companies based on the Wates Principles.

b) The interests of the Company's colleagues

We are committed to making our Company a brilliant place to work for our people. Colleagues are a key stakeholder, and our business puts considerable focus and energy on making AkzoNobel a brilliant place to work.

Top Employer

In 2021, AkzoNobel was recognized as a UK Top Employer for the ninth time which underlines the value and strength of our people-focused campaigns, including:

- Thrive, our wellbeing programme
- The Network, a development forum for women in our business
- Scrums, our innovative colleague engagement initiative, which encourages colleagues to share their progress against strategy, energise business conversation and debate around the Company's strategy at all levels
- Proud Parents, our maternity/paternity mentoring programme

15 by 20 Journey

To thank colleagues for achieving the 15 by 20 journey (3-year strategy) the Executive Committee of AkzoNobel announced that all colleagues employed in 2020 were able to claim an extra day's holiday between 1 April and 31 December 2021.

Your Voice Survey

The Your Voice Survey is an initiative that takes place on a quarterly basis to allow colleagues to voice their opinions about working experiences in the organisation and for the business to listen to ideas for improvements. Two-way engagement is a fundamental part inspiring and driving change in the experience of our colleagues and helps to make our Company a Brilliant Place to Work.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

There are four themed activities which colleagues can get involved with to help contribute to positive change:

yourvoice
be heard, connect + improve

be heard 1 — **Quarterly 'Pulse' surveys** - Issue to all colleagues a survey to complete every quarter using the Medallia Engagement Platform

connect 2 — **Bi-Annual Scrums** – SLG member and Champion explore how colleagues feel about the Employee Experience, follow up on themes identified in the Your Voice & OHI surveys and collectively prioritise the top issues for resolution/ build in to commercial plan.

improve 3 — **Quarterly hubs** - We will get together as a Your Voice Hub Group to review the main feedback we have about the Employee Experience. We decide what we can fix ourselves and assign actions to Champions who will investigate who can help and nudge improvement, or escalate to SLG

insight survey 4 — **Bi-Annual questionnaires** - The Organisational Health Index measures not just colleague engagement but how the entire company is doing. It measures the 'health' of the organisation and its ability to align around and achieve strategic goals.

The programme is led by Your Voice Champions who drive the cycle, insights, listen and ensure that we as a wider team activate the changes needed. Communications and outputs will come from the Your Voice Champions team.

<u>Apprenticeship Programme</u>

In 2020 AkzoNobel introduced a new apprenticeship programme designed to develop existing sales talent. The Level 4 Sales Executive Apprenticeship runs over an 18-month period with successful Apprentices gaining a recognised Level 4 qualification. 22 colleagues enrolled in the programme in 2020 and further 19 placements have been made available in 2021.

<u>Grow2Lead</u>

The Company nominates colleagues within the business unit as emerging leaders in their Grow2Lead programme and provides opportunities to fast-track their development within the organisation.

<u>Senior Leadership Apprenticeship</u>

The Company provides opportunities for ten ambitious colleagues to study the Senior Leader Apprenticeship, funded by the company. Suited to those who are aspiring to be leaders in the future, the post-graduate level course is aimed at mid-level professionals with the desire and capability to progress through learning.

On successful completion of this course, learners will be given the opportunity to "top up" their qualification and go on to study for their MBA (additional six-month program). The Master of Business Administration (MBA) is a prestigious postgraduate qualification that provides an overview of key business and management practices.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Senior Leadership Group ("SLG")

We harness our collective experience to consistently influence and enable the whole business to deliver our strategic priorities at pace, by taking the following actions:

- Maximising networking opportunity of SLG in & out of meetings
- Through one aligned message & communication
- By empowering our teams
- With 100% focus on delivering the strategy – prioritised & aligned
- Quick decision making with roadblocks removed
- By maximising networking & cross functional opportunities of SLG in & out of meetings.
- Through an agile and clear governance and review structure allowing us to adapt and course correct to deliver the vision
- Embracing the Group behaviours in a consistent and inspirational way. Leading by example.
- Utilising insight from the ground up to influence our direction
- Agenda ultimately owned by UK & Ireland Management Team, delivered and presented with SLG
- Plan to run our first SLG meeting in Q2/2022. This will help inform future frequency
- The session in planned as a workshop review on Performance, engagement & strategy
- Performance:- Commercial update on MSU performance, with SLG members supporting on highlighting successes, challenges and action plans.
- Engagement:- Discuss OHI & Your Voice output, with SLG members sharing successes in action planning and best practice
- Strategy update:- Workshop format structured around critical priorities. Where we are, what is working well, what are the barriers, where is more support needed
- Feedback:- opportunity in advance for SLG to feedback to UKIMT on key questions, or areas of feedback that will shape the session content
- Could include leadership stories from leaders elsewhere in the business, BU leadership team, other BU, Global, other functional areas.
- Potential to include external speakers to help drive collective leadership development or collective understanding of important topics like sustainability

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

#Achieve

The Company regularly recognises the good work of colleagues in the #achieve and 'on the spot' winners across the sales and marketing teams on a monthly basis and shares their successes on the Yammer platform.

Women's Inspired Network

The 'Women's Inspired Network' provides a platform for women to celebrate their differences and increase their understanding of how personal & professional lives are made richer by embracing diversity. The Network empowers, inspires and connect women in support of the Company and wider Group's ambitions for diversity & inclusion and widens access to networking for all colleagues irrespective of gender. During the year, WIN delivered the following initiatives and opportunities:

- International Women's Day: Lasted a whole month and began the #menasallies campaign for male colleagues to pledge their support to women at work and in their lives
- Women in Science: shared opportunities for colleagues to become more involved in the field of science and hear inspirational talks
- Women in Sales: inspirational talks from colleagues in sales
- Getting unstuck and committing to action: workshop on moving forward with goals and ambitions

Mentorship scheme for women taking maternity and adoption leave

The Mentorship Scheme provides support before, during and on return from maternity/adoption leave, to ensure that we give women (and other parents) every reason to come back to us and maintain their confidence levels and personal development. The business has facilitated a number of workshops and has a panel of mentors with a wide range of skills and personal experiences; matching each participant with a mentor who has a similar background and has encountered similar challenges, both personally and professionally.

Hybrid Working Arrangements

Providing all colleagues with the ability to work flexibly in a professional and respectful manner has been identified as one of the key drivers to addressing the current gender pay gap, as it allows both men and women to continue to develop their career whilst respecting the non-work priorities which they also need to balance. Flexible working awareness and hybrid working arrangements have been introduced where possible, across the Company's business and feedback that, whether driven through a formal or informal approach, the new initiative is viewed positively and aims to allow all colleagues to achieve a more balanced work-life balance without impacting business operations. Outside of the formal / informal Schemes, local initiatives such as senior management 'leaving loudly' and being open and transparent about working flexibly have also helped to drive a more open environment in which flexible working is viewed as driving benefits for both the Company and our colleagues.

2-Way Engagement

We utilise a number of different mechanisms to foster two-way communication to ensure that we can share information about the Company as well as to listen to the views of our colleagues. We also have a comprehensive wellbeing and engagement programme driven by colleagues and actively supporting inclusivity as well as the mental and physical health of our people. We also participate in the Mind Wellness Index in order to listen to our colleagues regarding their mental health and to identify areas of development.

Strategic Report (continued)

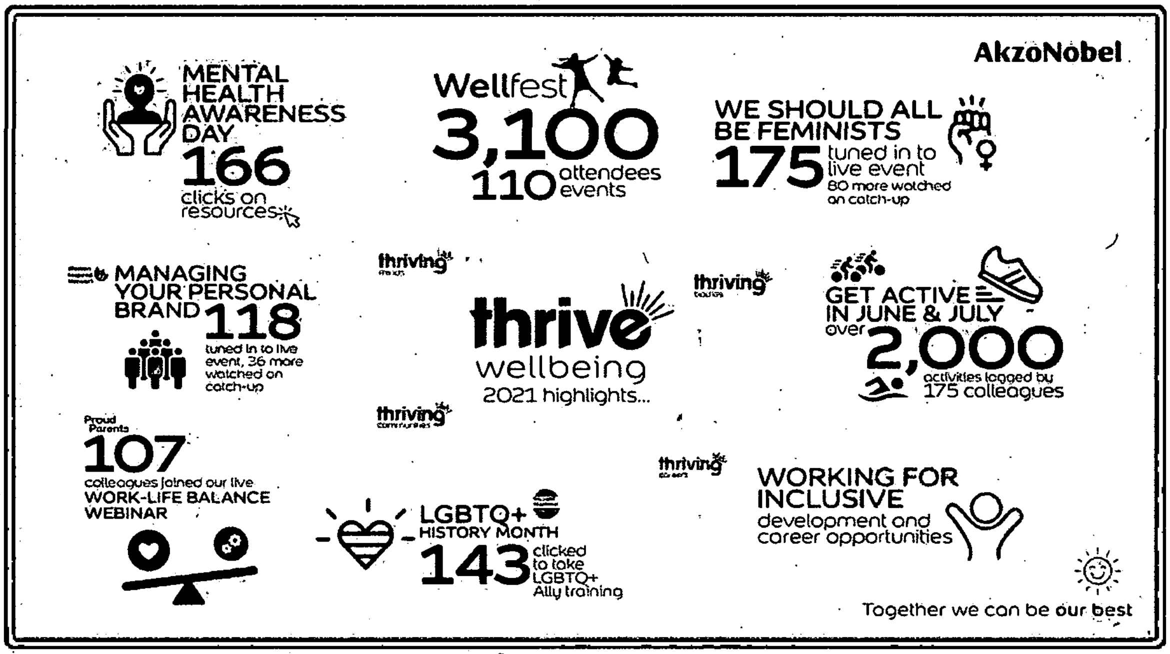
for the year ended 31 December 2021 (continued)

Thrive

The Thrive programme covers four important pillars of colleague wellbeing:

1. *Thriving Minds*, addressing mental health topics and preventative campaigns supporting colleagues to build their resilience and maintain or improve their mental health
2. *Thriving Bodies,* encouraging colleagues to stay physically healthy through several campaigns such as Strava-based Active competitions and preventative, awareness raising health campaigns (Movember, Ovarian Cancer Awareness Month)
3. *Thriving Careers*, challenging and empowering colleagues to take ownership of their career growth and personal continuous development
4. *Thriving Communities*, bringing colleagues together in several forums to address diversity and inclusion opportunities within AkzoNobel on important topics such as gender diversity, LGBTQ+ inclusion and racial and ethnic minority challenges

Some of the highlights from 2021 include:



Thrive has been designed to help colleagues feel supported in the above four key areas so they feel engaged and supported at work whilst continuing to have opportunities to develop, feel happy, motivated and connected to the organisation. The aim of Thrive is to educate and empower colleagues by modelling possibilities for a more balanced lifestyle. Looking after colleagues' wellbeing and placing their health and safety centre stage within the organisation isn't only the right thing to do, but it also contributes to the bottom line, ultimately colleagues delivering better on commitments and achieving organisational targets. Through successful delivery of regular, consistent campaigns under each of the above four pillars, the Company aims to address key challenges such as improved retention rates, increased colleague engagement and productivity, reduced absence rates and decreased turnover.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

Since Thrive was launched, colleague engagement and overall teams' morale improved significantly across the UK group, however it is difficult to measure the true impact of the programme on absence and turnover rates, due to data being skewed by the pandemic conditions.

Wellfest

Wellfest is the Company's first ever virtual wellbeing festival – which ran over a four-week period in March 2021 and was available to all colleagues across the UK and Ireland, connecting our teams, functions and families during lockdown. With daily feelgood events and activities, the programme provided 110 awesome sessions hosted virtually by external speakers, as well as subject matter experts within the business. With over 3,000 attendees joining our sessions, Wellfest has become a popular event in the Company's social calendar and we hope to continue into 2022 and beyond.

Occupational Health

In addition, there are also traditional occupational health tools and resources embedded within the Company, such as Colleague Assistance Programme, Occupational Health Referrals and Mental Health First Aiders support.
The Company also supports the learning and career development needs of our colleagues through our performance management process, functional competency diagnostic tools and virtual learning and development programs which are available on demand, 24/7, including via smartphone.

For more information on how the Company managed the interests of its colleagues during the COVID-19 pandemic, please refer to the section 'Impact of COVID-19 on our business' on page 5.

Sharing Information and Speak Up

Part of making our Company a brilliant place to work is also sharing the views and thoughts of the board with our colleagues through our senior management team visiting our manufacturing sites, holding Townhalls or sharing internal communications outlining business strategy. This allows us to provide our colleagues with the information they need and makes them aware of the financial and economic factors impacting our business.

The Company also looks to ensure the voices of our colleagues are heard by allowing them to field questions to senior management during events and, in more serious cases of misconduct, making use of our confidential 'Speak Up' grievance mechanism with its dedicated website and hotline. The Speak Up hotline allows colleagues to raise any concerns they have in respect to breaches of the Group Code of Conduct. The hotline is operated by an independent third party who forward details of the issues raised to our Compliance team to investigate, which depending on the circumstances, may include HR. As an outcome of the investigation, the person making the report will be informed if a Code of Conduct violation has been found to have taken place.

The Company's renumeration policy is designed to support the Company to attract, engage and retain the right people with the right behaviours to drive growth and long-term value creation. In order to support this objective, the design and implementation of our base salary structure is market driven, performance based, affordable, sustainable, clear and transparent. The Company's core philosophy is that pay should be based upon peoples' achievements. As part of the Company's remuneration policy, each year base salaries are reviewed during the Annual Review Cycle. This review is based on individual performance and relative salary position in line with the Company's salary structures.

Strategic Report (continued)

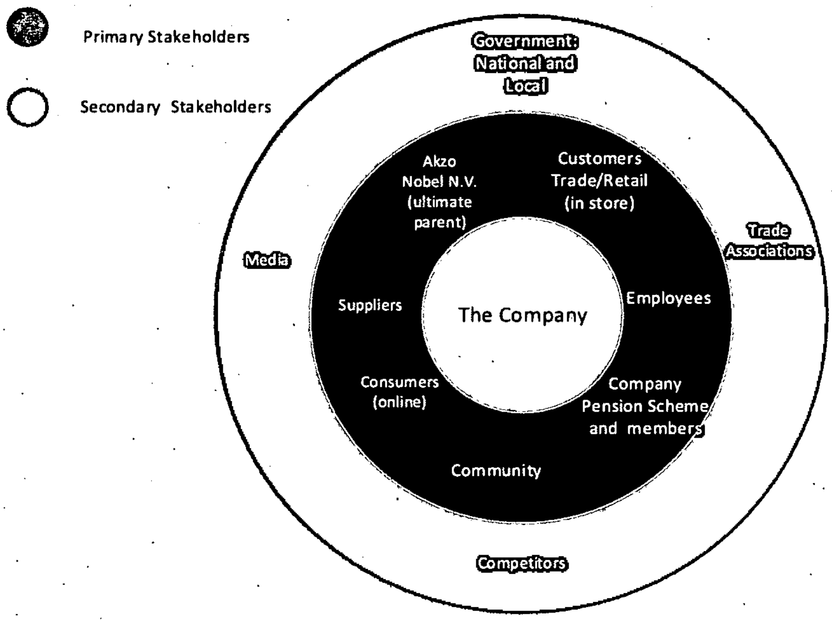
for the year ended 31 December 2021 (continued)

c) The need to foster the Company's business relationships with suppliers, customers and others

The Company continues to work closely with customers, suppliers and other stakeholders to deliver products and solutions that make their businesses more sustainable, while delivering economic value to all parties in the value chain. Initiatives such as Grand Prix Performance Precision: Designed to increase focus on delivery of KPIs, complete transparency and the fearless pursuit of 'better' with weekly core "pit stop" checks to review team performance, challenges and agree priorities; identify opportunities for problem solving in the team and reviewing progress on actions ensuring the team are clear on direction for the week ahead.

The Company also engages with customers using C-SAT and by following a Customer Manifesto, as well as ongoing plans to improve operational 'pain points' within the business that affect the customer experience.

The Company's key stakeholders are as follows:



The directors consider the interests of and impact on all stakeholders in any decision-making. The Company also engages with suppliers, customers, trade bodies such as: The Confederation of British Industry, the British Coatings Federation, Department for Business Energy and Industrial Strategy, Department for International Trade as well as Green Guilding Council. NGO's, and local and national government on a regular basis to discuss relevant issues as well as for clarity and guidance that the Company is adhering to any changes in policy.

As stated above, the Company's stakeholder relationships are an integral part of the businesses' considerations. The Company acknowledges its responsibility to parent company shareholders and wider stakeholders and communities, and our board considers how our operations might impact others.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

The Company recognises that through dialogue with our stakeholders and employees we can fully understand the effects that the Company's actions might have. Accordingly, the Company prioritises building strong, trusting relationships with our employees, suppliers, customers, and the community operated in.

This requires us to be clear with our suppliers about our expectations. The Company does this by requiring suppliers to sign up to our Business Partner Code of Conduct which outlines our core values and requires compliance with key environmental, social, human rights and governance requirements. The Company also actively involve our suppliers in our efforts to improve through our involvement in the Together for Sustainability program, part of which requires suppliers to perform online assessments and on-site audits in order to meet a minimum sustainability score. Annual re-assessment is required for those who fail to meet the threshold standard.

d) The impact of the Company's operations on the community and the environment

In addition to our ongoing dialogue with our stakeholders, the Company and the wider Group is aware of its impact on the community and the environment. The ultimate parent company makes use of eco-premium solutions to track the performance in creating shared value for our business, our customers and society. There is an ambition across the group to maintain at least 20% of revenue from eco-premium solutions by constantly innovating, based on insights into evolving environmental concerns and societal needs. Eco-premium solutions need to exceed the reference in each market in terms of sustainability performance.

Information about the Company's impact on the community and local environment is available on page 6 of the Strategic Report under the section on Sustainability.

<u>True Colours Community Fund</u>
In 2021, the Company participated in the second annual True Colours Community Fund.
A sum of £50,000 was available for UK & Ireland colleagues to apply for a £1,000 donation to a cause close to their heart. From foodbanks, soup kitchens, youth and local disability groups, our colleagues championed over £12,000 of worthy causes.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

There are a broad range of processes and procedures in place designed to provide control over the Company's operations. These processes and procedures include measures regarding the general control environment, such as:
<u>Our core values</u>
There are certain non-negotiable standards and responsibilities that apply to all our employees under all circumstances. We call these our core values:
Safety – We care about the safety of our colleagues and everyone we deal with, focusing on people, product and process safety
Integrity – We care about conducting our business in a fair and honest way
Sustainability – We care about leaving a healthy planet for future generations, so we always strive to be more sustainable and collaborate on leading solutions.
These values help us to stay successful as a company, today and in the future, by maintaining the balance between people, profit and planet.

Strategic Report (continued)

for the year ended 31 December 2021 (continued)

- We explain what these mean in practice in the AkzoNobel Code of Conduct, which guides the way we work and how we treat others inside and outside our Company.
- The Business Partner Code – a set of business principles by which we operate and expect our business partner to operate in order to do business with us
- AkzoNobel group directives, policies and authority schedules – which the Company follows as part of its wider governance within the Group
- Risk Management System to ensure we have the right oversight of risks, opportunities and controls in place to operate effectively
- A letter of financial representation signed by director of the Company

f) The need to act fairly as between members of the Company

The Company's shareholder is another subsidiary within the AkzoNobel Group and its interests are aligned with the ultimate parent company, Akzo Nobel N.V.; a public limited liability company (naamloze vennootschap) established under the laws of the Netherlands, with common shares listed on Euronext Amsterdam.

The directors are aware that they owe a duty of care primarily to the Company and its long-term success. However, regard is also given to being part of a wider Group. The directors operate within the Group's corporate governance procedures, UK company law and all other applicable local laws.

The Company's Section 172(1) Statement is also available on the AkzoNobel website at: Corporate governance |AkzoNobel (https://www.akzonobel.com/en/countries/akzonobel-uk---ireland/corporate-governance)

On behalf of the board

M. Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

29th September 2022

Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2021.

Results

Refer to the Strategic Report for the results for the year ended 31 December 2021.

Dividends

The directors did not pay an interim dividend during the year ended 31 December 2021*(2020: £nil)*, nor do the directors recommend the payment of a final dividend *(2020: £nil)*.

Going Concern

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time. As of the signing date of these financial statements management was not aware of any material adverse effects on the financial statements for the year ended December 31, as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

Directors

The directors who were in office during the year and up to the date of signing the financial statements were as follows:

Mrs. N. Akay Kemahli	(resigned 31 March 2022)
Ms. W. Baines	(resigned 22 January 2021)
Mr. G. Brown	(resigned 31 March 2022)
Mr. J. Henderson	(resigned 30 June 2021)
Mr. J. Jimenez Lozano	(appointed 1 January 2021)
Mr. P. Love	(appointed 31 March 2022)
Mr. M. Smalley	
Mr. B. Williams	(appointed 15 March 2022)

Directors' Report (continued)

for the year ended 31 December 2021 (continued)

Employees

The Company's policy is to consider all job applications by disabled persons sympathetically in relation to the duties, responsibilities and physical requirements of the vacancies, the aptitudes of the applicants, including the nature of the disability, the working environment and the facilities required for the effective performance of the job by the applicant. If any existing employee becomes disabled, the Company will examine any effects of the disability on current job performance and take all practicable steps to maintain the employees' continued employment through the provision of appropriate retraining, changes in working facilities or, with mutual agreement, the provision of alternative employment more closely related to the employees' capabilities. The Company will continue to identify and monitor the employment of Registered Disabled persons to determine its position in relation to the current statutory requirements.

Through the performance management process the training needs and career development of all employees are identified and discussed, and all employees are encouraged to have a development plan to ensure their skills and competences are continually improving.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or prior year.

Financial Risk Management

Refer to the Strategic Report for details on financial risk management.

Future Developments

The directors are of the opinion that the Company is in a position to continue its principal activities during 2021 and beyond.

Research and development

The Company carries out research and development in support of existing activities, specific new product development and the improvement of production processes of £1m (2020: £1m).

<u>Building 154 and R&D relocation update</u>

During 2021, the Company began construction work in and around the South Wing of Building 154 in Slough to build two brand new structures in place - a warehouse and a Central Utilities Building (CUB).

Renovations were undertaken in the interiors across all the floors in the South Wing, including major alterations to create a modern workspace for the Slough R&D community, including new laboratory rooms, office spaces and meeting rooms.

The relocation of the Slough R&D community into Building 154 is a hugely important development which will bring together R&D and UK Decorative Paints commercial teams under one roof, strengthening the relationship and connection between the two teams to drive the Company's strategy forwards.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The AkzoNobel Group also purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors throughout the year and provides an Indemnity Policy.

Directors' Report
for the year ended 31 December 2021 (continued)

CORPORATE GOVERNANCE STATEMENT

Although the Company has more work to do, to fully align with the Wates Principals, it has complied with the spirit of the six principles as follows:

1. Purpose and leadership

The Company's own unique purpose to 'inspire beautiful living spaces.' It does so by the manufacture and distribution of quality decorative paints and coatings. This purpose is at the heart of all we do and is driven by both our Executive and Senior Leadership in conjunction with our colleagues. Aside from the 5 Pillars explained on page 1 of the Strategic Report, the Company's future success and sustainability relies on the behaviours of all colleagues within our organisation. Those behaviours are outlined in the AkzoNobel Code of Conduct.

2. Board composition

At the time of signing this Report, there are four male directors on this Board.

From 1 January 2021 to 31 March 2022, the Company had one female senior executive on the Board.

The directors are aware that the Company is well below its targets in respect of diversity and inclusion on the Board and understands that candidates for Board positions can only be chosen from the pool available at management level. Therefore, there are targets in place for the Company and wider organisation to attract more female and gender diverse individuals at an earlier level in their career in order to grow their ambitions to Board level.

The Company is currently reviewing proposals to introduce a formally appointed Chairperson to the Board, from another business unit or function, to drive broader thinking and bring challenge to decision-making opportunities that are presented to the Board.

The size of the Board is appropriate for a Company with a £583million turnover value.

3. Director responsibilities

The Board has a programme of quarterly meetings scheduled each year. At every meeting governance, risk and HSE are standing agenda items. The Company's key areas of focus for 2021 are set out on page 1 of the Strategic Report. The directors receive regular, timely information on HSE, risks and opportunities, the Company's financial performance, key contracts and sustainability which are supported by the KPIs presented on pages 4 to 5.

The Board has completed the 2021 valuation negotiation with the Pension Trustees and continues to be consulted on its Schemes as Principal Employer.

The Company has approved its Modern Slavery Report 2020, 2021 Tax Strategy and Gender Pay Gap Report, which can be found at :

www.dulux.co.uk. /en/akzonobel-modern-slavery-statement

www.akzonobel.com/en/countries/akzonobel-uk---ireland/corporate-governance

Directors' Report
for the year ended 31 December 2021 (continued)

4. Opportunities and Risks
The Company's key risks and opportunities are outlined on page 12 of the Strategic Report. The Board considers all material contracts and approves them prior to signature. Day-to-day risks and opportunities are managed by the UK & Ireland Management Team and relevant actions are reported to the Board on a quarterly basis, or sooner if required. Global and market risks are managed at a central level as part of the EMEA Decorative Coatings Business Unit Strategy.

5. Remuneration

The Company follows the AkzoNobel Directive for Rewards and performance-based pay.
The globally approved standard for job evaluation is the Hay methodology. All middle management and executive positions will be evaluated as per this methodology only. The Performance & Development Dialog (P&D Dialog) provides the basis for acknowledging performance differentiation and linking individual performance with compensation. The link between the P&D Dialog and compensation will apply to base salary development and the setting of personal objectives for short term incentive/bonus. Material changes in local Rewards programs that apply to executives are subject to review by the Center of Expertise Rewards ("CoE") prior to implementation. Approval decisions for executive positions also require involvement of the Global CoE Rewards to ensure compliance with the Rewards Directive and Rules.

6. Stakeholder Relationships and Engagement
Information regarding the Company's relationship with its stakeholders and levels of engagement can be found on page 22 of the Section 172(1) Report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report
for the year ended 31 December 2021 (continued)

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have been appointed as the Company's independent auditors, holding office until to the end of the next period for appointing auditors in accordance with section 485(4c) of the Companies Act 2006.

On behalf of the Board

M. Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

29th September 2022

Independent auditors' report to the members of Imperial Chemical Industries Limited

Report on the audit of the financial statements

Opinion

In our opinion, Imperial Chemical Industries Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law): and
- have been prepared in accordance with the requirements of the Companies Act 2006,

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection requirements in the jurisdictions in which the company operates and holds data, health and safety regulation, environmental regulation and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in it's significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain;
- Testing unusual journal entries to ensure that these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

29 September 2022

Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Turnover	*4*	**583**	591
Cost of sales		**(458)**	(485)
Gross profit		**125**	106
Distribution costs		**(70)**	(70)
Administrative expenses		**(39)**	(46)
Other income	5	**-**	-
Operating profit/(loss)	5	**16**	(10)
Income from shares in group undertakings	*6*	**12**	4
Other interest receivable and similar income	*7*	**113**	110
Interest payable and similar expenses	*8*	**(5)**	(13)
Profit before taxation		**136**	91
Tax on profit	*11*	**1**	(55)
Profit for the financial year		**137**	36
Other comprehensive (expense) / income			
Items that will not be reclassified to the statement of comprehensive income			
Remeasurements of defined benefit asset	*23*	**(70)**	76
Income tax on items that will not be reclassified to the statement of comprehensive income	*11*	**17**	(14)
Other comprehensive (expense) / income for the year, net of tax		**(53)**	62
Total comprehensive income for the financial year		**84**	98

Balance Sheet
at 31 December 2021

	Note	**2021**	2020
		£m	£m
Fixed assets			
Tangible assets	*12*	**153**	165
Right of Use Assets	*20*	**4**	6
Investments	*13*	**3,786**	3,786
Net defined benefit asset	*23*	**794**	849
		4,737	4,806
Current assets			
Stocks	*14*	**6**	5
Debtors (including £2,824m due after one year (2020: *£2,800m*)	*15*	**3,420**	3,289
Cash at bank and in hand		**18**	1
		3,444	3,295
Creditors: amounts falling due within one year	*16*	**(3,287)**	(3,297)
Provisions (current)	*17*	**(4)**	(12)
Net current assets/(liabilities)		**153**	(14)
Total assets less current liabilities		**4,890**	4,792
Creditors: amounts falling due after more than one year	*18*	**(294)**	(279)
Provisions for liabilities	*17*	**(8)**	(9)
		(302)	(288)
Net assets		**4,588**	4,504
Capital and reserves			
Called up share capital	*21*	**1,209**	1,209
Share premium account		**940**	940
Retained earnings		**2,439**	2,355
Total shareholders' funds		**4,588**	4,504

The notes on pages 36 to 75 is an integral part of these financial statements.

These financial statements on pages 33 to 75 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:

Ben W

B. Williams
Director

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share Capital £m	Share Premium Account £m	Restated Retained earnings £m	Restated Total shareholders' funds £m
Balance at 1 January 2020	1,209	940	2,257	4,406
Profit for the financial year	-	-	36	36
Other comprehensive income				
Remeasurements of defined benefit asset	-	-	76	76
Income tax on items that will not be reclassified to the statement of comprehensive income	-	-	(14)	(14)
Total comprehensive income for the year	-	-	98	98
Balance at 31 December 2020	**1,209**	**940**	**2,355**	**4,504**

	Called up share Capital £m	Share Premium Account £m	Retained earnings £m	Total shareholders' Funds £m
Balance at 1 January 2021	**1,209**	**940**	**2,355**	**4,504**
Profit for the financial year	-	-	**137**	**137**
Other comprehensive expense				
Remeasurements of defined benefit asset	-	-	**(70)**	**(70)**
Income tax on items that will not be reclassified to the statement of comprehensive income	-	-	**17**	**17**
Total comprehensive income for the year	-	-	**84**	**84**
Balance at 31 December 2021	**1,209**	**940**	**2,439**	**4,588**

Notes to the Financial Statements

1 General information

Imperial Chemical Industries Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 218019 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, United Kingdom, SL2 5DS.

2 Accounting policies

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

2.1 Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under historical cost convention in pounds sterling. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

The Company's ultimate parent undertaking, Akzo Nobel N.V includes the Company in its consolidated financial statements. The consolidated financial statements of Akzo Nobel N.V are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, The Netherlands.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Compliance with IFRS
- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions entered in to between two or more wholly owned members of a group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Akzo Nobel N.V. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

2.2 Measurement convention

The financial statements are prepared on the historical cost basis, except for net defined benefit asset/ (liability), which is measured at fair value of plan assets less the present value of the defined benefit plan obligation, as explained in Note 2.18.

Notes to the Financial Statements *(continued)*

2 Accounting policies (continued)

2.3 Going concern

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time. As of the signing date of these financial statements management was not aware of any material adverse effects on the financial statements for the year ended December 31, 2021 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

2.4 New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

2.6 Debtors

Amounts receivable are amounts due from group companies and amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The impairment is calculated using the simplified approach which requires recognition of lifetime expected credit loss (no tracking of changes in credit risk).

Notes to the Financial Statements *(continued)*

2 Accounting policies (continued)

2.7 Creditors

Amounts payable are amounts due to group companies and obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.9 Investments in subsidiaries and associated undertakings

Investments in subsidiaries, associates and joint ventures are held at cost less accumulated impairment losses. Investments are annually reviewed and considered for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.10 Tangible fixed assets

All tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	30 - 40 years
Fixtures & Fittings	10 years
Plant and Equipment	3 - 10 years

As it is necessary to select a method of applying depreciation that results in the carrying amount of the asset being allocated as fairly as possible to the periods expected to benefit from the use of the asset, for large new plants above a threshold of £4m, depreciation for the first 2 years is calculated proportionate to planned production until the assets are fully operational. The remaining book value is depreciated in equal amounts during the remaining years of the originally expected economic life. This method reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the entity.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.11 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.12 Research and development expenditure

Expenditure on research and development is charged to the statement of comprehensive income in the year in which it is incurred.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The weighted average cost method of valuation is used. In accordance with the contract manufacturing and distribution agreement effective from 1 October 2014, the economic risk associated with stocks used by the Company remains with AkzoNobel and as a result stocks have been excluded from the balance sheet. The inventories recorded on the balance sheet are spare parts for use in the manufacturing process, and in the execution of colour mixing.

2.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.15 Turnover

Sale of goods

The Company's Business consists of selling paints and ancillary products to customers at contractually determined prices and conditions without any additional services. Although the transfer of the risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

Variable consideration, including among others rebates, bonuses, discounts and payments to customers are accrued for as performance obligations are satisfied and revenue is recognised. Variable considerations are only recognised when it is highly probable that it is not subject to significant reversal. In case of expected returns, no revenue is recognised for such products, but a refund liability and an asset for the right to recover them to be returned products are recorded.

A provision for warranties is recognised when the underlying products or services are sold, generally based on historical warranty data. Revenue is recognised net of rebates, discounts and similar allowances, and net of sales tax. No adjustment related to services was needed.

Services

Operating lease income is recognised in line with the benefit from the use of the underlying assets that are diminished.

The Company is involved in toll manufacturing services for which it earns a fixed return on production costs incurred.

Equipment provided to customers

Akzo Nobel regularly provides mixing machines, store interior and other assets to its customers at the start of a paint delivery contract. Previously, such assets were not treated as a separate performance obligation and their costs were expensed during the contract period.

Under IFRS 15, the delivery of such assets qualifies as a separate performance obligation. However, in most cases no revenue can be recognised at the moment of transfer of such assets.

During the year ended 31 December 2021 the Company expensed £3.0m (2020: £1.8m) of equipment provided to customers free of charge.

2.16 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.17 Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.18 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of comprehensive income.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the statement of comprehensive income when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of group wide defined benefit pension plans. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plans to participating entities, the net defined benefit cost of the pension plans is recognised fully by the sponsoring employer, which is the Company. The contributions payable in respect of active members by the participating entities are determined following each triennial valuation conducted by a qualified independent actuary, and charged as a percentage of salary costs. The Company recognises non sponsoring entity contributions in its statement of comprehensive income, as a net deduction against the defined benefit pension plan costs. If non sponsoring entity contributions exceed the current service cost, the excess of contributions over current service cost, are recorded in other comprehensive income.

As the Company has an unconditional right to any surplus of the scheme it recognises an asset as the amount of the surplus at the balance sheet that it has the right to receive as a refund. This is the fair value of the plan assets less the present value of the defined benefit obligation.

2.19 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.19 Non-derivative financial instruments (continued)

Trade and other debtors

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The impairment is calculated using the simplified approach which requires recognition of lifetime expected credit loss (no tracking of changes in credit risk).

Trade and other creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Leases

The Company assesses whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of cars the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term or shorter economic life. In addition, the right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The net present value of the lease liability is measured at the discounted value of the lease payments. The liability includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments comprise the following:

• Fixed payments (including in substance fixed payments), less any lease incentives

• Variable lease payments that depend on an index or a rate

• The exercise price of a purchase option if it is reasonably certain that the option will be exercised

• Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and

• Amounts expected to be payable under residual value guarantees.

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.20 Leases (continued)

These lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. Incremental borrowing rates are determined by obtaining interest rates from various external financing sources and make certain adjustments to reflect the term of the lease and type of the asset leased.

At the lease commencement dates, it is assessed whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within the Company's control.

At the commencement date, it is assessed whether it is reasonably certain that:

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

Short-term leases and leases of low-value assets.

The Company elected not to recognize on the balance sheet right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.21 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Notes to the Financial Statements *(continued)*

3 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Provisions for other long-term employee benefits are measured at present value, using actuarial assumptions and methods. The benefits of these pension plans are based primarily on years of service and final pensionable pay. The sensitivity of the assumptions is analysed in note 23.

3.2 Critical judgements in applying the entity's accounting policies

(a) Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the region. In the judgment of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore, the scheme is accounted for a defined contribution scheme.

(b) Uncertain tax positions

The Company is a member of a group litigation in the UK, known as the Franked Investment Income Group Litigation Order ("GLO"). Based on external advice, management have taken a judgement over the outcome of the GLO. It was concluded that the Company has further claims available on the basis of matters detailed in note 11 .

3.3 Other accounting estimates and assumptions

(a) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of debtors and recoverability

The Company makes an estimate of the recoverable value of amounts receivable. When assessing impairment of amounts receivable, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

(c) Impairment of investments

When assessing impairment of non-financial assets, management considers factors including the net asset value, nature of the entity and historical experience (such as political environment).

(d) Deferred tax assets

When assessing the recoverability of deferred tax assets, the Company considers future taxable profits and cash flow forecasts. These forecasts are estimated and inherently uncertain.

Notes to the Financial Statements *(continued)*

4 Turnover

The majority of the Company's business operations are within one business segment, Decorative Paints and one geographic segment, the UK. Therefore, the profit and loss account reports the segmental information of the Company.

	2021 £m	2020 £m
Sale of goods	**517**	530
Rendering of services	**66**	61
	583	591

Equipment provided to customers

The Company provides mixing machines, store interior and other assets to its customers at the start of a paint delivery contract.

During the year ended 31 December 2021 the Company expensed £3.0m (2020: £1.8m) of equipment provided to customers free of charge

5 Operating profit / (loss)

Operating profit / (loss) is stated after charging/(crediting):

	2021 £m	2020 £m
Wages and salaries	**36**	38
Social security costs	**5**	5
Other Pension costs	**14**	7
Staff Costs	**55**	50
Restructuring costs	**4**	8
Operating lease expenses	**-**	-
Past service cost on defined benefit pension scheme (Note 23)	**2**	4

	2021 £000	2020 £000
Audit fees payable to the Company's auditors	**241**	239

In 2021 past service costs of £2m (2020: £4m) were incurred in relation to early retirements in the ICI Pension Fund ("ICIPF").

Notes to the Financial Statements *(continued)*

6 Income from shares in group undertakings

	2021 £m	2020 £m
Income from shares in group undertakings	**12**	4

7 Other interest receivable and similar income

	2021 £m	2020 £m
Interest receivable from group undertakings	**94**	94
Net financing credit on post-employment benefit (see note 23)	**11**	14
Net exchange gains	**-**	2
Reversal of interest cost	**8**	-
	113	110

8 Interest payable and similar expenses

	2021 £m	2020 £m
Interest payable to group undertakings	**(4)**	(5)
Interest payable to 3rd parties	**-**	(8)
Net exchange losses	**(1)**	-
	(5)	(13)

9 Directors and employees

Directors of the Company also provide qualifying services to other Group companies. Directors' time is not apportioned and their costs are not allocated between Group companies.

The remuneration of directors paid by the Company is as follows:

	2021 £000	2020 £000
Aggregate Directors' emoluments paid by the Company	**611**	867
Amounts receivable under long term incentive schemes	**163**	87
Company contributions to money purchase pension schemes	**24**	81
Company contributions to final salary pension schemes	**1**	68

Notes to the Financial Statements *(continued)*

9 Directors and employees *(continued)*

The remuneration of directors paid by other Group companies for services to the group as a whole and not recharged including a significant proportion to this Company, is as follows:

	2021 **£000**	2020 £000
Aggregate Directors' emoluments paid by other Group Companies	**905**	430
Amounts receivable under long term incentive schemes	**126**	56
Company contributions to money purchase pension schemes	**35**	5
Company contributions to final salary pension schemes	**43**	36

The following includes all Directors:

	Number of directors 2021	**Number of directors** 2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	4
The number of directors in respect of whose services, shares in the ultimate parent company were received or receivable under long term incentive schemes	**4**	4

Highest paid director

The highest paid directors' emoluments were as follows:

	2021 **£000**	2020 £000
Total amount of emoluments and amounts (excluding shares) receivable under Long-term incentive schemes	**348**	584
Money purchase schemes	**29**	-
Defined benefit pension scheme:		
accrued pension at the end of the year	**-**	67
accrued lump sum at the end of the year	**-**	-

The highest paid director exercised share options in the ultimate parent company. Directors' emoluments were not recharged to the Company (2020: were not recharged).

Notes to the Financial Statements *(continued)*

10 Staff numbers

The average monthly number of persons employed by the Company (including executive directors) during the year was 602 (*2020:* 585), analysed as follows:

	2021 Number	2020 Number
Production	**231**	213
Sales and distribution	**167**	170
Administration	**94**	66
Research and development	**110**	136
	602	585

During the year restructuring related severance costs of £4m (2020: *£6m*) were recorded equally in administrative and distribution expenses.

11 Tax on profit

Recognised in the statement of comprehensive income
Analysis of (credit)/charge in year

	2021 £m	2020 £m
UK corporation tax		
Current tax charge for the year	**15**	9
Prior year tax (credit)/charge	**(49)**	25
	(34)	34
Deferred tax		
Origination/reversal of timing differences	**33**	21
Total deferred tax charge	**33**	21
Tax (credit)/charge on profit	**(1)**	55

Income tax recognised in other comprehensive (expense)/income	**2021 £m**	2020 £m
Remeasurements of defined benefit asset	**(17)**	14
Tax (credit)/charge on other comprehensive expense	**(17)**	14

Notes to the Financial Statements *(continued)*

11 Tax on profit *(continued)*

Reconciliation of standard tax rate

	2021 £m	2020 £m
Profit before taxation	**136**	91
Tax using UK corporation tax rate 19% (2020: 19%)	**26**	17
Income not taxable – dividend income	**(2)**	(1)
Origination/reversal of timing differences	**1**	12
Expenses not deductible	**-**	2
Tax rate changes	**23**	-
Adjustment relating to prior year	**(49)**	25
Total tax (credit)/charge	**(1)**	55

Franked Investment Income Litigation

The Company is a member of a group litigation in the UK, known as the Franked Investment Income Group Litigation Order ("GLO"). The GLO collects claims made by 25 corporate groups in the UK High Court seeking the repayment of advance corporation tax ("ACT") and tax on dividend income on the basis that its levy by the UK was contrary to EU law. The Company's claim covers the period 1975 to 1997 and both the Company's claim and the GLO commenced in 2003. A test case was selected from the members of the GLO to proceed to trial on a representative basis; this test case was not the Company's claim.

Following issuance of guidance in December 2006 by the European Court of Justice ("ECJ"), the UK High Court in November 2008 found in favour of the claimants on certain key aspects of the claim. The judgment concluded, inter alia, that dividends received from EU subsidiaries should be, and should always have been, effectively exempt from UK taxation. It also concluded that certain dividends received from EU subsidiaries before 5 April 1999 should have been treated as franked investment income, with the consequence that ACT need not have been paid. In addition, it concluded that retrospective legislation introduced to limit claims to tax paid within six years of the issue of the claim was unlawful. The judgment was appealed by HMRC. Following this UK High Court judgment, the Company, along with other members of the GLO, applied for and received interim payments. In August 2009, the Company received an interim payment of approximately £64m, made up of interest and reclaimed ACT.

An appeal was heard by the Court of Appeal in October 2009 and the judgment was given in February 2010 mainly in favour of HMRC, following which HMRC appealed against the payments of interim payment awards. The judgment upheld the validity of the legislation which restricted claims retrospectively to tax paid within 6 years of the issue of the claim. The Company's claim however included sufficient payments of tax within that period which would still have been regarded as unlawful under the High Court's judgment. Accordingly, the Company retained the interim payment on the grounds that its claim could be restructured such that a similar interim payment would be due to the Company. The appeals by HMRC against the interim payments were dismissed by the Court of Appeal in January 2012.

The issue of the validity of the retrospective legislation restricting claims to a six year time limit from the issue of the claim was heard by the UK Supreme Court in February 2012 and, in May 2012, decided in favour of the principal test claimant. Therefore, claims submitted before 8 September 2003, (including the Company's) could extend back as far as 1973.

Notes to the Financial Statements *(continued)*

11 Tax on profit *(continued)*

The Court of Appeal February 2010 judgment also determined that various questions should be referred back to the ECJ for further clarification, and this took place in February 2012. An ECJ judgment was made in November 2012 which confirmed that the UK treatment of EU dividends was discriminatory. The judgment includes third country dividends from 1994 in certain circumstances; it also confirms that the claim can cover dividends from all indirect as well as direct EU subsidiaries and also ACT paid by a superior holding company.

The case then reverted to the UK High Court to apply the November 2012 ECJ judgment, with the trial held in May and June 2014. The UK High Court issued its rulings in December 2014 generally in the favour of the test claimant. However, the case was then immediately appealed to the Court of Appeal which was heard in June 2016. The judgment of the Court of Appeal, which was delivered on 24 November 2016, was generally in favour of the test claimant. Permission was granted to appeal the Court of Appeal decision to the Supreme Court.

In November 2015, a separate claim issued by the Company in respect of Foreign Income Dividends was heard by the High Court. The judgment (which was favourable to the Company) was issued in January 2016 and HMRC made additional tax repayments of £8.7m less the new 45% restitution interest tax, resulting in a cash repayment of £4.8m.

Permission was granted for an appeal against the Court of Appeal judgment, to the UK Supreme Court. The submissions for the appeal were split into two parts.

The first part, which was heard in February 2020, addressed HMRC's argument that claims should be limited to tax paid in the 6 years prior to the claim being issued. In the judgment, which was delivered in November 2020, the Supreme Court overruled a previous decision of the House of Lords in respect of the test for discovery of a mistake, which had been established in the Deutsche Morgan Grenfell case, and established a new test in its place. It then returned the case to the High Court for findings of fact to take place. It is anticipated that this may add approximately three years to the litigation. It is currently anticipated that the High Court hearing will take place in November 2023.

Submissions for the second part of the appeal were heard by the Supreme Court in December 2020. In its judgment, delivered in July 2021, the Supreme Court found in favour of the claimants in respect of four issues, but found for HMRC in respect of two important issues, overruling previous judgments. Claims for utilised unlawful ACT have been reduced to the recovery permitted under the statutory remedy in Section 85, Finance Act 2019, which is limited to ACT paid after 1 January 1996, and all claims for surplus unlawful ACT (to include unlawful ACT utilised against unlawful Schedule D Case V tax and cash payments of unlawful Schedule D Case V tax) have been preserved but with simple interest at bank base plus 1% until 5 February 2009 and plus 2% thereafter, meaning that compound interest will no longer apply to any repayments.

Following the Supreme Court judgment issued in July 2021, and specifically in respect of the Company's statutory accounts for the year ended 31 December 2020, which were not filed until after the Supreme Court judgment, the Company was required to reassess the repayments it has received from HMRC in respect of this litigation. This was based on (a) the decisions of the courts to date and (b) the value of claims already approved by the Courts (with supporting evidence to justify repayments). It was stated in the statutory accounts for the year ended 31 December 2020 that further elements of the full claim would be reviewed once appropriate supporting evidence to justify the additional claims has been obtained.

As at the date of the signing of the 2020 statutory accounts, the value of the claim related to the interim payment which was received in 2009 (see above) for which supporting evidence has already been supplied to the courts, amounted to £37.7m, and in respect of the Foreign Income Dividend (see above) amounts to £4.5m. Taking into account corporation tax related to the interest element of these adjustments, a net tax charge of £24.9m was reflected in the 2020 statutory accounts.

Separately, it was determined that if the courts ultimately found that the Company would be required to make repayments to HMRC in accordance with the 2020 assessment noted above, interest would be chargeable. The 2020 statutory accounts included an estimate of £7.9m (with associated tax relief) based on the status of the litigation and the evidence provided to the courts as at the date of the signing of the 2020 statutory accounts.

Notes to the Financial Statements *(continued)*

11 Tax on profit *(continued)*

As stated above, further elements of the full claim have been reviewed since the signing of the 2020 statutory accounts, and as at the date of signing of the 2021 statutory accounts, additional research and analysis has been undertaken, including the identification of additional supporting evidence to support further elements of ACT credit claims available to the Company, which has not yet been submitted to HMRC or to the courts, but which has produced further surplus ACT credits, increasing the amount of claim compared with the estimates included in the 2020 statutory accounts. The increase in the value of the claim amounts to £48.9m (which includes the reversal of the charge reflected in the 2020 statutory accounts of £24.9m).

In addition, following the conclusion noted above, which suggests that the Company will not be required to make any repayments of credits to HMRC, the interest charge which was reflected in the 2020 statutory accounts of £7.9m is no longer required, and has been reversed in these statutory accounts (with an adjustment for the associated tax relief thereon).

The interest element of any amounts finally awarded by the courts will be subject to corporation tax, although HMRC still consider that 45% restitution interest tax is applicable in respect of interest upon surplus unlawful ACT. This matter is subject to appeal. These accounts have been prepared assuming that the restitution interest rate of 45% will be applicable.

The case has been referred back to the High Court for finding of fact to take place (see above). In addition, the question of tax on restitution interest is subject to appeal.

Given the continuing complexity of the case and the uncertainty over the issues raised, it is not possible to predict the final outcome of the litigation with a reasonable degree of certainty or to reliably quantify its impact at the date of signing of these accounts. As a result, except as mentioned above, no further adjustments have been reflected in these accounts.

Notes to the Financial Statements *(continued)*

11 Tax on profit *(continued)*

Factors that may affect future current and total tax charges

In recent Budget Statement, the corporation tax rate for periods to 31 March 2020 had been fixed at 19%, but proposed reductions (to both 18% and 17%) had been proposed to be effective from 1 April 2020. However, in the Budget Statement of March 2020, the corporation rate tax was confirmed as 19%, effective 1 April 2020, and the previously substantively enacted corporation tax rate of 17% (effective 1 April 2020) was over-written and never came into effect.

In the Budget Statement of March 2021, a further change to the corporation rate tax was announced, increasing the corporation tax rate from 19% to 25%, effective 1 April 2023. This change had been substantively enacted at the balance sheet date and is therefore reflected in these financial statements.

As a result of the above, the effective current tax rate applicable for 2020 and 2021 is 19%. The rate applied to deferred tax balances is also 19% as at 31 December 2020, and is 25% as at 31 December 2021, being the rates at which deferred tax is expected to crystallise based on the substantively enacted tax rates applicable at the relevant balance sheet dates.

12 Tangible assets

	Land and buildings £m	Plant and Machinery £m	Payments on account and assets in course of construction £m	Total £m
Cost				
At beginning of year	29	421	10	460
Additions	-	1	12	13
Transfer between categories	-	13	(13)	-
Disposals	-	-	-	-
At end of year	29	435	9	473
Accumulated Depreciation				
At beginning of year	(13)	(282)	-	(295)
Charge for the year	(1)	(24)	-	(25)
Disposals	-	-	-	-
At end of year	(14)	(306)	-	(320)
Net book value				
At 31 December 2021	**15**	**129**	**9**	**153**
At 31 December 2020	16	139	10	165

Notes to the Financial Statements *(continued)*

12 Tangible assets *(continued)*

Some fixed assets in land and buildings and plant and machinery within the toll manufacturing activities are accounted for as being leased.

The net book value of land and buildings comprises:

	2021	2020
	£m	£m
Freehold	**7**	7

13 Investments

	Shares	**Total**
	£m	£m
Cost		
At beginning of year	3,896	3,896
At end of year	3,896	3,896
Provisions		
At beginning of year	(110)	(110)
At end of year	(110)	(110)
Net book value		
At 31 December 2021	**3,786**	**3,786**
At 31 December 2020	3,786	3,786

Shares in directly held subsidiary undertakings which are listed investments have a balance sheet value of £28m (*2020: £28m*) and a market value at 31 December 2021 of £469m (*2020: £551m*).

The companies, in which the Company's interest at 31 December 2020 is more than 20%, are disclosed in note 24.

14 Stocks

	2021	2020
	£m	£m
Finished goods and goods for resale	**6**	5

Value of stock expensed in cost of sales in the year was £408,573,000 (2020: £435,866,000).

Notes to the Financial Statements *(continued)*

15 Debtors

	2021 £m	2020 £m
Amounts owed by group undertakings: due in less than one year	**553**	468
Amounts owed by group undertakings: due in greater than one year	**2,800**	2,800
Trade debtors	**13**	11
Other debtors: due in less than one year	**29**	8
Other debtors: due in greater than one year	**24**	-
Prepayments and accrued income	**1**	2
	3,420	3,289
Due within one year	**596**	489
Due after more than one year	**2,824**	2,800
	3,420	3,289

Amounts owed by group undertakings due within one year include a balance of £23,516,000 (2020: £173,616,000) that is repayable on demand. Interest is charged monthly based on 1-month LIBOR plus a spread of +5/-10 basis points.

Amounts owed by group undertakings due after more than one year include intercompany loans of £2,500,000,000 (2020: £2,500,000,000) maturing on 15 August 2025. Average interest is fixed at 3.50% (2020: 3.50%).

Amounts owed by group undertakings due after more than one year include intercompany loans of £300,000,000 entered into during the year. The loan is maturing on 15 January 2025. Average interest is fixed at 1.84%.

Remaining amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Creditors: amounts falling due within one year

	2021 £m	2020 £m
Trade creditors	**46**	49
Amounts owed to group undertakings	**3,213**	3,179
Other creditors	**11**	51
Group relief	**15**	16
Lease liability	**2**	2
	3,287	3,297

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Group relief will be paid to fellow group companies for equivalent consideration.

Notes to the Financial Statements *(continued)*

17 Provisions for liabilities

	Post retirement and benefit provisions	Restructuring provisions	Other provisions	Total
	£m	£m	£m	£m
At beginning of year	10	8	3	21
Statement of comprehensive income	-	4	-	4
Utilised during year	(1)	(9)	(3)	(13)
At end of year	**9**	**3**	**-**	**12**
Current	1	3	-	4
Non-current	8	-	-	8
	9	**3**	**-**	**12**

Post retirement and benefit provisions

Provisions relate to the defined benefit obligations related to unfunded pension plans. Refer to note 23.

Restructuring provisions

The Company provided £4m (2020: £8m) in relation to employee costs associated with restructuring activities during the year within the Decorative paints business. It is expected the majority of this provision will be used in 2022.

Other Provisions

These include provisions for surplus real estate leases plus other operational liabilities and were used during 2021.

18 Creditors: amounts falling due after more than one year

	2021	2020
	£m	£m
Amounts owed to group undertakings	**(211)**	(210)
Deferred Tax liability	**(81)**	(65)
Lease liability	**(2)**	(4)
	(294)	(279)

Amounts owed to group undertakings include a loan of £210,000,000 maturing on 15 August 2025. Interest is fixed at 2.06% (2020: £210 million).

Notes to the Financial Statements *(continued)*

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2021	2020	**2021**	2020	**2021**	2020
	£m	£m	**£m**	£m	**£m**	£m
Tangible fixed assets	**64**	43	**-**	-	**64**	43
Employee benefits	**-**	-	**(177)**	(133)	**(177)**	(133)
Provisions	**2**	2	**-**	-	**2**	2
Tax value of loss carry-forwards	**30**	23	**-**	-	**30**	23
Net tax assets / (liabilities)	**96**	68	**(177)**	(133)	**(81)**	(65)

Movement in deferred tax during the year

	1 January 2021 £m	**Recognised in Income £m**	**Recognised in OCI £m**	**31 December 2021 £m**
Tangible fixed assets	**42**	**21**	**-**	**63**
Employee benefits	**(133)**	**(61)**	**17**	**(177)**
Provisions	**2**	**-**	**-**	**2**
Tax value of loss carry-forwards	**23**	**7**	**-**	**30**
Impact of IFRS 15	**1**	**-**	**-**	**1**
	(65)	**(33)**	**17**	**(81)**

Movement in deferred tax during the prior year

	1 January 2020 £m	**Recognised in Income £m**	**Recognised in OCI £m**	**31 December 2020 £m**
Tangible fixed assets	36	6	-	42
Employee benefits	(90)	(27)	(16)	(133)
Provisions	2	-	-	2
Tax value of loss carry-forwards	21	-	2	23
Impact of IFRS 15	1	-	-	1
	(30)	(21)	(14)	(65)

Notes to the Financial Statements *(continued)*

19 Deferred tax assets and liabilities *(continued)*

Deferred tax assets are only recognised on losses to the extent that future probable taxable profits will be available against which the deferred tax asset can be utilised. In 2017, based upon future profit forecasts of the Company, deferred tax asset was recognised on gross cumulative tax losses of £121,305,541.

	2021 £m	2020 £m
Losses carried forward	**121**	121
Fixed assets	**-**	-
Restructuring provisions/business provisions/other	**-**	-
	121	121
Equivalent Deferred Tax Asset value	**30**	23

The Company also has unrecognised capital losses of approximately £669m (2020: £669m) which can only be utilised for certain capital transactions. Any future taxable capital gain, should it fulfil the applicable tax criteria, will be covered by these capital losses, subject also to the restriction as provided in Schedule 4, Finance Act 2020 (losses restricted to 50% of chargeable gain in respect of disposals after 1 April 2020).

20 *Leases*

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-Use assets

	31st December 2021 £m	**31st December 2020 £m**
Buildings	**4**	4
Plant & Machinery	**-**	2
	4	6

Additions to the right-of-use assets during the 2021 financial year were £nil.

Lease Liabilities

	31st December 2021 £m	**31st December 2020 £m**
Current	**2**	2
Non-Current	**2**	4
	4	6

Notes to the Financial Statements *(continued)*

20 *Leases (continued)*

ii) Amounts recognised in the statement of comprehensive income.

The statement of comprehensive income shows the following amounts relating to leases:

	2021
	£m
Depreciation of right of use assets	
Buildings	-
Plant & Machinery	2
	2

21 Called up share capital

	2021	2020
	£m	£m
Authorised, allotted, called up and fully paid		
1,209,327,168 (*2020: 1,209,327,168*) ordinary shares of £1 each	**1,209**	1,209

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current year. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 Capital and other commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2021	2020
	£m	£m
Authorised and contracted for	**2**	-

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021	2020
	£m	£m
Not later than one year	-	-
Later than one year and not later than five years	-	-
	-	-

Notes to the Financial Statements*(continued)*

23 Post-retirement benefit provisions

Post-retirement benefit provisions relate to defined benefit pension and other post-retirement benefit plans, the latter comprising a healthcare plan. The largest pension plans are two funded plans - the ICI Pension Fund ("ICIPF") and the ICI Specialty Chemicals Pension Fund ("ISCPF") which account for 93.4 percent and 6.5 percent of defined benefit obligations (DBO) and 93.2 percent and 6.8 percent of plan assets of the Company, respectively. There are also two smaller, unfunded pension plans included which account for just 0.1 percent of defined benefit obligations (DBO). The benefits of the pension plans are based primarily on years of service and final pensionable pay. The funding policy for the plans is consistent with local requirements in the United Kingdom.

Valuations of the obligations under the plans are carried out regularly by independent qualified actuaries. We accrue for the expected costs of providing such post-retirement benefits during the service years of the employees. Governance of the benefit plans is the responsibility of AkzoNobel's Executive Committee Pensions ("The Committee"). The Committee provides oversight of the costs and risks of the plans including oversight of the impact of the plans on AkzoNobel in terms of cash flow, pension expenses and the balance sheet. The Committee also develops and maintains policies on benefit design, funding, asset allocation and assumption setting.

Pension plans

The ICIPF and ISCPF plans were closed to new members in 2002 and 2000, respectively, although long-serving employees continue to accrue benefits. Other employees are eligible to join a defined contribution arrangement. For a number of years the defined contribution plan available was the Akzo Nobel Benefit Builder Scheme, but this was terminated in 2020 and replaced by a Mercer Master Trust defined contribution arrangement. Unless mandated by law, it is AkzoNobel's policy that any new plans are established as defined contribution plans.

The most significant risks that AkzoNobel runs in relation to defined benefit plans are investment returns falling short of expectations, low discount rates, inflation exceeding expectations, retirees living longer than expected and legislation changes.

The assets and liabilities of each of the funded plans are held outside of the Company in a trust, which is governed by a board of trustees. The ICIPF uses a corporate trustee, ICI Pensions Trustee Limited, a company which is owned by The Law Debenture Trust Corporation p.l.c and the ISCPF uses a corporate trustee, ICI Specialty Chemicals Pensions Trustee Limited, a company which is also owned by The Law Debenture Trust Corporation p.l.c. Both are professional trustee companies which are entirely independent from the Company and its parent. The primary objective with regard to the investment of pension plan assets is to ensure that each individual plan has sufficient funds available to satisfy future benefit obligations in accordance with local legal and legislative requirements. For this purpose, AkzoNobel works closely with plan trustees to develop investment strategies. Studies are carried out periodically to analyze and understand the trade-off between expected investment returns, volatility of outcomes and the impact on cash contributions. The aim is to strike a cautious balance between these factors in order to agree affordable contribution schedules with plan trustees.

Plan assets principally consist of buy-in bulk annuity policies and Liability Driven Investment (LDI) portfolios. The LDI portfolios invest in long-term interest-earning investments (such as government bonds (gilts)), "over the counter" (OTC) derivatives, cash balances and repurchase agreements (repos). Derivatives can be used to reduce volatility of underlying variables, for efficient portfolio management and to improve the liability matching characteristics of the assets. Limits have been set on the use of derivatives which are periodically subject to review for compliance with the pension fund's investment strategy.

In line with AkzoNobel's proactive pension risk management strategy, we seek to reduce risk in our pension plans over time. We evaluate potential de-risking opportunities on an ongoing basis. Future de-risking transactions may have both cash flow and balance sheet impacts which may be substantial, as had some of the de-risking actions already taken. The cost of fully removing risk would exceed estimated funding deficits.

Notes to the Financial Statements*(continued)*

23 Post-retirement benefit provisions

Between 2014 and 2021, ICIPF and ISCPF have invested in annuity buy-in contracts that aim to hedge all key risks related to their pensioner populations. In 2021, the Trustee of the ICIPF entered into a further annuity buy-in agreement with Legal and General Assurance Society Limited. It covered, in aggregate, £127 million of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to ICIPF amounts equivalent to the benefits payable to members who have recently become pensioners. The pension liabilities remain with, and the matching annuity policies are held within, ICIPF. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in Other comprehensive income of £25 million. By purchasing bulk annuities, the ICIPF and ISCPF Trustees have taken significant steps in actively de-risking liabilities and reducing the risk that the Company will be required to contribute additional cash in the future.

In October 2018, the UK High Court provided clarity for trustees and employers on providing equal pension benefits for men and women where they are in receipt of Guaranteed Minimum Pensions ('GMPs') as a result of the Lloyds Banking Group judgment. According to this judgment, pension schemes were required to retrospectively equalise GMPs by uplifting pensions to the same level, as far as needed, for men and women. On November 20, 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since May 17, 1990, to check if any additional value is due as a result of GMP equalisation. As a result, in 2020, a past service cost of £2.8 million was charged in the statement of comprehensive income (£2.0 million in respect of ICIPF and £0.8 million in respect of ISCPF).
In setting the discount rate assumption for calculating the DBO of each plan, the so called Willis Towers Watson (WTW) RATE:Link model is used. RATE:Link had previously been using a Bloomberg fixed income securities Bloomberg Industry Classification Standard (BICS) framework to provide the relevant inputs. However, due to a change in the Bloomberg BICS framework in 2020, this framework was no longer deemed suitable and RATE:Link now uses the Bloomberg Classification System (BCLASS) framework. Although the curve-fitting methodology had not changed in 2020, the change in Bloomberg framework used by RATE:Link resulted in an estimated net £50 million remeasurement gain included in Other comprehensive income in 2020. The impact of the change in accounting estimate in relation to bond inclusion in 2020 was included in the reconciliation balance sheet table as a £140 million gain within the overall actuarial loss due to liability financial assumption changes in the DBO, partially offset by a £90 million reduction in the experience gain in plan assets in respect of the buy-in annuity policies.
On November 25, 2020, correspondence between the Chancellor of the Exchequer and the UK Statistics Authority (UKSA) was published regarding the future of the Retail Price Index (RPI) measurement of inflation. With effect from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index (CPI) with owner occupiers' housing costs (CPIH). Broadly this is expected to result in RPI inflation being 1% lower in the longer term than under the existing methodology. The inflation assumption continues to be calculated using a market breakeven inflation rate and the CPI inflation assumption, on which the benefits of some plans are based, is set with reference to RPI. Until 2030, the CPI inflation assumption is calculated as 1% below RPI and from 2030 onwards as 0.1% below RPI. The impact of changes in the inflation assumption in 2020 was estimated as a £14 million gain recognized within remeasurements in Other comprehensive income.

The remaining pension plans comprise two unfunded pension schemes and a defined contribution arrangement which provides benefits based on contributions made. The expenses of all plans accounted for as defined contribution plans totalled £5 million in 2021 (2020: £5 million). The Company provides unfunded healthcare benefits for eligible, retired employees from retirement date until the age of sixty five through a scheme operated by a healthcare insurer for the Company's employees in the UK. In 2021, 91 retired employees were beneficiaries of the scheme (2020: 98). The plan exposes the Company to the risk of a decline in discount rates, which would increase the plan obligations.

Reconciliation balance sheet

The adjacent table details the annual movements for the total post-retirement benefit provisions. The closing net balance sheet position of a £785 million net asset (2020: £839 million net asset) comprises: Pension plans £787 million net asset (2020: £841 million net asset) and an Other post-retirement benefit plan £2 million net liability (2020: £2 million net liability).

Notes to the Financial Statements*(continued)*

23 Post-retirement benefit provisions *(continued)*

			2021			2020
	£m	£m	£m	£m	£m	£m
	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at the beginning of the year	(8,373)	9,212	839	(8,320)	9,064	744
Statement of comprehensive income						
Current service cost	(3)	-	(3)	(3)	-	(3)
Past service cost	(2)	-	(2)	(4)	-	(4)
Non Sponsoring entity contributions	-	-	-	-	1	1
Net interest (charge)/income on net defined benefit asset	(105)	116	11	(153)	167	14
Income recognised in statement of comprehensive income	(110)	116	6	(160)	168	8
Remeasurements						
Actuarial (loss)/gain due to liability experience	(80)	-	(80)	82	-	82
Actuarial gain/(loss) due to liability financial assumption changes	151	-	151	(505)	-	(505)
Actuarial (loss)/gain due to liability demographic assumption changes	71	-	71	(28)	-	(28)
Actuarial loss due to buy-ins	-	(25)	(25)	-	(21)	(21)
Return on plan assets (less) than discount rate	-	(184)	(184)	-	551	551
Remeasurement effects recognised in other comprehensive (expense)/income	142	(209)	(67)	(451)	530	79
Cash flow						
Employer contributions	-	7	7	-	9	9
Non Sponsoring entity contributions	-	-	-	-	(1)	(1)
Benefits and administration costs paid from plan assets	539	(539)	-	558	(558)	-
Net cash flow	539	(532)	7	558	(550)	8
Balance at the end of the year	(7,802)	8,587	785	(8,373)	9,212	839

	2021	2020
In the balance sheet under	£m	£m
Fixed assets: Net defined benefit asset	794	849
Post-retirement benefit provisions	(8)	(9)
Current portion of provisions	(1)	(1)
Net balance sheet provision	785	839

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Administrative expenses

The expenses of the funds are borne directly by the Company. Administration expenses are expensed as incurred and included in Operating income. Administration expenses in 2021 totalled £15 million (2020: £13 million). In addition, directly incurred asset management

DBO at funded and unfunded pension plans

	2021	2020
	£m	£m
Wholly or partly funded plans	**7,793**	8,363
Unfunded plans	**9**	10
Total	**7,802**	8,373

Interest costs

Interest costs on DBO for both pensions and other post-retirement benefits, together with the interest income on plan assets, comprise the net financing income related to post-retirement benefits of £11 million (2020: £14 million), see Note 7.

Plan assets

	2021		**2020**	
	£m		**£m**	
	Total	Percentage of total	**Total**	**Percentage of total**
Debt – fixed interest government bonds	861	10	**831**	**9**
Debt – index-linked government bonds	1,176	14	**1,378**	**15**
Buy-in annuity policies	6,442	75	**6,835**	**74**
Cash and cash equivalents	36	0	**82**	**1**
Other	72	1	**86**	**1**
Total	8,587	100	**9,212**	**100**

The government bond debt assets in the table above have quoted prices in active markets, although most are held through LDI portfolios comprised of such instruments which are not actively traded themselves. The total value of plan assets not quoted in active markets is £6,453 million (2020: £6,850 million), including the buy-in annuity policies totalling £6,442 million (2020: £6,835 million) Other unquoted securities, including investments in infrastructure, totalled £11 million (2020: £15 million). The buy-in annuity policies have a value that is equal to the DBO of the pensioners covered by the policies. Plan assets did not directly include any of AkzoNobel's own transferable financial instruments, nor any property occupied by or assets used by the Company.

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Plan assets (continued)

Pension balances recorded under Fixed Assets: Net defined benefit asset totalled £794 million (2020: £849 million). The £55 million decrease in 2021 was primarily due to £6 million of pension contributions, £6 million of net credits in the income statement and £67 million of net actuarial losses in Other comprehensive income in the relevant plans. These assets could be recognized under IFRIC 14 because economic benefits are available in the form of future refunds from the plan or reductions in future contributions to the plan, either during the life of the plan or on the (final) settlement of the plan liabilities.

Cash flows

In 2022, we expect to contribute £3 million (2020 actual: £7 million) to our defined benefit plans. This includes £3 million (2020 actual: £4 million) of regular contributions and £nil (2020 actual: £3 million) for top-up pension contributions. No allowance is made for any special one-off contributions that may arise in relation to new de-risking opportunities.

The figures in the table below are the estimated future benefit payments to be paid from the plans to beneficiaries over the next ten years.

The figures in the table below are the estimated future benefit payments to be paid from the plans to beneficiaries over the next ten years.

Future benefit payments

	Pensions	Other post-retirement benefits
	£m	£m
2022	539	-
2023	539	-
2024	539	-
2025	539	-
2026	539	-
2027-2031	2,695	1

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Key figures and assumptions by plan

					2021
	ICIPF UK	**ISCPF UK**	**Other pension plans**	**Other post-retirement benefits**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Percentage of total DBO	93%	7%	0%	0%	100%
Defined Benefit Obligation	(7,282)	(510)	(8)	(2)	(7,802)
Fair value of plan assets	8,003	584	-	-	8,587
Plan funded status	721	74	(8)	(2)	785
Amounts recognised on the balance sheet	721	74	(8)	(2)	785
Percentage of total current service cost	86%	14%	0%	0%	100%
Current service cost	2	1	-	-	3
Employer contributions	2	4	1	-	7
Discount rate	1.8%	1.9%	1.8%	1.9%	1.8%
Rate of compensation increase	1.5%	1.4%	-	-	1.5%
Inflation	3.5%	3.4%	3.5%	-	3.5%
Pension increases	3.2%	3.1%	3.2%	-	3.2%
Life expectancy (in years)					
Currently aged 60					
Males	26.2	27.0	26.4	26.3	26.3
Females	27.7	29.2	28.0	27.8	27.8
Currently aged 45, from age 60					
Males	27.3	28.1	27.5	27.3	27.4
Females	28.9	30.2	29.2	29.0	29.0

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Key figures and assumptions by plan (continued)

					2020
	ICIPF UK	**ISCPF UK**	**Other pension plans**	**Other post-retirement benefits**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Percentage of total DBO	94%	6%	0%	0%	100%
Defined Benefit Obligation	(7,844)	(519)	(8)	(2)	(8,373)
Fair value of plan assets	8,621	591	-	-	9,212
Plan funded status	777	72	(8)	(2)	839
Amounts recognised on the balance sheet	777	72	(8)	(2)	839
Percentage of total current service cost	82%	18%	0%	0%	100%
Current service cost	3	-	-	-	3
Employer contributions	4	4	1	-	9
Discount rate	1.3%	1.5%	1.3%	1.5%	1.3%
Rate of compensation increase	1.5%	1.3%	-	-	1.5%
Inflation	2.9%	2.8%	2.9%	-	2.9%
Pension increases	2.8%	2.7%	2.9%	-	2.8%
Life expectancy (in years)					
Currently aged 60					
Males	26.4	26.9	26.4	26.4	26.4
Females	28.0	28.6	28.0	28.0	28.0
Currently aged 45, from age 60					
Males	27.5	27.9	27.5	27.5	27.5
Females	29.2	29.8	29.2	29.2	29.2

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Sensitivity of DBO to change in assumptions

2021

	ICIPF UK £m	ISCPF UK £m	Other pension plans £m	Other post-retirement benefits £m	Total £m
Discount rate: 0.5% decrease	453	43	-	-	496
Price inflation: 0.5% increase^	243	26	-	-	269
Life expectancy: one year increase from age 60	590	25	1	-	616
Maturity information					
Weighted average duration of DBO (years)	11.8	16.0	8.2	6.4	12.1

The sensitivity effect on DBO shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on DBO of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the total DBO. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for each plan. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the total DBO. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent our view of expected future changes in DBO. Any management actions that may be taken to mitigate the inherent risks in the post-retirement defined benefit plans are not reflected in this analysis, as they would normally be reflected in plan asset changes rather than DBO changes.

The sensitivities in the table only apply to the DBO and not to the net amounts recognized in the balance sheet. Movements in the fair value of plan assets (which include the de-risking instruments) would, to a significant extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

The annuity buy-in contracts cover approximately 99 percent of pensioner liabilities (2020: 99 percent) and 84 percent of total liabilities at ICIPF (2020: 83 percent) and 98 percent of pensioner liabilities (2020: 98 percent) and 63 percent (2020: 63 percent) of total liabilities at ISCPF.

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Key plan details of the largest two pension plans

	ICI Pension Fund, UK
Type of plan	Defined benefit, based upon years of service and final salary
Benefits	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement
Pension increases (main benefit section)	Annually linked to UK RPI with a maximum of 5 percent
Plan structure	Plans are set up under a trust and are tax approved
Governance	Trustee directors: Four member-nominated trustees Five appointed with the agreement of Law Debenture One independent (Law Debenture)
Regulatory framework	The plans are tax approved and assets are held in trust for the benefit of participants. The trustees have a legal duty to manage the trust in the best interests of participants. Investment strategy is controlled by the trustees in consultation with the company
Funding basis	A plan specific basis must be agreed with each trustee board in accordance with UK regulations. The basis is not the same as the IFRS calculation as it uses more prudent assumptions about life expectancy and the discount rates reflect prudent estimates of the expected return on assets actually held, thus the trustees' investment strategies will impact the discounted value of liabilities
Frequency of funding reviews	Normally every three years
Latest completed valuation	March 31, 2020
Funding deficit[1] at latest completed valuation	£23 million surplus
Recovery plan	As there were sufficient assets to cover the Fund's technical provisions, a recovery plan is not required.
Next funding review	March 31, 2023
Asset allocation at March 31, 2021	
Matching:	99.8%
Return seeking:	0.2%
Matching:	Buy-in annuity contracts cover approximately 99% of pensioner liabilities and 84% of total liabilities
Membership at March 31, 2021	
Active	95
Deferred	5,783
Pensioner	36,456
Total	42,334

[1] Based on local valuation regulations.

Notes to the Financial Statements *(continued)*

23 Post-retirement benefit provisions (continued)

Key plan details of the largest two pension plans

	ICI Specialty Chemicals Pension Fund, UK
Type of plan	Defined benefit, based upon years of service and final salary
Benefits	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement
Pension increases (main benefit section)	Annually linked to UK RPI with a maximum of 5 percent
Plan structure	Plans are set up under a trust and are tax approved
Governance	Trustee directors: Three member-nominated trustees Three appointed with the agreement of Law Debenture One independent (Law Debenture)
Regulatory framework	The plans are tax approved and assets are held in trust for the benefit of participants. The trustees have a legal duty to manage the trust in the best interests of participants. Investment strategy is controlled by the trustees in consultation with the company
Funding basis	A plan specific basis must be agreed with each trustee board in accordance with UK regulations. The basis is not the same as the IFRS calculation as it uses more prudent assumptions about life expectancy and the discount rates reflect prudent estimates of the expected return on assets actually held, thus the trustees' investment strategies will impact the discounted value of liabilities
Frequency of funding reviews	Normally every three years
Latest valuation	March 31, 2020
Funding deficit[1] at latest valuation	£7.3 million deficit
Recovery plan	£3 million was paid in January 2021 (after a £3m payment in January 2020, from the previous recovery plan, included in the latest funding position calculation)
Next funding review	March 31, 2023
Asset allocation at March 31, 2021	
Matching:	90.1%
Return seeking:	9.9%
Matching:	Buy-in annuity contracts cover approximately 98% of pensioner liabilities and 63% of total liabilities
Membership at March 31, 2021	
Active	18
Deferred	764
Pensioner	940
Total	1,722

[1] Based on local valuation regulations.

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings

The companies, in which the Company's interest at 31 December 2021 and 31 December 2020 is more than 20%, are as follows;

Subsidiary undertakings	Country of Incorporation	Class of shares held	Ownership 2021	2020
Akzo Nobel India Limited**	India	Equity	50.46%	50.46%
Akzo Nobel (NASH) Limited*	England and Wales	Ordinary	100%	100%
Akzo Nobel (NSC) Limited*	England and Wales	Ordinary	100%	100%
Akzo Nobel Packaging Coatings Limited*	England and Wales	Ordinary	100%	100%
Akzo Nobel Paints Lanka (PVT) Limited**	Sri Lanka	Ordinary	50.6%	50.6%
Akzo Nobel Paints (Malaysia) Sdn. Bhd.*	Malaysia	Ordinary	59.95%	59.95%
Akzo Nobel Vietnam Ltd*	Vietnam	Ordinary	100%	100%
Cambrian Decorators Supplies (C.D.S.) Limited (in liquidation)*	England and Wales	Ordinary	100%	100%
Cambrian SW Limited (in liquidation)*	England and Wales	Ordinary	100%	100%
Cuprinol Limited (formerly Horseferry Investments Limited) *	England and Wales	Ordinary	100%	100%
Dulux Botswana (Pty) limited*	Botswana	Class A Class B	100% 100%	100% 100%
Dulux Limited	England and Wales	Ordinary	100%	100%
Dulux Swaziland (Pty) Limited*	Swaziland	Capital	99.98%	99.98%
Dulux Zambia (2005) Limited*	Zambia	Ordinary	99.6%	99.6%
Ergon Investments International Limited*	England and Wales	Ordinary	100%	100%
Ergon Investments UK Limited	England and Wales	Ordinary	100%	100%
Hammerite Products Limited	England and Wales	Ordinary	100%	100%
Horseferry Investments Limited (formerly Cuprinol Limited) (in liquidation)	England and Wales	Ordinary	100%	100%
ICHEM Reinsurance Company Limited	Cayman Islands	Ordinary	100%	100%
ICI Chemicals & Polymers Limited*	England and Wales	Ordinary	100%	100%
ICI Fertilisers (Ireland) Limited	Ireland	Ordinary	99.9%	99.9%
ICI Finance Limited	England and Wales	Ordinary Preference	100% 100%	100% 100%
ICI India Research and Technology Centre*	India	Voting Only	25%	25%
ICI International Investments Limited	Cayman Islands	Ordinary	100%	100%
ICI International Limited	England and Wales	Ordinary	100%	100%
ICI Ireland Limited*	Ireland	Ordinary	100%	100%
ICI North America Limited (formerly Polycell Limited) (in liquidation)	England and Wales	Ordinary	100%	100%
ICI Paints (Trade Contract) Limited*	England and Wales	Ordinary	100%	100%

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings (continued)

Subsidiary undertakings	Country of Incorporation	Class of shares held	Ownership	
ICI Theta BV*	Netherlands	Ordinary	100%	100%
Intex Yarns (Manufacturing) Limited*	England and Wales	Ordinary	100%	100%
Impkemix Trustee Limited	Guernsey	Ordinary	100%	100%
J.P. McDougall & Co. Limited*	England and Wales	Ordinary	100%	100%
Metlac S.p.A.*	Italy	Ordinary	44.44%	44.44%
Mortar Investments International Limited	England and Wales	Ordinary	100%	100%
Mortar Investments UK Limited	England and Wales	Ordinary	100%	100%
Pinturas Coral De Bolivia Ltda*	Bolívia	Ordinary	99.49%	99.49%
Polycell Products Limited (formerly ICI North America Limited)	England and Wales	Ordinary	100%	100%
Sales Support Group Limited*	England and Wales	Ordinary	100%	100%
Scottish Agricultural Industries Limited*	England and Wales	Ordinary	100%	100%
Stevenston Holdings Limited	England and Wales	Ordinary	100%	100%

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Akzo Nobel India Limited**	Geetanjali Apartment, 8 B, Middleton Street Kolkata 700 071 India	Shares	L24292WB1954PLC021516	Public
Akzo Nobel (NASH) Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	1000836	Private
Akzo Nobel (NSC) Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	226707	Private
Akzo Nobel Packaging Coatings Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	59837	Private
Akzo Nobel Paints Lanka (PVT) Limited**	CIC House, 199 Kew Road Colombo 2 Sri Lanka	Shares	PV 4610	Private
Akzo Nobel Paints (Malaysia) Sdn. Bhd.*	Lot 5827, Kawasan Perindustrian Nilai Nilai 71800 Malaysia	Shares	3393-V	Private

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings (continued)

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Akzo Nobel Vietnam Ltd*	Lot E-1-CN, My Phuoc II Industrial Park, Ben Cat District Binh Duong Vietnam	Shares	462043000572	Private
Cambrian Decorators Supplies (C.D.S.) Limited (in liquidation)*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	629568	Private
Cambrian SW Limited (in liquidation)*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	11206314	Private
Horseferry Investments Limited (formerly Cuprinol Limited) (in liquidation) *	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2306148	Private
Dulux Botswana (Pty) Limited*	Haile Selassie Road Gaborone Botswana	Shares	Co. 1855	Private
Dulux Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2048463	Private
Dulux Swaziland (Pty) Limited*	10th Street Industrial Site Matsapha Swaziland	Shares	7/1966	Private
Dulux Zambia (2005) Limited*	Plot no. 290 Nampungwe Road, Off Mumbwa Road, Chinika Lusaka 10101 Zambia	Shares	60107	Private
Ergon Investments International Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2074788	Private
Ergon Investments UK Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2074787	Private
Hammerite Products Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2781134	Private
Cuprinol Limited (formerly Horseferry Investments Limited)*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	03756457	Private

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings (continued)

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
ICHEM Reinsurance Company Limited	94 Solaris Avenue, Second Floor, PO Box 69 Camana Bay Cayman Islands	Shares	#1070	Private
ICI Chemicals & Polymers Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	358535	Private
ICI Fertilisers (Ireland) Limited	Shandon Works, Commons Road Cork Ireland	Shares	115416	Private
ICI Finance Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	45690	Private
ICI India Research and Technology Centre*	Plot No. 1/1, TTC Industrial Area, Thane Belapur Road, 12 Koparkhaime Navi Mumbai 400709 India	Shares	U73100MH19 76PTC019199	Private
ICI International Investments Limited	PO Box 309 Ugland House, South Church Street George Town KY1-1104 Cayman Islands	Shares	26631	Private
ICI International Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2766927	Private
ICI Ireland Limited*	Shandon Works, Commons Road Cork Ireland	Shares	196184	Private
Polycell Limited (formerly ICI North America Limited)	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	989786	Private

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings (continued)

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
ICI Paints (Trade Contract) Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DSUnited Kingdom	Shares	2881641	Private
ICI Theta BV*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	24171758	Private
Impkemix Trustee Limited	P.O. Box 25, Regency Court, Glategny Esplanada, GY1 3AP Saint Peter Port Guernsey	Shares	28405	Private
Intex Yarns (Manufacturing) Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	137784	Private
J.P. McDougall & Co. Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	254941	Private
Metlac S.p.A.*	Strada Statale 35 Bis dei Giovi Bosco Marengo 53-15062 Italy	Shares	01264360064	Private
Mortar Investments International Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2767051	Private
Mortar Investments UK Limited	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	2767052	Private
Pinturas Coral De Bolivia Ltda*	Parque Industrial Pi 24 Santa Cruz de la Sierra Bolivia	Shares	NIT 1015213026	Private
ICI North America Limited (formerly Polycell Products Limited) (in liquidation)	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	521214	Private

Notes to the Financial Statements *(continued)*

24 Investment in related undertakings (continued)

Subsidiary undertakings	Registered Office Address	Limited by shares or guarantee	Registration number	Public or private
Sales Support Group Limited*	The AkzoNobel Building, Wexham Road Slough SL2 5DS United Kingdom	Shares	891336	Private
Scottish Agricultural Industries Limited*	Clyde & Co, Albany House, 58 Albany St Edinburgh EH1 3QR United Kingdom	Shares	SC15365	Private
Stevenston Holdings Limited	Clyde & Co, Albany House, 58 Albany St Edinburgh EH1 3QR United Kingdom	Shares	SC48881	Private

*Held by Subsidiaries
**Equity
The Company sold 100% of the share capital in ICI Insurance Company Limited on 7 April 2020

Indirect Subsidiary Activities

On 12 January 2021, the Company's indirectly owned subsidiaries changed name: Cuprinol Limited changed name to Horseferry Investments Limited, and the former Horseferry Investments Limited was renamed Cuprinol Limited; Polycell Products Limited changed name to ICI North America Limited and the former ICI North America Limited was renamed Polycell Products Limited.

On 1 March 2021, ICI Limited, an indirectly owned subsidiary changed its name to Canliq 3 Limited and was placed into Member's Voluntary Liquidation on 30 March 2021.

On 9 December 2021, Horseferry Investments (formerly Cuprinol Limited) and ICI North America Limited (formerly Polycell Products Limited) were placed into Members' Voluntary Liquidation.

Post Balance Sheet Events

On 19 January 2022, the Company's indirectly owned subsidiary, Akzo Nobel Paints Vietnam Limited merged with four other companies in Vietnam and was renamed Akzo Nobel Vietnam Limited.

On 27th April 2022, the Company's indirectly owned subsidiaries, Cambrian SW Limited and Cambrian Decorator Supplies (C.D.S.) Limited were placed into Members' Voluntary Liquidation.

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company and its fellow group companies operate is uncertain at this time.

As of the signing date of these financial statements management was not aware of any material adverse effects on the financial statements for the year ended December 31, 2021 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

Notes to the Financial Statements *(continued)*

25 Operating leases

The toll manufacturing arrangement the Company has with another group company is partly accounted for as an operating lease arrangement as per IFRIC 4, where the Company is the lessor. This lease extends to its production facilities and the agreement has an indefinite end date, with either party able to cancel anytime with 6 months' notice. As there is no formal lease agreement in place between the parties, there are no set minimum contractual lease payments.

26 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary company of Akzo Nobel ICI Holdings, a company incorporated in England and Wales.

The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V., incorporated in the Netherlands.

Copies of the Akzo Nobel N.V. Annual Report and Financial statements are available to the public and may be obtained from Christian Neefestraat 2, 1077 WW, Amsterdam, Netherlands or online at: https://akzonobel.com/en/investors