KINGFISHER PENSION SCHEME

Report & Financial Statements

Year ended 31 March 2021

Registered number: 100797763

Kingfisher Pension Scheme annual report and financial statements

Registered number 100797763

Year ended 31 March 2021

Kingfisher Pension Scheme
Year ended 31 March 2021

Contents

Trustee and advisers

Participating Companies
Kingfisher plc
B&Q Ltd
B&Q (Retail Guernsey) Ltd
B&Q (Retail) Jersey Ltd
Screwfix Direct Ltd
Kingfisher Information Technology Service (UK) Ltd
Kingfisher International Products Limited

Trustee
Kingfisher Pension Trustee Limited

Board of Directors
BESTrustees Limited (Chairman) represented by Clive Gilchrist*
Lee Aspin +
Sally Clifton#
Yolanda Jackson +
Helen Jones#
Elizabeth Messud#
Paul Shearer#
David Lumsdon +
Jane Winsbrow +
Crispin Burridge#

**independent #employer nominated +member nominated*

Secretary to the Trustee
Dermot Courtier

Actuary
Lisa Deas FIA, Hymans Robertson LLP (from 30 March 2021)
Alan Garbarino FIA, Hymans Robertson LLP (until 30 March 2021)

Auditors
Grant Thornton UK LLP

Administrator
- Final Salary Section:
Hymans Robertson LLP

- Money Purchase Section:
Legal & General Assurance Society Limited

Solicitors
Mayer Brown International LLP
Eversheds LLP

Group Life
Unum

Investment Managers
Final Salary Section:

Aberdeen Standard Investments
LaSalle Investment Management
BlackRock Global Renewable Fund II LLP
BlackRock Investment Management
Hayfin Direct Lending GP Ltd
Insight Investment Management (Global) Ltd
Legal & General Investment Management
LGT Capital Partners (Ireland) Limited
PIMCO Europe Limited

Money Purchase Section:

Legal & General Assurance Society Limited

Annuity providers
Legal & General Assurance Society Limited
Pension Insurance Corporation

Custodian
State Street Bank & Trust Company

Investment Advisers
Aon Solutions UK Limited
Barnett Waddingham

AVC providers
BlackRock Investment Management (UK) Ltd
Legal & General Assurance (Pensions Mgt) Ltd
Phoenix Life
The Prudential Assurance Company Limited

Bankers
Barclays Bank plc

Enquiries
Any enquiries concerning the Scheme or requests for copies of this Report, individual benefit statements, the Trust Deed and Rules or the latest report on the Actuarial Valuation of the Scheme should be addressed to the Secretary to the Trustee at the office of Kingfisher plc

Introduction by the Chair of Trustee

I am pleased to present my review of the Kingfisher Pension Scheme (the Scheme) for the year ended 31 March 2021.

The twelve months to 31 March 2021 saw a lot of activity for the Kingfisher Pension Scheme from both a Final Salary and Money Purchase perspective.

As the Final Salary section of the Scheme continues to de-risk it provides many challenges and new opportunities. During the year ended 31 March 2021 the Trustees completed a switch of £100m from return seeking assets to matching assets to further de-risk the Scheme and help lock in funding improvements.

The 2019 actuarial valuation results showed that as at 31 March 2019 the funding level was 94% on the Scheme's secondary funding objective basis and 105% on the Technical provisions basis. As at 31 March 2021 it is estimated that the funding levels were 98.5% and 108.5% respectively.

The employer has paid deficit contributions of £12.5m, plus £14.5 SPV income during the year, as per the Schedule of Contributions, which states a total of £27m less SPV income.

On the Money Purchase side of the Scheme new decisions made by the Trustees in 2020/21 are now being planned and will be deployed in Scheme Year 2021/22, including:

1. Group Pensions in conjunction with Legal & General and a firm called Pension Geeks will in October 2021 host via a pension awareness week, a number of web broadcasts for DC money purchase members.
2. In March 2021, the Trustee confirmed their intention to switch the Multi Asset Fund to the Future World Multi Asset Fund which has further enhanced ESG (Environmental, Social & Governance) integration features. This migration is commencing at the beginning of May 2021.
3. The Trustee is working with L&G and Tumelo (a Bristol based fintech company) to give its DC money purchase members greater transparency of the companies they have their pension invested in and additionally provide the members with the opportunity to share their views on how shareholder votes should be cast in relation to these companies, including ESG: climate change, gender equality, diversity and human rights.
4. The Trustee is in the process of committing to the TPR pensions scams pledge. The pledge sets out the minimum steps TPR expects Trustees to take to protect members. TPR wants the Trustee to commit to making members aware of scam risks but to also to carry out appropriate due diligence and communicate any concerns to members looking to leave their pension scheme.

On a final note, on behalf of the Trustee board, I would like to thank the Group Pensions Department for their ongoing contribution in supporting the Trustee Directors, the Scheme, and most importantly of all, the membership.

BESTrustees Limited, represented by Clive Gilchrist, Chair
Kingfisher Pension Trustee Ltd

Trustee's annual report

Constitution of the Scheme

The Kingfisher Pension Scheme provides a final salary section governed by a Trust Deed dated 15 December 1986, as amended from time to time which closed to future accrual from 1 July 2012 and a money purchase section introduced from 1 April 2004. The Trustee holds Scheme funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed.

The Financial Statements of the Scheme for the year ended 31 March 2021, as set out on pages 13 to 27 have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995. The accounts comply with the Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes (2018)'.

Management of the Scheme

The Trustee Directors who served during the year are listed on page 1. The Trustee Board consists of ten Trustee Directors, known as Trustees, made up of five Employer appointed Directors, one independent Trustee Director and four Member Nominated Directors (MNDs). The MNDs serve for a period of four years unless their Trusteeship is terminated, or they resign or leave active membership before the end of their term. These Trustee Directors are also able to stand for re-selection for a further one term of four years, making a total of eight years' maximum service.

The number of the Trustee Directors shall never be more than 14 or (except on account of casual vacancies or where the Trustees are or include a company) fewer than three. Within these limits, the Company will have power by deed to remove Trustees from office or to appoint new or additional Trustees. A Trustee will be discharged if they are removed or replaced by the Company (provided that there is at least one Trustee remaining) or if they resign by written notice both to the Company and to the other Trustees (provided that the Trustees continuing in office are at least three in number or include a company). A company which is not the sole Trustee will cease to be a Trustee upon going into liquidation. The Trustee has established the following Committees:

- Defined Benefit Investment Committee
- Defined Contribution Investment and Retirement Committee
- Audit, Accounts and Governance Committee
- Benefits Committee

Scheme Actuary

A Garbarino, the Scheme Actuary, resigned on 30 March 2021. The Trustee filled the vacancy in the office of Scheme Actuary by appointing L Deas Taylor on the same day.

As required by Regulations made under the Pensions Act 1995, A Garbarino confirmed in his notice of resignation that he knew of no circumstances connected with the resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme.

Financial development of the Scheme

A summary of the Scheme's Financial Statements is set out in the table below.

	FS	FS	**MP**	MP	**Total**	Total
	2021	2020	**2021**	2020	**2021**	2020
	£ m	£ m	**£ m**	£ m		£ m
Income	**15.1**	14.3	**69.7**	63.2	**84.8**	77.5
Payments	**(133.1)**	(146.1)	**(17.0)**	(16.4)	**(150.1)**	(162.5)
Net (withdrawals)/additions	**(118.0)**	(131.8)	**52.7**	46.8	**(65.3)**	(85.0)
Net returns on investments	**132.7**	179.4	**108.3**	(27.9)	**240.0**	151.5
Net increase / (decrease) in fund	**14.7**	47.6	**161.0**	18.9	**175.7**	66.5
Transfers between sections	**0.6**	1.0	**(0.6)**	(1.0)	**-**	-
Net assets at start of year	**3,643.8**	3,595.2	**364.9**	347.0	**4,008.7**	3,942.2
Net assets at end of year	**3,659.1**	3,643.8	**525.3**	364.9	**4,185.0**	4,008.7

Final Salary Section developments

During the year, income into the Scheme increased to £15 million (£14 million for the prior year). Payments were £133 million compared with £146 million for the prior year.

The net returns on investments comprised change in market value of investments of £123 million (prior year: £133 million) and investment income of £15 million (prior year: £51 million) offset by investment management expenses of £5 million (prior year: £5 million). The net assets of the FS amounted to £3,659 million at 31 March 2021 (2020: £3,643 million).

Money Purchase Section developments

Income amounted to £70 million compared with £63 million for the prior year. Payments increased in 2021 to £17 million from £16 million for the prior year. The MP Section (MP) does not pay pensions as annuities are purchased to fund pension benefits; they are bought in the name of the member. Post the April 2015, 'Freedom and Choice' legislation changes members also now have the voluntary option to take cash and / or transfer monies to an income drawdown solution.

Assets of the MP are invested in pooled investment vehicles which reported a net positive return of £108 million for the year compared to a negative return of £28million for the prior year. The net assets of the MP amounted to £525 million at 31 March 2021 (2020: £364 million).

Actuarial Review

The Financial Statements set out on pages 13 to 27 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Final Salary Section these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years, the latest valuation being at 31 March 2019. This valuation considered the funding position of the Final Salary Section and the level of contributions payable.

In accordance with the Statement of Funding Principles the Trustee and Kingfisher have agreed that the employers should pay contributions to the FS section of £27 million a year (less SPV income) with effect from 1 August 2019. This rate includes allowance for expenses and death/incapacity benefit costs, but excludes PPF levies, which will be reimbursed separately by the Company.

The formal actuarial certificate is required by statute to be included in the Annual Report from the Scheme Actuary. The Actuarial Certificate of the calculation of the technical provisions is on page 34.

Kingfisher Pension Scheme

Year ended 31 March 2021

Membership

The membership of the Scheme at the beginning & end of the year and changes during the year are set out below.

	Final Salary Section				Money Purchase Section		
	Deferred	Pensioners* & Dependants	Total		Active	Deferred	Total
At 1 April 2020	15,904	15,680	31,584		23,116	31,594	54,710
Opening balance adjustment**	-	-	-		41	64	105
New	-	897	897		6,261	683	6,944
Deaths	(37)	(635)	(672)		-	(5)	(5)
Retirements	(910)	-	(910)		(6)	(467)	(473)
Leavers	(1)	(174)	(175)		(3,085)	3085	-
Surrendered &transferred out	-	-	-		(29)	(718)	(747)
Reinstatements	2	3	5		136	(136)	-
At 31 March 2021	14,958	15,771	30,729		26,434	34,100	60,534

*Included in the pensioner numbers are 533 (2020:547) which are secured by an annuity contract
The number of life insurance only members at the year-end is 18,908 (2020: 13,584)
** relates to late notifications of members
Employees who opt out of the Scheme before contributions are remitted are not included in these statistics.

Final Salary Section Pension increases

Pensions in payment receive guaranteed annual increases matching the rise in the Retail Prices Index (during a calendar year) up to a maximum of 5%. Where inflation exceeds 5%, the Trustee may consider the payment of additional discretionary increases at the request of the Employer.

Increases from the Scheme do not apply to that element of the pension representing any Guaranteed Minimum Pension (GMP) in payment after age 60 for females or 65 for males (which the Scheme is required to provide as a consequence of contracting-out of the State Earnings Related Pension Scheme (SERPS)) earned before 6 April 1988, as these increases are provided along with the State pension. The GMP element earned after April 1988 will be increased by the Scheme in line with inflation, as required by legislation, up to a limit of 3% per annum. Pension increases over the last three years have been:

Year	Pension Increase (%)	RPI (%)
2021	1.2	1.2
2020	2.2	2.2
2019	2.7	2.7

Both Jersey and Guernsey have their own Retail Prices Index (0.9% and1.0%) respectively at December 2020 and increases for Channel Islands pensioners are calculated in accordance with these.

Each year, the Scheme increases deferred pensions in line with inflation, up to 5% p.a. between the date of leaving and the date of retirement. These increases are non-discretionary.

Custody

Custodian services are provided by State Street Bank and Trust Company Limited. Although the Trustee has delegated day to day management of the Scheme's investments to external managers, the custody (safekeeping) of the segregated assets is carried out independently of the managers by State Street Bank and Trust Company Limited. The underlying assets of pooled investment vehicles are held under the custody of separate custodians appointed by the manager of the respective pooled fund. The Scheme's investment in the Special Purpose Vehicle and the annuity contracts are held directly by the Trustee.

Investment management

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment advisers. The Trustee has put in place investment mandates with their investment managers which implement this strategy.

In accordance with s35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. A copy of the Statement is available to members upon request and is included as appendix I to these financial statements.

Investment managers are remunerated by fees based on a percentage of funds under management and in some instances a percentage of performance above benchmark.

Investment managers have been asked to exercise voting rights where relevant, referring back to the Group Pensions Department only those issues which they feel are contentious and warrant further discussion before taking action.

The Trustee has delegated day to day investment decisions to its appointed investment managers (within certain guidelines and restrictions).

The Trustee believes that all companies should be run in a socially responsible way as in the long run this should contribute to the success of those companies, but equally recognises its fiduciary responsibility to act in the best financial interests of the Scheme's members. Therefore, the Trustee's policy is that the investment managers should take account of social, environmental and governance (ESG) considerations to the extent that they may have a financial impact on investment performance. With this in mind the Trustee Board also encourages managers to pursue policies of engagement with their investee companies.

Final Salary Section – Objectives and Performance

Kingfisher plc (the Company) and Kingfisher Pension Trustee Limited (the Trustee) have an agreed funding and investment plan for the Scheme, the Secondary Funding Objective (2FO), which targets a strong funding level and relatively low investment risk, and which is in excess of the minimum Statutory Funding requirements. The Secondary Funding Objective target is for the Scheme to be 100% funded on a gilts-flat basis by 2030, this is anticipated to approximate the cost of securing benefits through annuities at that time.

Following completion of the 2019 valuation the employer contribution was agreed at £27m per annum (this includes income from the Special Purpose Vehicle but excludes the Pension Protection Fund levy which the Company has agreed to reimburse the Scheme for). The employer contribution will be reviewed again as part of the 2022 valuation and thereafter at each formal valuation.

Matching assets constituted 89% of Scheme assets at March 2021 and is expected to constitute 100% of Scheme Assets by March 2030. The Scheme is targeting hedging of the interest rate (94%) and inflation (94%) risks through its liability hedging portfolio. The Company and the Trustee will agree circumstances under which this de-risking plan could be accelerated.

Other details relating to the 2FO and the Statutory Funding Objective are set out in the Statement of Funding Principles which is available to members upon request.

The performance of the Scheme's investments is measured against the Scheme specific benchmark. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2021 was 4.9%, compared to the Scheme specific benchmark of 2.7%.

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives. Over three and five-year periods, the annualised returns were 5.8% and 9.4% compared to the benchmark of 5.4% and 8.5% respectively.

Money Purchase Section – Objectives and performance

A default strategy is provided which the Trustee believes is suitable for the needs of the membership. The Trustee reviews the investment default on a regular basis. The default option for the Money purchase Section is currently the cash target lifestyle option. The objective for the default option is to target investment returns of CPI +3% after all charges over the long term.

Over the year to 31 March 2021 the return of the default strategy was 30.6% compared to CPI +3% which returned 3.7%. Over the five-year period to 31 March 2020, the annualised return was 10.6% per annum compared to CPI + 3% which returned 4.8% per annum.

The Trustee makes available to members of the Money Purchase Section an appropriate range of investment options to which members and the Employer will contribute in order to provide each member with a fund which will be used to secure their benefit at retirement. The Money Purchase Section offers a facility for members to contribute more on a voluntary basis.

The Trustee's Annual Report, which includes the Statement of Trustee's Responsibility on page 8 and the Compliance Statement on pages 33-34, were approved by the board and signed on its behalf by:

BESTrustees Limited,
Represented by Clive Gilchrist, Chairman

Statement of Trustee’s responsibilities for the Financial Statements

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and

- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the financial information of the Scheme included on the Scheme’s website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Trustee of The Kingfisher Pension Scheme

Opinion

We have audited the financial statements of the Kingfisher Pension Scheme (the 'Scheme') for the year ended 31 March 2021, which comprise the Fund Account the Statement of Net Assets (available for benefits) and notes forming part of the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Scheme's operating model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

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 Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

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

The responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of the Trustee for the financial statements' section of this report.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of the Trustee for the financial statements

As explained more fully in the Trustee's Responsibilities Statement, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996), Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP").

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with management and the Trustee and from inspection of Trustee board minutes and legal and regulatory correspondence. We enquired about the policies and procedures regarding compliance with laws and regulations with the Trustee.

We assessed the susceptibility of the Scheme's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate results for the year or overall net assets.

Our audit procedures involved journal entry testing, with a focus on large manual journals to unusual account codes, including:

- manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets; and

- journals posted to cash or suspense accounts.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

All members of the engagement team have completed all specific pension audit training. All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of Schemes of a similar size and complexity, appropriate to their role within the team. The engagement team is required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and of the sector the underlying applicable legislation and related guidance.

We did not identify any matters relating to non-compliance with the laws and regulations specified above or relating to fraud.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

Kingfisher Pension Scheme
Year ended 31 March 2021

Fund account

The notes on pages 12 to 24 form part of these Financial Statements.

for the year ended 31 March 2021							
	Notes	FS	MP	Total	FS	MP	Total
		2021	**2021**	**2021**	2020	2020	2020
		£m	**£ m**	**£ m**	**£ m**	**£m**	**£ m**
Contributions and benefits							
Employer contributions	2	**12.6**	**59.3**	**71.9**	12.7	54.2	66.9
Employee contributions	2	**-**	**8.3**	**8.3**	-	7.5	7.5
Individual transfers in		**-**	**2.1**	**2.1**	-	1.5	1.5
Other income	3	**2.5**	**-**	**2.5**	1.6	-	1.6
		15.1	**69.7**	**84.8**	14.3	63.2	77.5
Benefits payable	4	**(80.7)**	**(11.5)**	**(92.2)**	(73.6)	(11.7)	(85.3)
Payments to and on account of leavers	6	**(46.8)**	**(4.6)**	**(51.4)**	(67.7)	(4.0)	(71.7)
Other payments	5	**(2.2)**	**-**	**(2.2)**	(1.9)	-	(1.9)
Administrative expenses	7	**(3.4)**	**(0.9)**	**(4.3)**	(2.9)	(0.7)	(3.6)
		(133.1)	**(17.0)**	**(150.1)**	(146.1)	(16.4)	(162.5)
Net (withdrawals)/additions from dealings with members		**(118.0)**	**52.7**	**(65.3)**	(131.8)	46.8	(85.0)
Returns on investments							
Investment income	8	**15.6**	**-**	**15.6**	51.8	-	51.8
Change in market value of investments	16	**122.6**	**108.3**	**230.9**	132.8	(27.9)	104.9
Investment management expenses	9	**(5.5)**	**-**	**(5.5)**	(5.2)	-	(5.2)
Net returns on investments		**132.7**	**108.3**	**241.0**	179.4	(27.9)	151.5
Net increase in the fund during the year		**14.7**	**161.0**	**175.7**	47.6	18.9	66.5
Transfer between sections		**0.6**	**(0.6)**	**-**	1.0	(1.0)	-
Net assets of the Scheme at 1 April		**3,643.8**	**364.9**	**4,008.7**	3,595.2	347.0	3,942.2
Net assets of the Scheme at 31 March		**3,659.1**	**525.3**	**4,184.4**	3,643.8	364.9	4,008.7

Kingfisher Pension Scheme
Year ended 31 March 2021

Statement of Net Assets (available for benefits)

At 31 March 2021			
	Notes	2021	2020
		£ m	£ m
Final Salary Section			
Investment assets:	16		
Bonds		**3,121.7**	3,120.2
Pooled investment vehicles	11	**1,314.7**	1,236.9
Derivatives	12	**997.4**	1,678.1
Special purpose vehicle	13	**158.2**	171.0
Insurance policies	14	**431.8**	465.2
AVC investments	15	**9.8**	**11.3**
Cash & cash equivalents		**24.7**	31.2
Other investment balances	18	**35.3**	257.6
		6,093.6	6,971.5
Investment liabilities:			
Derivatives	12	**(991.2)**	(1,709.5)
Other investment balances	18	**(1,472.9)**	(1,630.8)
Total net investments	16	**3,629.5**	3,631.2
Current assets	21	**32.4**	15.9
Current liabilities	22	**(2.8)**	(3.3)
Total net assets of FS		**3,659.1**	3,643.8
Money Purchase Section			
Investment assets:	16		
Pooled investment vehicles	11	**519.6**	358.8
Current assets	21	**6.9**	6.3
Current liabilities	22	**(1.2)**	(0.2)
Total net assets of MP		**525.3**	364.9
Total net assets of the Scheme at 31 March		**4,184.4**	4,008.7

The notes on pages 15 to 27 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Final salary section, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 33 and the Actuarial review on page 4 and these Financial Statements should be read in conjunction with that Report.

Signed for and on behalf of the Trustee of the Kingfisher Pension Scheme on xx June 2021.

BESTrustees Limited,
represented by Clive Gilchrist, Chairman

S Clifton

Kingfisher Pension Scheme
Year ended 31 March 2021

Notes (forming part of the Financial Statements)

1. Basis of preparation

1) The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP"). The Trustee has considered the Employer Covenant, Insurer covenant and the ability of the outsourced providers to continue to operate remotely, and is satisfied that the accounts can be prepared on a going concern basis.

Accounting policies

The principal accounting policies of the Scheme are as follows:

a) Investments

i. Investments are included at fair value.

ii. All listed investments are stated at the bid price at the date of the Statement of Net Assets.

iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.

iv. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager. Non-daily priced funds are valued at the latest available price prior to the year-end date.

v. Derivatives are stated at fair value.

- Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year-end date
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

vi. Repurchase and Reverse Repurchase arrangements

Under repurchase (repo) arrangements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (reverse repo) arrangements, the Scheme does not recognise the collateral securities received as assets in its Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.

vii. The Special Purpose Vehicles (SPV) is valued on a discounted cash flow basis by an in-house treasury team. A discount rate, based on property asset backed bonds and adjusted for Kingfisher plc's credit rating, is applied to the projected future cash flows. The discount rate changes to a risk-free rate when the vacant possession value of the properties exceeds the value of the future income streams.

viii. Annuities purchased in the name of the Trustee unless immaterial, are included in the Financial Statements at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology. Annuity valuations are provided by the Scheme Actuary as at the year-end date.

Kingfisher Pension Scheme

Year ended 31 March 2021

b) Investment Income

i. Interest is accrued on a daily basis.

ii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

iii. Investment income arising and distributed from pooled investment vehicles is recognised on an accruals basis. Income arising from underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles accumulation fund. This is reflected in the unit price and reported within ‘Change in Market Value’.

iv. Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis to match benefits payable.

v. Income from the SPV investment is recognised on a paid basis. Accrued income due for the period to 31 March but paid post year end is reflected in the year end valuation of the SPV asset

vi. Interest is accrued monthly on swap contracts on basis consistent with the terms of the contract.

vii. Income payable under repurchase agreements is accounted for on an accruals basis.

c) Foreign Currencies

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year-end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

d) Contributions

Employee normal and AVC contributions are accounted for when deducted from pay, apart from contributions deducted from auto-enrolled members during the opt out period which are accounted for on the earlier of receipt or the expiry of the opt out period. Employer normal, deficit funding and PPF levy contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions.

e) Payments to members

viii. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pensions in payment are accounted for in the period to which they relate.

ix. Opt outs are accounted for when the Scheme is notified of the opt out.

x. Individual transfers in or out are accounted for when member liability is discharged/accepted which is normally when paid or received.

f) Expenses

Expenses are accounted for on an accruals basis. The Final Salary Section bears all the costs of administration and investment management. Money purchase annual management charges are deducted directly from the members’ retirement accounts.

Kingfisher Pension Scheme

Year ended 31 March 2021

2. Contributions receivable

	2021			2020		
	FS	**MP**	**Total**	FS	MP	Total
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Employer:						
Normal	**-**	**59.3**	**59.3**	-	54.2	54.2
Deficit Funding	**12.5**	-	**12.5**	12.6	-	12.6
PPF Levy	**0.1**	**-**	**0.1**	0.1	-	0.1
	12.6	**59.3**	**71.9**	12.7	54.2	66.9
Employees:						
Normal	-	**8.3**	**8.3**	-	7.5	7.5
	12.6	**67.6**	**80.2**	12.7	61.7	74.4

The employers are required to pay contributions to the FS sections of £27m (less SPV investment income) plus PPF Levy per annum under the Schedule of Contributions dated 6 April 2020 for the period 7 April 2020 to 31 July 2024. Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the employer.

3. Other Income

	2021	2020
Final Salary Section	**£ m**	£ m
Claims on term insurance	**2.5**	1.6

4. Benefits payable

	2021			2020		
	FS	**MP**	**Total**	FS	MP	Total
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Pensions	**61.8**	**-**	**61.8**	59.3	-	59.3
Commutations of pensions and lump sum retirement benefits	**16.1**	**10.1**	**26.2**	12.5	11.3	23.8
Lump sum death benefits	**2.8**	**1.4**	**4.2**	1.8	0.3	2.1
Purchase of annuities	**-**	**-**	**-**	-	0.1	0.1
	80.7	**11.5**	**92.2**	73.6	11.7	85.3

5. Other payments

	2021	2020
Final Salary Section	**£ m**	£ m
Premiums on term insurance paid to the insurer	**2.2**	1.9

6. Payments to and on account of leavers

	2021			2020		
	FS	**MP**	**Total**	FS	MP	Total
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Individual transfers to other Schemes	**46.8**	**4.6**	**51.4**	67.7	4.0	71.7

Kingfisher Pension Scheme

Year ended 31 March 2021

7. Administration expenses

	FS	MP	2021 Total	FS	MP	2020 Total
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Administration and processing	**2.7**	**0.9**	**3.6**	1.8	0.7	2.5
Actuarial fees	**0.2**	**-**	**0.2**	0.4	-	0.4
Audit*	**0.1**	**-**	**0.1**	0.1	-	0.1
Legal and professional fees	**0.2**	**-**	**0.2**	0.4	-	0.4
Trustee fees	**0.1**	**-**	**0.1**	0.1	-	0.1
PPF Levy	**0.1**	**-**	**0.1**	0.1	-	0.1
	3.4	**0.9**	**4.3**	2.9	0.7	3.6

*Audit fees for the year to 31 March 2021 are £63,600.

8. Investment income

	FS	MP	2021 TOTAL	FS	MP	2020 TOTAL
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Income from bonds	**27.5**	**-**	**27.5**	30.4	-	30.4
Income from pooled investment vehicles	**3.8**	**-**	**3.8**	3.1	-	3.1
Income from SPV	**14.5**	**-**	**14.5**	14.3	-	14.3
Annuity income	**17.7**	**-**	**17.7**	17.6	-	17.6
Interest on cash deposits and repos	**(4.3)**	**-**	**(4.3)**	(10.1)	-	(10.1)
Income from derivatives	**(43.7)**	**-**	**(43.7)**	(3.6)	-	(3.6)
Other	**0.1**	**-**	**0.1**	0.1	-	0.1
Total	**15.6**	**-**	**15.6**	51.8	-	51.8

Investment income reflects income earned by the investments within the FS, other than income from Pooled Investment Vehicles recognised within unit prices, which is shown in Change in Market Value. All income earned on pooled investment units held by the MP is accounted for within the value of those funds via Change in Market Value.
Receipts from the SPV are recognised as investment income.
Investment income on cash and cash instruments includes £4.4m (2020: £11.4m) of interest payments payable under repurchase agreements.
Overseas investment income is stated gross of withholding taxes. Irrecoverable withholding taxes are reported under 'Taxation' in the Fund Account. Nil in the year.
Other income consists of income from class actions and stock lending (see note 20).

9. Investment Management Expenses

	2021	2020
Final Salary Section	**£ m**	£ m
Administration, management and custody	**5.3**	5.0
Performance measurement services	**0.1**	0.1
Other advisory fees	**0.1**	0.1
	5.5	5.2

Investment manager expenses include fee rebates. Investment manager expenses for the Money Purchase Section are deducted from units as part of the annual management charge.

10. Tax

The Kingfisher Pension Scheme is a registered pension Scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note1 (b) (ii)).

Kingfisher Pension Scheme

Year ended 31 March 2021

11. Pooled Investment Vehicles (PIVs)

Final Salary Section

The FS holdings of PIVs are analysed below:

	2021	2020
	£ m	£ m
Bond funds	**957.3**	868.3
Equity funds	**118.3**	153.7
Property and Farmland	**15.3**	24.1
Alternative asset funds	**223.8**	190.8
	1,314.7	1,236.9

The Money Purchase Section holdings of PIVs are analysed below:

	2021	2020
	£ m	£ m
Equity funds	**29.1**	19.2
Bond funds	**2.7**	2.6
Cash funds	**25.2**	19.2
Diversified Growth funds	**462.4**	317.6
Property funds	**0.2**	0.2
	519.6	358.8

Money Purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid, and assets identified as designated to members in the Statement of Net Assets do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

12.Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme.

Th Scheme has entered into interest rate and inflation swap contracts, to alter the duration and inflation exposure of the bond assets to better reflect the Scheme's liabilities and cash flow profile.

Futures are used to adjust interest rate exposures and replicate bond positions. Futures often provide a cheap and efficient way of modifying portfolio risk.

Summarised details of the derivatives held at the year end are set out below:

Total derivatives	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	£ m	**£ m**	£ m	£ m
Swaps	**997.4**	**991.1**	1,678	(1709.5)
Futures	**-**	**0.1**	0.1	-
	997.4	**991.2**	1,678.1	(1,709.5)

Kingfisher Pension Scheme

Year ended 31 March 2021

(i) Swaps

The Scheme had derivative contracts outstanding at the year-end relating to its LDI investment portfolio. These contracts are traded over the counter (OTC). The details are:

			2021		
Nature of Contract	Number of Contracts	Notional Principal £ m	Maturity	Asset £ m	Liability £ m
UK - Interest rate swap	34	637.2	0-5 Years	21.9	(24.0)
	57	994.9	5-10 Years	76.9	(74.6)
	54	1,005.0	10-20 Years	242.1	(243.5)
	62	1,349.8	20-30 Years	229.4	(233.7)
	52	827.2	30-40 Years	174.7	(153.4)
	22	176.4	40-50 Years	26.9	(80.4)
UK – RPI	18	402.5	0-5 Years	2.3	(12.5)
	41	679.9	5-10 Years	5.7	(19.4)
	48	712.0	10-20 Years	38.0	(28.4)
	39	411.2	20-30 Years	68.9	(44.2)
	36	259.7	30-40 Years	43.5	(64.6)
	18	124.4	40-50 Years	67.1	(12.4)
				997.4	(991.1)

The counterparties to the swaps are banking institutions. Collateral, either gilts or cash, is held to support the unrealised gain/loss on swaps. At the year-end, the value of collateral posted to and from counterparties was 21.9m (2020 :17.2m):

	£m		£m
Barclays Bank	(41.9)	Lloyds Bank PLC	18.7
BNP Paribas	(10.5)	Merrill Lynch International	(11.8)
Citigroup	1.8	Morgan Stanley & Co International	4.7
Credit Suisse International	(2.0)	Natwest Markets PLC	5.6
Goldman Sachs International	10.6	UBS AG	(7.8)
HSBC Bank PLC	10.7		

The positive and negative values represent collateral held or (pledged) by the Scheme to support the value of the swaps.

(ii) Futures – These contracts are exchange traded

Nature	Notional Amount	Duration	Asset value at year end	Liability value at year end
	£ m		£ m	£ m
UK fixed interest future		June 2021		
Total 2021	9.3		-	(0.1)
Total 2020	9.9		0.1	-

13.Special Purpose Vehicle (SPV)

In January 2011 UK property assets with a market value of £83m were sold to the Kingfisher Scottish Limited Partnership (KSLP) and leased back to B&Q plc under standard commercial lease terms. The KSLP gives recourse for the Scheme to the property assets in the event of Kingfisher's insolvency. The Kingfisher Group retains control over these properties including the flexibility to substitute alternative properties. The Trustee's partnership interest in KSLP entitles it to the majority of the income of the partnership until 2031. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in KSLP. A further two UK properties with a combined market value of £119m were transferred to the partnership in June 2011 and leased back to B&Q plc under standard commercial lease terms.

Kingfisher Pension Scheme

Year ended 31 March 2021

On an ongoing basis, the Scheme receives a regular income stream from the partnership that forms part of the annual cash contribution from the Group to the Pension Scheme under the Schedule of Contributions.

14.Insurance Policies

The Scheme held bulk buy-in insurance policies at the year-end as follows:

	2021	2020
Final Salary Section	**£ m**	£ m
Legal & General Assurance Society Limited	**234.0**	250.0
Pensions Insurance Corporation	**197.8**	215.2
	431.8	465.2

In addition to the above, the Trustee holds annuity contracts that secure the benefits of a small number of pensioner members. The value of these contracts is considered immaterial and therefore the Trustee continues to recognise these contracts at a £nil valuation.

15.Additional Voluntary Contributions (AVCs)

Final Salary AVCs	**2021**	2020
	£ m	£ m
Prudential	7.8	9.4
Legal & General	1.0	1.0
BlackRock	1.0	0.9
Phoenix Life	-	-
	9.8	11.3

AVCs paid by members of the Final Salary Section, to secure additional money purchase benefits are invested separately from the other Scheme assets to ensure there are individual funds for each member which are clearly identifiable. Each member of the Money Purchase Section is allocated an individual clearly identifiable investment fund (known as a retirement account) and AVCs paid by such members are invested in the same retirement account.

16.Investment reconciliation

Reconciliation of investments held at the beginning and the end of the year

	Value at 1 April 2020	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2021
Final Salary Section	£ m	£ m	£ m	£ m	£ m
Bonds	3,120.2	318.3	(261.3)	(55.5)	**3,121.7**
Pooled investment vehicles	1,236.9	26.4	(120.9)	172.3	**1,314.7**
Derivatives	(31.4)	2.6	(16.8)	51.8	**6.2**
Special Purpose Vehicle	171.0	-	-	(12.8)	**158.2**
Insurance Policies	465.2	-	(0.3)	(33.1)	**431.8**
AVC Investments	11.3	-	(1.7)	0.2	**9.8**
	4,973.2	347.3	(401.0)	122.9	**5,042.4**
Cash deposits	31.2			(0.3)	**24.7**
Other investment balances	(1,373.2)			-	**(1,437.6)**
Net investment assets	3,631.2			122.6	**3,629.5**

Money Purchase Section					
Pooled Investment Vehicles	358.8	83.2	(30.7)	108.3	**519.6**

*The assets are allocated to members of the Scheme.

Kingfisher Pension Scheme
Year ended 31 March 2021

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Other investment balances include £1,470.4m of repurchase and reverse repurchase agreements (2020: £1,384m).

17.Transaction costs

Transaction costs are included in the cost of purchases and sales proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commission and stamp duty.

Transaction costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

18.Repurchase and reverse repurchase agreements

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £1,472.3m (2020: £1,399.0m) and amounts receivable under reverse repurchase agreements amounted to £1.9m (2020: £15.5m). At the year-end £1,406.1m (2020: £1,351.5m) of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

The counterparties to the repurchase agreements are banking institutions. Collateral, either gilts or cash, is pledged to support the change in value of the gilts used to enter the repurchase agreements. At the year-end, the value of collateral posted to and from counterparties was 52.5m (2020: 57.2m).

	£m		£m
BNP Paribas	(1.6)	Lloyds TSB	(23.6)
Barclays Bank	(2.0)	Mizuho International	(1.7)
Canadian Imperial Bank of Commerce	(1.2)	Natwest Markets Plc	(11.8)
Insight Government Liquidity Fund	(6.5)	Scotiabank	(0.1)
Goldman Sachs International	(3.5)	Societe Generale	1.1
LCH Clearnet	(1.9)		
Lloyds Bank Corporate Markets PLC	0.3		

19.Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

Where multiple inputs are involved in determining the fair value of an instrument, the categorisation is based on the lowest level input (i.e. highest number) that is significant.

At 31 March 2021	Level 1	Level 2	Level 3	Total
	£ m	£ m	£ m	£ m
Final Salary Section				
Bonds	3,121.7	-	-	3,121.7
Pooled investment vehicles	-	1,075.6	229.1	1,304.7
Derivatives	(0.1)	-	6.3	6.2
Special Purpose Vehicle	-	-	158.2	158.2
Insurance Policies	-	-	431.8	431.8
AVC investments	-	9.8	-	9.8
Cash deposits	24.7	-	-	24.7
Other investment balances	32.8	(1,470.4)	-	(1,437.6)
	3,179.1	(385.0)	825.4	3,619.5
Money Purchase Section				
Pooled investment vehicles	-	519.6	-	519.6

Kingfisher Pension Scheme

Year ended 31 March 2021

At 31 March 2020	Level 1	Level 2	Level 3	Total
	£ m	£ m	£ m	£ m
Final Salary Section				
Bonds	3,120.2	-	-	3,120.2
Pooled investment vehicles	-	1,022.0	214.9	1,236.9
Derivatives	0.1	-	(31.5)	(31.4)
Special Purpose Vehicle	-	-	171.0	171.0
Insurance Policies	-	-	465.2	465.2
Cash deposits	31.2	-	-	31.2
Other investment balances	11.2	(1,384.4)	-	(1,373.2)
	3,162.7	(362.4)	819.6	3,619.9
Money Purchase Section				
Pooled investment vehicles	-	358.8	-	358.8

20. Investment risks

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report for the Final Salary and Money Purchase Sections. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

The risk disclosures below do not cover AVCs as they are deemed to be immaterial.

The insurance policies (note 14) exactly match the liabilities that they cover and the Financial Services Compensation Scheme stand behind authorised insurance companies to provide additional protection. The insurance policies do not therefore feature in the risk disclosures.

Concentration risk

Excluding gilts, the Scheme's final salary investments that constitute more than 5% of total net assets of the Scheme are as follows: PIMCO Diversified Income Fund - 8% (2020: 8%), BlackRock Absolute Return Bond Fund 7% (2020: 7%), Insight Bond Plus Fund - 6% (2020 :6%), L&G insurance policy - 6% (2020: 6%) – see note 14.

Kingfisher Pension Scheme

Year ended 31 March 2021

Final Salary Section

(i) Credit risk

The FS Section is subject to credit risk as the Scheme invests directly in bonds, OTC derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

At 31 March 2021	Investment grade	Non-investment grade	Unrated	Total
	£ m	£ m	£ m	£ m
Bonds	3,121.7	-	-	3,121.7
Special Purpose Vehicle	-	-	158.2	158.2
OTC Derivatives	6.2	-	-	6.2
Cash deposits	24.7	-	-	24.7
Repos	(1,470.4)	-	-	(1,470.4)
PIVs	-	-	1,240.7	1,240.7
	1,682.2	-	1,398.9	3,081.1

At 31 March 2020	Investment grade	Non-investment grade	Unrated	Total
	£ m	£ m	£ m	£ m
Bonds	3,121.2	-	-	3,121.2
Special Purpose Vehicle	-	-	171.0	171.0
OTC Derivatives	(31.4)	-	-	(31.4)
Cash deposits	31.2	-	-	31.2
Repos	(1,384.4)	-	-	(1,384.4)
PIVs	-	-	1,236.7	1,236.7
	1,736.6	-	1,407.7	3,144.3

Credit risk arising on bonds is mitigated by investing largely in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Currently the Scheme's directly held bonds are all in gilts and quasi-government bonds. This is the position at the year end and the prior year end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 12 (i)). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts, but all counterparties are required to be at least investment grade.

Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme lends certain bonds and equity securities under a Trustee approved stock lending programme. At the year end the Scheme had lent £97million of bonds (2020: £72million). The Scheme held collateral delivered to secure obligations in respect of loaned securities consisting of cash, bonds and equities with a market value of not less than 102% of the market value of the transferred securities. If the transferred market value of the collateral falls below 100%, the Scheme will enforce prompt delivery of additional collateral.

Credit risk on repurchase agreements is mitigated through collateral arrangements (see note 18).

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst several pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

Kingfisher Pension Scheme
Year ended 31 March 2021

A summary of pooled investment vehicles by type of arrangement is as follows:

	2021	2020
	£ m	£ m
Unit linked insurance contracts	**96.9**	122.7
Authorised unit trusts	**294.0**	261.6
Open ended investment companies	**684.7**	637.7
Limited liability companies	**239.1**	214.9
	1,314.7	1,236.9

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through currency hedging.

The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	2021	2020
	£ m	£ m
Currency		
US Dollar	**48.8**	79.3
Euro	**1.0**	13.9
Japanese Yen	**7.3**	7.8
Other	**64.2**	52.1

Currencies included in 'Other' are predominantly emerging market currency exposures contained in the Aberdeen Standard Investments portfolio.

(iii) Interest rate and inflation risk

The Scheme is subject to interest rate risk on the LDI investments comprising bonds and interest rate and inflation swaps held either as segregated investments or through pooled vehicles and cash. The Scheme has hedged 94% of interest and inflation rate risk. At the year end the Scheme exposures comprised:

	2021	2020
	£ m	£ m
Direct		
Bonds	**3,121.7**	3,120.2
Derivatives	**6.2**	(31.4)
Indirect		
Bond PIVs	**873.1**	868.3
Alternative asset PIVs	**223.5**	190.8
Special Purpose Vehicle	**158.2**	171.0

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities and alternative assets held in pooled vehicles.
The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the year end, the Scheme's exposure to investments subject to other price risk was:

	2021	2020
	£ m	£ m
Indirect		
Equity PIVs	**144.1**	153.7
Property & Farmland	**15.3**	24.1
Special Purpose Vehicle	**158.2**	171.0
Other alternative asset PIVs	**223.5**	190.8

Kingfisher Pension Scheme

Year ended 31 March 2021

Money Purchase Section

(i) Direct credit risk

Legal and General invest all the Scheme's funds in fund manager unit linked funds which are party to reinsurance arrangements. In the event of default by Legal and General, the Scheme is protected by the Financial Services Compensation Scheme.

2021 and 2020				
	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Lifestyle Fund	✓	✓	✓	✓
Passive Equity Fund	-	✓	-	✓
Emerging Markets Fund	-	✓	-	✓
Ethical Fund	-	✓	-	✓
Shariah Fund	-	✓	-	✓
Pre-Retirement Fund	✓	-	✓	-
Pre-Retirement Inflation Linked Fund	✓	-	✓	-
Money Market Fund	✓	-	✓	-
Diversified Return Fund	✓	✓	✓	✓
Property Fund	✓	-	-	✓

(ii) Indirect credit and market risks

The MP section was also subject to indirect credit and market risk arising from the underlying investments held in the funds. The funds which have significant exposure to these risks are set out below:
The analysis of these risks set out above is at Scheme level. Member level risk exposures will depend on the funds invested in by members. The Trustee has selected the above funds and have considered the indirect risks in the context of the investment strategy described in the Trustee's Report.

21.Current Assets

	2021			2020		
	FS	**MP**	**Total**	FS	MP	Total
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Cash balances	**31.7**	**1.0**	**32.7**	15.2	1.1	16.3
Contributions due*	**-**	**5.7**	**5.7**	0.1	5.1	5.2
Vat recoverable	**-**	**-**	**-**	0.1	-	0.1
Other debtors	**0.7**	**0.2**	**0.9**	0.5	0.1	0.6
	32.4	**6.9**	**39.3**	15.9	6.3	22.2

*Contributions were received after the year end, in accordance with the Schedule of Contributions.

22.Current Liabilities

	2021			2020		
	FS	**MP**	**Total**	FS	MP	Total
	£ m	**£ m**	**£ m**	£ m	£ m	£ m
Expense accruals	**1.3**	**-**	**1.3**	1.5	-	1.5
Unpaid benefits	**1.5**	**1.2**	**2.7**	1.5	0.2	1.7
Expenses due to Kingfisher plc	**-**	**-**	**-**	0.3	-	0.3
	2.8	**1.2**	**4.0**	3.3	0.2	3.5

Kingfisher Pension Scheme

Year ended 31 March 2021

23.Related party transactions

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

The Scheme has received employer contributions in respect of seven of the directors of the Trustee Board who are or were contributing members of the Scheme. These were paid in accordance with the Schedules of Contributions and the Rules of the Scheme.

Kingfisher plc pays some administration expenses on behalf of the Scheme, £659k, and subsequently recharges these to the Scheme. The balance owing by Kingfisher plc at year end is £28k.

Helen Jones and Sally Clifton both receive pension payments from the Scheme. The pensions are calculated in accordance with the rules of the Scheme.

Trustee Director Fees

	2021	2020
	£'000	£'000
BESTrustees Limited	**67**	**51**
Mark Fawcett	**-**	**13**
Helen Jones	**6**	**8**
Sally Clifton	**6**	**8**
	79	**80**

24.Self-investment

No investment is permitted in the shares or bonds of Kingfisher plc, or Companies majority owned by Kingfisher plc, other than indirectly through investment in pooled funds. The exposure to Kingfisher plc through pooled funds is less than 0.1% of total Scheme assets.

25.Contingencies and commitments

The High Court judgements on 26 October 2018 confirmed that UK pension schemes should provide equal benefits for men and women for service from May 1990 despite inequalities in GMP legislation. The judgement also confirmed permitted methods. The Trustee acknowledges that the Scheme has a liability arising from the above judgement but has not yet determined the impact.

On 20 November 2020,a further judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 GMP ruling. Under the recent ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits. The impact of this court case will be considered by the Trustee at a future meeting and decisions will be made as to the next steps. It is not possible to estimate the cost of any rectification adjustments at this time.

In line with many pension schemes, the Scheme has decided to adopt a 'wait and see approach' to GMP equalisation until further guidance is issued although the calculation of the impact is in progress.

At 31 March 2021, the Scheme had outstanding undrawn investment commitments of £11.8 (2020: £29.89m)

Independent auditor's statement about contributions to the Trustee of the Kingfisher Pension Scheme

We have examined the summary of contributions to the Kingfisher Pension Scheme (the 'scheme') for the scheme year ended 31 March 2021 which is set out in the Trustee's report on page 30.

In our opinion, contributions for the scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 1 August 2019 and 6 April 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions**.** This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the statement of Trustee's responsibilities set out on page 8 the scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2021

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 1 August 2019 and 6 April 2021in respect of the Scheme year ended 31 March 2021. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions. The Schedule of Contributions requires a total of £27m less SPV income.

Contributions payable under the Schedules in respect of the Scheme year	£ m
Employer	
Normal contributions	**59.3**
Deficit contributions	**12.5**
Other contributions PPF levy	**0.1**
Employee	
Normal contributions	**8.3**
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	**80.2**

Reconciliation of Contributions Payable under the Schedules of Contributions to Total Contributions reported in the Financial Statements

	£ m
Contributions payable under the Schedules (as above)	**80.2**
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme Auditor):	-
Employee additional voluntary contributions	-
Total contributions reported in the Financial Statements	**80.2**

Signed on behalf of the Trustee of the Kingfisher Pension Scheme on

BESTrustees Limited,
represented by Clive Gilchrist, Chairman

Kingfisher Pension Scheme
Year ended 31 March 2021

Actuary's Certification of Schedule of Contributions

Adequacy of rates of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to be met for the period for which the schedule is to be in force.

Consistency with Statement of Funding Principles

In my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 August 2019.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature

Crawford Taylor
Fellow of the Institute of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

1 August 2019

Kingfisher Pension Scheme
Year ended 31 March 2021

Actuary’s Certification of Schedule of Contributions (2)

Adequacy of rates of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to be met for the period for which the schedule is to be in force.

Consistency with Statement of Funding Principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated August 2019.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme’s statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme’s full liabilities with annuities if the Scheme were to wind up.

Signature

Crawford Taylor
Fellow of the Institute and Faculty of Actuaries

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB
Scotland

1 August 2019

This certificate is provided to meet the requirements of regulation 10(6) of the Occupational Pension Schemes (Scheme funding) Regulations 2005.

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

Name of Scheme: Kingfisher Pension Scheme

Calculation of technical provisions

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

Signature 

Crawford Taylor

Fellow of the Institute and Faculty of Actuaries

Hymans Robertson LLP

20 Waterloo Street
Glasgow
G2 6DB
Scotland

5 August 2019

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to base on pensionable service to the valuation date. This is assessed at least every 3 years using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out by Crawford Taylor as at 31 March 2019. This showed that on that date the value of the technical provisions was: £3,416 million. The value of the assets at that date was: £3,573 million. The technical provisions funding level was therefore 105%.

The value of the technical provisions is based on assumptions about several factors that will influence the Scheme in future, such as the levels of investment return, when members will retire and how long members will live. The method and significant actuarial assumptions used to determine the technical provisions were set by the Trustee after taking advice from Crawford Taylor and are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rate:

Pre-retirement	*The pre-retirement discount rate is the market implied fixed interest gilt yield curve plus 2% p.a.*
Post-retirement:	*The post-retirement discount rate is market implied fixed interest gilt yield curve.*
Inflation*:*	*The market implied inflation yield curve.*
Pension increases:	*The Scheme Rules include provision for increases in line with RPI price inflation up to a maximum of 5% and a minimum of 0% each year, to pensions in excess of GMP. For the actuarial valuation as at 31 March 2019 these increases are assumed to follow the assumed rate of price inflation adjusted to allow for the cap and floor.*
Mortality:	***Base tables***
	The mortality base tables are a suite of bespoke assumptions which reflect the characteristics of the Scheme's membership. They make allowance for observed variations in mortality according to age, gender reason for retirement (illness or normal health), pension amount, salary, postcode based lifestyle group. The assumptions adopted vary according to the characteristics of each individual member.
	Future improvements
	Future improvements in longevity will be assumed to be in line with the CMI 2018 model calibrated to Club VITA experience with a long-term rate of improvement of 1.5% p.a. for both males and females, assuming "peaked" short term improvements. The CMI 2018 model used incorporates the core smoothing parameter (S_K=7.0), and an initial addition to improvement parameter of +0.5% for males and +0.25% for females. Long-term rates are assumed to taper to 0% p.a. over the age range 90 to 120 for non-pensioners and 85 to 110 for pensioners.

Signature

Crawford Taylor
Fellow of the Institute and Faculty of Actuaries

5 August 2019

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB
Scotland

Compliance Statement

Enquiries about the Scheme

Any enquiries concerning the Scheme or requests for copies of this Report, individual benefit statements, the Trust Deed and Rules or the latest report on the Actuarial Valuation of the Scheme should be addressed to the Head of Group Pensions at the office of Kingfisher plc as noted on page 2.

Transfer Values

All transfer values paid during the year were calculated as cash equivalents (within the meaning of Chapter IV Part IV of the Pension Schemes Act 1993) and verified in the manner prescribed under Section 97 of the Act. No allowance for discretionary benefits was made in the calculation of cash equivalents.

Internal Disputes Resolution Procedure

Any questions you have should be directed to the Administrators first of all, as they have full details of your membership of the Scheme. The Administrators will make every attempt to answer your questions, but if you have a complaint or dispute that you cannot resolve with the Administrators, you should use the Internal Dispute Resolution Procedure, via Kingfisher Group Pensions department.

This is a formal procedure, put in place by the Trustee, to settle any complaints and disputes about the Scheme. It is available on request to all members and beneficiaries, including leavers who still have rights in the Scheme, pensioners and other individuals who have an entitlement or possible entitlement in the Scheme. There are two stages:

Stage one

Kingfisher Group Pensions Department will give you a form to complete to register your complaint. If you wish, you may nominate a representative to make the complaint on your behalf. Your complaint will be investigated by the Head of Group Pensions and you will normally receive a response within 10 days. The response will include details about how you progress to Stage two of the procedure, if your complaint is not resolved at Stage one.

Stage two

If you are unhappy with the response from the Head of Group Pensions, you can refer your complaint to the Trustee. You should do this within six months of receiving the Head of Group Pensions response. You will normally be sent a response within two months of your complaint.

Pensions Ombudsman

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Ombudsman who can be contacted at:

10 South Colonnade, Canary Wharf, E14 4PU

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service (TPAS)
10 South Colonnade
Canary Wharf
E14 4PU

Other Pensions Organisations

The Pensions Regulator

Kingfisher Pension Scheme is regulated by the Pensions Regulator who regulates the running of occupational pension Schemes and can intervene if those responsible have failed in their duties. Their address is:

The Pensions Regulator, Napier House, Trafalgar Place, Brighton BN1 4DW
Tel: 0870 6063636 (Mon-Fri 9am-5.30pm)
Email: customersupport@thepensionsregulator.gov.uk

Web: www.thepensionsregulator.gov.uk

Pension Protection Fund (PPF)

The PPF was set up in April 2005 to protect the pensions of most members of defined benefit Schemes where employers get into financial difficulties and leave a Scheme without enough funds to pay the pensions in full. Their address is:

Pension Protection Fund
Knollys House, 17 Addiscombe Road, Croydon, Surrey CRO 6SR
Tel: 0845 6002541 (Mon-Fri 9am-5.30pm)
Email: information@ppf-gsi.gov.uk
Web: www.pensionprotectionfund.org.uk

Pension Wise

Following changes in Pension Legislation, more options are now available. To help you understand your retirement options, the Government has set up a free and impartial service, called Pension Wise. (Pension Wise will not recommend any products or tell you what to do with your money).

Website Address: www.pensionwise.gov.uk
To book a phone or face to face appointment call:
Telephone Number: 0300 330 1001 (or +44 203 733 3495 if calling from outside the UK)
Telephone Lines are open from 8am until 10pm Monday to Sunday.

Tax Status with HM Revenue & Customs

The Scheme is a 'registered pension Scheme' for tax purposes under the Finance Act 2004. As such most of its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income.

Constitution

The Kingfisher Pension Scheme is constituted by a Trust Deed and is administered in accordance with the Rules contained in the Deed. Members may inspect this Trust Deed on application to the Trustee or Scheme Administrator. The Final Salary Section of the Scheme is contracted-out of the State Second Pension.

Member Information

Membership of the Pension Scheme is voluntary. The Trustee Board, together with the participating companies, is committed to providing easy-to-understand information to existing members and those eligible to join. This information includes:

Personal Benefit Statements, which give individual members information annually on the benefits they may receive.
'Member Guide', the explanatory booklets for the Money Purchase Section and Final Salary Section.
'AVC Fund Fact Sheets' for members of the Final Salary Section giving full details of the available AVC options.
All of these publications are online at our website www.kingfisherpensions.com; alternatively, they may be obtained from the relevant company contacts.

Kingfisher Pension Scheme - Money Purchase Section annual governance statement by the Chair of the Trustee

This Annual Statement regarding governance has been prepared in accordance with:

- Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015/879); and
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (SI 2018/233).

Summary for year ended 31st March 2021.

Money Purchase Section investments: £519m (2020: £359m)
Total membership: 60,534 (2020: 54,710)

Introduction

I am pleased to present the Trustee's statement of governance, describing how the Trustee has governed the Money Purchase (MP) section of the Kingfisher Pension Scheme during the year end 31 March 2021 (the "Scheme year"). In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended).

My first message to our members is one of support, and that I hope they remain safe. Coronavirus continues to affect the whole of society, and at the Kingfisher Pension Scheme we want to play our part in continuing to help to our members be in the best position for their retirement.

I would like to echo the views of the Pension Regulator, the Financial Conduct Authority, and the Money and Pensions Service (MaPS), and urge members to keep calm and not rush into making decisions about their pension, particularly when there may be heightened risk of pension scams. Inevitably there will be periods of market volatility but it is important to remember that Pensions are a long-term investment. Those members in the default strategy that are approaching their selected retirement age are protected to a greater degree as more of their investments will have transitioned to lower risk assets. The Trustees reviewed and assessed their third-party providers' business continuity plans both in theory, before 'lockdown' and in practice, during the implementation of those plans. Despite the different ways of working in these unprecedented times, we are pleased to report no material deterioration in member service.

This statement covers the following areas:

- The investment strategy relating to the Scheme's default investment arrangement;
- Administration and the processing of core financial transactions;
- Charges and transaction costs within the Scheme;
- Value for members assessment
- Trustee knowledge and understanding;
- Information regarding governance and the Trustee' assessment of the Scheme against the Pensions Regulator's ("TPR's") DC Code of Practice.

How we manage your scheme

The Trustee Directors who served during the year are detailed in the Scheme's Annual Report and Financial Statements. The Trustee Board consists of ten Trustee Directors, known as Trustees, made up of five Employer appointed Directors, one independent Trustee Director and four Member Nominated Directors (MNDs). The MNDs serve for a period of four years unless their Trusteeship is terminated, or they resign or leave active membership before the end of their term. These Trustee Directors are also able to stand for re-selection for a further one term of four years, making a total of eight years' maximum service.

The Trustee Board operates four subcommittees to help fulfil its governance functions;

- Defined Benefit Investment Committee
- Defined Contribution Investment and Retirement Committee
- Audit, Accounts and Governance Committee
- Benefits Committee

During the Scheme year a Trustee Effectiveness review was carried out, in the light of which some changes are to be made in 2021/22 to further improve governance. Information about this can be found on page 11.

1.The default investment strategy

The default strategy is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also positively choose to invest in the default strategy. As at 31 March 2021, approximately 98% of members were invested in the default strategy.

Setting an appropriate investment strategy

The Trustee is responsible for investment governance. This includes ensuring that the default strategy is designed and implemented in the interests of members.

We have chosen the 'lifestyle cash target' strategy as the default strategy. Details of the investment strategy and investment objectives of the default strategy are recorded in a document called the Statement of Investment Principles ("SIP"). This document is available on the Trustee website to members or upon request. A copy of the SIP, including the part relating to the default strategy, is attached as appendix 1 to this statement.

The main investment objectives for the default arrangement are in outline:

- The Default Arrangement should be suitable for the bulk of KPS-MP members and seeks a return of CPI +3% net of all charges over the long term.
- For younger members, investment should be in growth assets: higher-risk investments which are expected to produce significant real returns (after charges) over the long term.
- Over the five years to selected retirement age (**SRA**), investments should be de-risked (relative to cash), with members gradually being switched out of growth assets such that by SRA they are wholly invested in cash/near-cash.
- Growth assets should be suitably diversified to reduce volatility.
- Charges should be substantially below the statutory charge cap of 0.75% per year and should ensure that members receive real value-for-money.

Performance of the default fund

The default fund produced an annualized investment return over the last 12 months, 3 years and 5 years of 30.6%, 9% and 10.6% per annum respectively to 31 March 2021.

Reviewing the default strategy

The Trustee's DC Investment and Retirement Committee reviews the performance of the default strategy on a quarterly basis with input from the Trustee's investment advisers. These quarterly reviews were carried out during the Scheme year. The Committee was satisfied that the long-term performance was consistent with the Trustee's aims and objectives for the default strategy.

At least once every three years, the Trustee conducts a comprehensive review of the default strategy with the assistance of its advisers. The last such review was completed in October 2019. For this purpose, the Trustee's advisers carried out an in-depth demographic analysis of the membership and supplied projections of member outcomes. The Trustee considered the likely needs of members in retirement along with likely other sources of income, in particular the State pension which for the majority of members will be the main source of income. Having regard to these factors, the Trustee concluded at its meeting in October 2019 that the current default strategy (lifestyle cash target) remained appropriate. Accordingly, no change was made to the default strategy.

Costs and Charges

We are required to explain the charges (i.e. administration and investment management fees) and transaction costs (i.e. the costs of buying and selling investments) that are paid by members.

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

The charges and costs borne by members and the Employer for the Scheme’s services are:

Service	By members	Shared	By the Employer*
Investment management	✔		
Investment transactions	✔		
Administration	✔		
Governance			✔
Communications		✔	

*Expenses met by the Pension Scheme funded by the employer

The level of charges and transaction costs applicable to the Scheme’s default strategy during the last Scheme year were:

- Charges: 0.40%. This is well under the legal charge cap of 0.75%.
- Transaction costs: 0.07%.

All charges and costs described in this statement are per year and are based on the value of a member's relevant fund. So, for example, if a member has £1,000 invested in the default strategy, then per year the member bears the following:

- Charges: 0.40% x £1,000 = £4.00.
- Transaction costs: 0.07% x £1,000 = 70p.

Efforts are made to reduce charges and costs whenever possible.

The charges quoted in the above Statement are the funds’ Total Expense Ratios (“TERs”). The TER consists of a fund’s Annual Management Charge (“AMC”) and Operating Costs and Expenses (“OCE”). OCEs include, for example, the fund’s custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

As explained above, transaction costs are costs incurred as a result of buying and selling investments. Members are not directly charged for buying and selling units in the funds, as they are 'swinging single' priced funds. The net asset value of a fund is valued at the mid-market price of the fund’s underlying securities. Under a swinging single price regime, when the fund experiences net redemptions or net subscriptions the price may swing down or up to negate the impact of the expected transaction costs.

Self-select range

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are:

Fund	Charges	Total transaction costs
Lifestyle Fund (default strategy)	0.40%	0.07%
Passive Equity fund	0.46%	0.09%
Diversified Return Fund	0.34%	0.04%
Money Market Fund	0.31%	-0.15%
Emerging Markets Fund	1.22%	0.11%
Ethical Fund	0.96%	0.00%
Pre-Retirement Fund	0.30%	0.02%
Pre-Retirement Inflation Linked Fund	0.30%	0.04%
Property Fund	1.50%	-0.20%
Shariah Fund	0.56%	0.03%

Source: Legal and General

The TERs are as at 31 March 2021 and transaction cost information is based on information available for the 12 months to 31 December 2020 as supplied by L&G. This is the best information available to the Trustee at the time of this statement's production.

The total transaction cost figure includes explicit costs of transaction taxes and broker commissions, and the implicit costs of market spread and market impact after any anti-dilution offsets. Figures have been rounded to two decimal places.

The method used to calculate transaction costs over the period can result in negative values. Negative transaction costs are shown where an overall beneficial pricing environment has occurred at the point of trading underlying assets over the period, which has more than offset the costs of the trades.

Impact of costs and charges - illustration of charges and transaction costs
The Trustee has asked Hymans Robertson to illustrate the impact over time of the costs and charges borne by members. These illustrations show projected fund values in today's money before and after costs and charges for 3 typical members at different stages from joining the Scheme up to retirement.

The tables in Appendix 2 to this Statement show these figures for:

- The default arrangement; as well as
- Funds from the Scheme's self-select fund range representing funds that have
  - the greatest number of members
  - the highest and second highest annual member borne costs and that have higher risk profiles
  - the lowest annual member borne costs, which has the lowest risk profile.

Appendix 2 also provides important notes of the assumptions used in calculating these illustrations. The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

- As an example, for a member who joined the default arrangement at age 22, paying the typical contribution rate of 10%, charges and costs (based on the figures for this Scheme year) would reduce their projected pot value, at retirement, in today's money from £92,774 to £83,449.

The Trustee has taken account of relevant statutory guidance in preparing the illustrations

2. Good value for members

- Each year, with the help of their advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the Trustee also considers the quality and scope of provision compare against similar schemes and available external benchmarks.

Approach

- The Trustee adopted the following approach to assessing Value for Members for the last year:
- Services – considered the investment, administration, communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the below basis.

Results for the Year ending 31 March 2021

- The Scheme gave **GOOD** Value for Members in the year ending 31 March 2021. The Trustee also assess all the services members use. The Scheme gave **GOOD** overall value for money in the year ending 31 March 2021.
- The ratings, weightings and rationale for the assessment is set out below.

Rating	Definition
Excellent	The Trustee considers the Scheme offers excellent value for members providing services within a top 20% quality/cost range compared with other options or similar schemes in the market.
Good	The Trustee considers the Scheme offers good value for members providing services at better quality/cost compared with other typical options or similar schemes in the market.
Average	The Trustee considers the Scheme offers average value for members providing similar services at similar quality/cost compared with other typical options or similar schemes in the market.
Below average	The Trustee considers the Scheme offers below average value for members providing similar services at higher cost for similar quality compared with other typical options or similar schemes in the market.
Poor	The Trustee considers the Scheme offers poor value for members providing services within the bottom 20% quality/cost range compared with other options or similar schemes in the market.

The rationale for the rating of each service was in outline:

Service and weighting	Rating	Rationale
Investment 40%	EXCELLENT	The Trustee notes that 97% of members are in the default lifestyle strategy. The default lifestyle strategy is under the 0.75% p.a. charge cap requirement. The strategy ranges from 0.31% p.a. to a maximum of 0.41% p.a. depending on where the member currently sits in the investment glidepath. This is higher than the average charge of 0.28% p.a. in the DWP's 2020 survey for bundled schemes with over 1,000 members. The Trustee also provides 9 funds for the membership to self-select from including property, emerging markets, ethical and Shariah law funds. The Trustee considers that this is a suitable range of self-select funds and is a similar range to other peer Schemes. The performance for most of the funds has been in line, or in excess of, their respective benchmarks. The Trustee and its DC investment adviser continues to monitor charges and receives quarterly detailed investment reports that consider performance relative to benchmarks. The Trustee considers the impact of Environmental, Social and Governance (ESG) risks and has integrated ESG-titled funds in the Scheme's default investment strategy and self-select fund range. The Trustee is regularly updated by L&G and the Scheme's advisers on ESG developments and is introducing Tumelo to gain feedback from members on ESG matters.
Administration 20%	GOOD	The Trustee receives regular reports on performance against the agreed service levels. These show that, over the 12-month period, L&G achieved 99.8%; above the target service levels of 95%. Core financial transactions have, generally, been processed promptly and accurately. There is good record keeping and member complaints remain very low as a % of total membership, with 12 complaints in the year to 31 March 2021. There was one data security breach, impacting one member, and L&G's Standard and Poor's ('S&P') rating is AA- which indicates that they are financially sound. Administration systems capabilities and controls in place to ensure regulatory compliance are effective and the Trustee considers L&G to have an experienced administration team.
Communication 20%	GOOD	The Scheme offers a website (including modellers) to members and provides a range of appropriate guides and other relevant information for members who are building their pension to those nearing retirement. Relevant communications are sent to members at appropriate points in their pension's lifecycle to inform and support members' decision making. The Scheme is externally accredited with the Pension Quality Mark Plus demonstrating that Scheme communications are clear and easy to understand. 'Online' engagement has increased in the last 12 months with the number of 'manage your account' member registrations increasing from 25.6% as at 31 March 2020 to 28.6% members as at 31 March 2021 – a c12% increase.
Governance 15%	EXCELLENT	The Trustee provides effective, independent oversight and management of the Scheme to ensure regulatory compliance, assess and enhance value, manage risks and ensure that members' interests are considered. The Trustee Board has had quarterly meetings over the last 12 months and, in addition, operated four sub-committees to help fulfil its governance functions. The Board has 10 Trustee Directors with good gender diversity and access to a wide range of diverse professional skills and expertise including suitably qualified external advisors. The Chair of the Board is a professional independent trustee with over 40 years of experience. A Trustee effectiveness review was carried out and the Board is confident that it has established and maintained procedures and controls to ensure the effectiveness and performance of the scheme and service providers. The Board have collectively, and individually, maintained and developed their knowledge over the year. The Trustee Board is also a member of the Pensions Management Institute's Trustee Group.
Retirement 5%	GOOD	The Trustee, through L&G, offers a good range of communications, including guides, to ensure members make informed decisions as they approach retirement. The Trustee signposts appropriate guidance services available to members and provides access to LV to support members who need individual advice with their retirement options.

New decisions made by the Trustees in 2020/21 are now being planned and will be deployed in Scheme Year 2021/2022

5. Group Pensions in conjunction with Legal & General and a firm called Pension Geeks will in October 2021 host via a pension awareness week, a number of web broadcasts for DC money purchase members.
6. In March 2021, the Trustee confirmed their intention to switch the above Multi Asset Fund to the Future World Multi Asset Fund which has further enhanced ESG (Environmental, Social & Governance) integration features. This migration commenced at the beginning of May 2021 and was completed by the end of May 2021
7. The Trustee is working with L&G and Tumelo (a Bristol based fintech company) to give its DC money purchase members (c 59,775 persons) access to what companies they have their pension invested in and additionally provide the members with the opportunity to share their views on how shareholder votes should be cast in relation to these companies, including ESG: climate change, gender equality, diversity and human rights. This service will hopefully be introduced before the KPS pension awareness week (see point 1 above) in October 2021.
8. The Trustees are currently, through their third-party administration providers, in the process of committing to the TPR pensions scams pledge. The pledge sets out the minimum steps TPR expects Trustees to take to protect members. TPR wants Trustees to commit to making members aware of scam risks but to also to carry out appropriate due diligence and communicate any concerns to members looking to leave their pension scheme.

3. Administration and core financial transactions

The Trustee is required to report to you about the processes and controls to ensure that “core financial transactions” are processed promptly and accurately. The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

The Trustee has put in place processes to adhere to these requirements as follows:

- Appointing a professional third-party administrator, Legal and General (L&G)
- Having in place service level agreements (SLAs) with the administrator which cover the accuracy and timeliness of core financial transactions as explained in more detail in the bullet points below.

L&G reports to the Trustee on the Service Standards specified below, on a quarterly basis.
The reports are then reviewed as explained below.

TASK DESCRIPTION	***WORK ITEM***	***SERVICE DAYS***
Create Member Record	**joiner files**	24 hours
Process submitted contribution file	**contribution files**	24 hours
Allocate contribution payment	**cash allocation**	24 hours
Make retirement payment	**retirement payment**	5 working days
Make lump sum payment	**lump sum payment**	5 working days
Make death payment	**death payment**	5 working days
Make ill health payment	**ill health payment**	5 working days
Make serious ill health payment	**serious ill health payment**	5 working days
Make divorce payment	**divorce payment**	5 working days
Allocate transfer payment to member account	**transfer payment**	5 working days
Make short service refund payment	**short service refunds**	5 working days
Surrender member account	**surrender**	5 working days

Apply bulk transfer payments	**transfers in (bulk)**	Agreed individually with Trustees on a case by case basis
Apply individual transfer payment	**transfers in (individual)**	5 working days
Switch current investments / Redirect future contribution investment	**investment management (switches)**	24 hours

The administrator aims to complete at least 95% of its administration work and core financial transactions within these service levels. For the year to 31 March 2021, the percentage completed within SLA was 99.8%

The reporting covers: volume completed in target, volume not completed in target, volume total, service levels (SLA) %, average days outside of SLA (for cases not completed in target).

The Trustees monitored core financial transactions and administration service levels during the year:

- Monitoring of the SLAs is on a quarterly basis by the Trustee, via the DC Investment and Retirement and the Accounts, Audit & Governance Administration Sub-Committees and the in-house group pensions team.
- The Scheme has an agreed payroll timetable and escalation process in place with Legal & General which provides a further structured control to monitoring contribution processing.
- The Scheme is compliant with TPR's DC Code of Practice on reporting late payment of contributions and with the relevant legislation.
- Maintaining close working links between the in-house group pension team and the administrator. SLAs are provided to the in-house group pension team on a monthly basis.
- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Preparing a Risk Register which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is subject to ongoing monitoring and review, by both the Trustee and the group pension team.
- A review of the Legal & General data accuracy reporting for the Scheme was completed.
- Appointing a Registered Auditor to undertake an annual audit. The Scheme Auditor independently tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.
- Reviewing the AAF 01/06 Type 2 internal controls report of Legal and General, a report audited by independent auditors. The report covered the period 1 October 2019 to 30 September 2020. No major exceptions were reported.
- Monthly cash reconciliations are performed by the Legal and General accounting operation team on all bank accounts. Reconciliations are documented, checked, and authorised by the team manager. The cut-off date for completion of reconciliation is the 15th working day of the month.
- For contributions, on the payroll cycle dates all contribution files must be submitted to Legal and General, by payrolls via Manage Your Scheme (MYS). MYS contains validation requiring the scheme to exactly match the structure held on file by Legal & General's administration platform (FPF). This includes details of members on premium holidays and members who are leaver status. The submission file cannot be submitted by the employer until all fields have been validated. Daily, weekly and monthly reports are generated and issued by the Business Intelligence team providing details of exceptions.

Overall, the Trustee is satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently;

- There have been no material administration errors in relation to processing core financial transactions; and
- Given the recent development of the COVID-19 pandemic emergency, both the Scheme and service providers disaster recovery plans, allowing for home remote working, could be enabled and continued throughout the whole Scheme Year 2020/21.

Security of Assets:

The Trustee has previously assessed the level of security of the assets, taking legal advice where appropriate. The Trustee is satisfied with the level of protection available to members' assets and believes that risks to the security of assets are suitably controlled. The Trustee will continue to keep this position under review.

4. Knowledge and understanding of the Trustee

The law requires the Trustee Board to possess sufficient knowledge and understanding to run the Scheme effectively, including as to key scheme documents, pensions and trust law and funding and investment principles. We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board. This training record is reviewed annually by the group pensions team in conjunction with the Chair to identify any gaps in the knowledge and understanding across the board as a whole.

The Trustee Directors have also appointed suitably qualified and experienced advisers to complement their own knowledge and to ensure they have access to the required skills, and this allows us to work with our professional advisers to fill in any gaps.

Reviews were carried out in the Scheme year and based on self-assessment by the Trustee with input from the group pensions team.

As part of Trustee's training, all Trustee Directors are asked to familiarise themselves on appointment, with support from the group pensions team, with the main documents and policies of the Scheme, including but not limited to:

- the Trust Deed and Rules of the Scheme.
- the Memorandum and Articles of Association of the Trustee;
- the SIP; and
- the members' booklet.

New Trustees complete an induction programme, which includes completing TPR's online trustee toolkit. The Trustee toolkit is an online learning programme from TPR aimed at trustees of occupational pension schemes.

The Trustee toolkit includes a series of online learning modules and downloadable resources developed to help Trustees meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004. New Trustees must complete this within six months of their appointment. All Trustees (excluding the newly appointed Trustee with less than six month's service) have completed the TPR's toolkit, including the new essential modules "How a DC scheme works" and "Investment in a DC scheme".

Trustee Directors commit to completing the own personal development training, either at the relevant meetings or by personal study.

During the Scheme year, Trustees were regularly sent pensions bulletins to assist them in keeping up to date with current matters, including relevant information about changes to pensions law and regulations. Legal and General regulatory updates, focusing on both TPR and FCA aspects, were included in the Trustee Board papers during the year. When particular matters of strategic importance are being discussed at the Committee or Board, training is provided ahead of any decisions.

The group pensions team also organises a number, normally 3 to 4, bespoke and in-house trustee training days throughout the year, involving internal and external professional speakers. The KPS is a hybrid Scheme having both a legacy DB and an active DC money purchase section, therefore the TKU agenda's cover both benefit structures. The days are open to all Trustee Directors, potential future Trustees, Company delegates and group pensions team members.

As mentioned above, this TKU training covers a wide range of both DB & DC topics and for 2020/21 included Trustee duties on:

Date	Review of
27.01.2021	Club Vita Longevity update – Mark Sharkey – Club Vita Team An overview of the bespoke longevity assumptions used by the Scheme. • Benchmarking the demographic characteristics of the Scheme membership versus the industry average. • Future longevity trends and the impact of COVID-19 on pension scheme risk management. A light-hearted look at some of the more unusual drivers of longer life, from keeping active in old age to having a companion in your twilight years
17.06.20 07.10.20 02.12.20 24.02.21	LGIM DC user group Members of the Group Pensions Executive attend these quarterly events managed by LGIM which are DC focused.
27.01.2021	A Global Macroeconomic & Geopolitical update – Steven Bell BMO, Chief Economist.
03.11.2020	Pensions Scams – Michael Broomfield & Paul Brackston The Pensions Regulator
03.11.2020	Death and Incapacity Benefits including terms of Scheme documents and case studies Richard Evans Partner, MBI. Scheme Lawyer.
03.11.2020	Financial Wellbeing & Communications Charlotte Anthony, Anna Living and Steven Dean Legal & General.
07.07.2020	Legal & General's Approach to ESG & Stewardship – Sacha Sedan
07.07.2020	Legal training and a regulatory update – Richard Evans Partner MBI & Scheme Lawyer
07.07.2020	DC Value Assessment workshop – Declan Wainwright, Hymans Robertson

Where appropriate the training includes a cross reference to the appropriate provision in the Trust Deed

For future trustee reference, all of the presentations used on these TKU days are stored in a TKU section of our diligent board packs service.

The Trustee board is also a member of the Pensions Management Institute's Trustee Group and is able to show CPD accreditation on an annual basis. All Trustee Directors are required to show evidence of at least 15 hours of CPD annually to keep the accreditation. This can include throughout the year, attending seminars offered by the Schemes professional advisers and other Employee Benefit Consultants (EBC's).

During the Scheme year a Trustee Effectiveness review was carried out, with the resulting action plan to commence and be delivered in 2021/22:

- New trustee directors should be allocated a buddy / mentor to assist them to get to know the Scheme.
- Group Pension Executive will develop a presentation on the history and the governance of the Scheme.
- Development of a chair and trustee director job specification
- Ask senior executives within the UK banners to do more to promote pension Scheme membership i.e. the DC Money Purchase section
- More proactive marketing of the PLSA retirement income standards and make pension communications 'snappier' and focused e.g. the App.
- Consider designating one of the trustee directors as the Board's ESG climate change champion.
- In late 2021 / 22 run another MND Recruitment Exercise and develop a reserve list of trustee directors including Employer Nominated Director(s).
- Invite some of the existing trustee directors to sit on a 2nd Committee.
- Develop a Trustee / Scheme diversity and inclusion policy including some specialist TKU supported by the Aon team.

The Trustee operates four committees to help fulfil its governance functions. The Trustee has a relatively large, gender diverse board with members bringing a range of relevant skills and experience. The Chair is an independent professional trustee of more than 40 years' experience of the pensions and investment industries and attends and speaks regularly at pension and investment conferences. Other trustee directors and members of the group pensions team also attend and speak regularly at pension and investment conferences and play a pro-active role across the pensions industry e.g. PLSA., MasterTrusts.

Other board members have substantial professional knowledge and expertise in (variously) commercial, investment, financial, legal pensions and governance matters.

All board members have the requisite trustee knowledge and understanding as described above. Board members on the DC Investment and Retirement Committee have received specialist training in investment matters.

The board is supported by a dedicated secretariat of pensions professionals with extensive experience, and by leading external professional advisers. On the basis of these factors, we are satisfied that the board is composed of 'fit & proper' persons and able to properly exercise its Trustee functions.

Based on the analysis of the board's functions and the training provided, the Trustee Board considers that the Trustee Directors combined knowledge and understanding together with the legal, covenant, investment and actuarial advice which they receive, enables them to properly exercise their functions in relation to the Kingfisher Pension Scheme.

5. Trustee Statement of MP Governance

The Trustee undertakes ongoing assessments of the Scheme against TPR's DC Codes of Practice and related guidance and has implemented a structured plan for governance in this respect.

The Trustee considers that the systems, processes and controls across key governance functions are consistent with those set out in TPR's Code of Practice.

A clear and transparent process exists to appoint member nominated Trustees.

During the year the Trustees undertook the following activities, over and above "business as usual":

- As a consequence of the COVID-19 pandemic emergency, reviewed and updated the Scheme's risk register and invoked the Schemes disaster recovery plan to work remotely.

BESTrustees Limited,
represented by Clive Gilchrist, Chairman
On behalf of the Trustee

APPENDIX 1: Statement of investment principles

KINGFISHER PENSION SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

GENERAL

Introduction

This is the statement of investment principles (**SIP**) for the Kingfisher Pension Scheme (the **Scheme**). The SIP is designed to meet the requirements of section 35 of the Pensions Act 1995 (the **Act**) and the Occupational Pension Schemes (Investment) Regulations 2006 (the **Regulations**). Except where the express provisions of the SIP or the context require otherwise, terms used in the SIP have the meanings which apply for the purpose of the Act and Regulations. References to **Paragraphs** are to paragraphs of the SIP.

The SIP has been prepared by the Scheme's trustee (the **Trustee**) after consulting the Scheme's employers and considering written advice from a suitably-qualified adviser, in so far as Regulation 2(2) requires.

The Scheme has defined benefit (**DB**) and defined contribution (**DC**) parts. The DB part consists of the Scheme's final salary section (**KPS-FS**) excluding DC AVC funds. The DC part consists of the money purchase section (**KPS-MP**) and AVC funds as just mentioned. In the SIP the DB and DC parts are dealt with separately.

The SIP includes both the statement of investment principles for the Scheme generally, in accordance with Regulation 2, and (in Paragraphs 16-22) the statement of investment principles for the default arrangement under KPS-MP (the **Default Arrangement**), in accordance with Regulation 2A.

Governance and compliance (Regulation 2(3)(a))

The Trustee has ultimate power and responsibility as to investment policy, though the Trustee is required to consult the Scheme's employers in certain circumstances as described in Paragraph 7. The Trustee has delegated certain of its investment functions to two subcommittees: the DB Investment Committee and the DC Investment & Retirement Committee.

The Trustee will invest with a view to giving effect to the principles in the SIP, in accordance with section 36(5) of the Act. Before making any investment, the Trustee will obtain and consider proper advice on whether the investment is satisfactory, having regard to the SIP and the requirements of the Regulations as to suitability, in accordance with Regulation 36(3) of the Act. The Trustee will determine the intervals at which it will obtain proper advice as regards existing investments, and will obtain and consider such advice accordingly.

The Trustee will review, and if necessary revise, the SIP at least every three years and in any event without delay after any significant change in investment policy. Before revising the SIP, the trustee will consult the Scheme's employers and consider written advice from a suitably-qualified person, in so far as Regulation 2(2) requires.

The Trustee will review the default strategy and the performance of the Default Arrangement at least every three years, and in any case without delay after any significant change in relevant investment policy or in the demographic profile of relevant members. The Trustee will in particular review the extent to which investment returns under the Default Arrangement (after deduction of charges) are consistent with the Trustee's aims and objectives in respect of the Default Arrangement. The Trustee will if necessary revise the SIP after any review.

Investment beliefs

The Trustee has the following general beliefs which will guide its investment decisions:

DB liabilities: A sound understanding of the Scheme's DB liabilities is necessary in order to make appropriate DB investment decisions.

Asset allocation: Asset allocation is a key decision as regards investment, with significant implications for long-term returns.

Investment risk: Long-term returns on growth (or return-seeking) assets (e.g. equities) are likely to be higher than those on matching assets (e.g. bonds), but also more volatile. It is necessary to take a certain level of investment risk in order to generate adequate returns (i.e. adequate in order for the DB funding target to be affordable for employers and in order for DC benefits to meet members' expectations at retirement). Appropriate tools should be used to monitor and measure risk. Investment decisions should be made with regard to an agreed risk budget. The Trustee's focus should be on taking intended risks which it believes will be rewarded. Unintended, unrewarded risks should be hedged against in so far as practicable and cost-effective.

Diversification: Diversification of investments is likely to reduce the level of risk inherent in the overall investment strategy.

Passive versus active management: Passive investment management is likely to provide the best returns net of charges in many asset classes, particularly developed equity markets. However, active management can sometimes add value. As to active management, a specialist approach (focussing on a particular asset class) is more likely to add value than a balanced approach. The Trustee is satisfied that it has the resources needed in order to put in place and monitor a specialist management structure.

Fees: Appropriate fee rates and structures will depend on the nature of the investment and on the terms commercially available, but may sometimes include a performance-related element.

Responsible ownership: Investee companies should be run in a responsible way, with due regard to environmental, social and governance (**ESG**) issues, because in the long term this is likely to contribute to the companies' financial success.

Fund managers

Having regard to the requirements of the Financial Services and Markets Act 2000, the Trustee delegates day-to-day investment decisions to authorised fund managers. The DB and DC

Investment Committees appoint, review and remove fund managers, with appropriate support from the Trustee's investment advisers and Kingfisher's group pensions department.

The criteria considered when appointing or removing fund managers include the following:

Business: evidence of clear strategic direction; supportive ownership from a parent committed to fund management.

People: high-calibre, experienced professionals; relatively low turnover; clear commitment to fund management culture; strong recruitment and training process.

Process: effective approach to accessing/interpreting research; robust, repeatable investment process; process consistent with stated philosophy. The Trustee expects its fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process,

Performance: variability within acceptable range relative to fund manager's style.

The DB & DC Investment Committees monitor fund managers' performance against the applicable benchmarks, using the services of an independent performance measurement company. In addition, the Committees regularly meet with fund managers and review managers' capabilities as against the criteria in Paragraph 11.

DB INVESTMENT

Background

The Scheme is subject to the statutory funding objective (**SFO**) under the Pensions Act 2004, whereby the Scheme is required to have sufficient and appropriate assets to meet the expected cost of providing members' past service benefits (the **Technical Provisions**). As at the effective date of the 31 March 2019 valuation, the Scheme was fully-funded on the SFO basis.

Additionally, the Trustee and the employers have agreed a secondary funding objective (**2FO**) for the Scheme, which is to reach full-funding on a "gilts flat" basis by 2030. The Trustee is seeking to achieve the 2FO through a combination of employer contributions and investment returns.

DB investment policies (Regulation 2(3)(b), (c) and (d))

The Trustee has the following policies as regards DB investment:

Kinds of investment, and the balance between them: Having regard to the funding objectives described above, the Trustee's investment strategy is as follows:

- The bulk of the DB funds (as at 31 March 2019, 88%) will be invested in assets which are intended broadly to match the DB liabilities, including gilts, corporate bonds, swaps, buy-in policies. In addition the Trustee will seek to hedge approximately 94% of both the interest rate risk and the inflation risk via a suitable hedging portfolio.
- A small proportion of DB funds (as at 31 March 2019, 12%) will be invested in growth assets, including equities and alternative assets such as private equity, property and commodities, with a view to achieving the 2FO.
- The Trustee invests in a Special Purpose Vehicle (SPV) which provides a regular income stream to the Scheme. The SPV provides recourse for the Scheme to the underlying property assets in the event of Kingfisher plc’s insolvency.
- The portfolio will be gradually de-risked over the period to 2030 such that by then the portfolio will be invested entirely in matching assets. The timing and magnitude of switches from growth to matching assets will be determined by the Trustee, in consultation with the employers, with a view to ensuring cost-efficiency.

The Trustee is satisfied that this strategy will ensure that assets held to cover the Technical Provisions are invested in a manner appropriate to the nature and duration of the benefits payable, in accordance with Regulation 4(4). In implementing the strategy the Trustee will have due regard to the requirements of Regulation 4(3), (5), (6) and (7) as to diversification, investment in unlisted assets, and the security, quality, liquidity and profitability of the portfolio as a whole.

In accordance with Regulation 4(8), the Trustee will invest in derivatives only to reduce risk (either as part of the strategic asset allocation or on a tactical basis, e.g. to cover exposed positions) or to facilitate efficient portfolio management. Derivatives will not be used to for speculative purposes or to "gear up" returns.

Risks, including measurement and management: The Trustee considers the key risk as regards the DB investments to be as follows:

Mismatch risk – The risk that the assets fail to keep pace with the liabilities. Mismatch risk can include inflation, interest rate and longevity risks. The risk is measured by regular assessment of the potential development of the liabilities relative to the current and target mixes of investments. The risk is managed via a liability-driven investment programme whereby, among other things, the Trustee invests substantially in assets which are intended broadly to match the liabilities, and hedges against residual inflation and interest rate risk (see (a) above).

Concentration risk – The risk that undue concentration in a single asset or asset class leaves the Scheme exposed should that asset or asset class fall in value. This risk is addressed by investing across a broad range of asset classes as described in (a) above. Within each asset class further diversifying conditions are imposed on fund managers, e.g. limits on maximum holdings in any one asset. No investment is permitted in Kingfisher plc shares or bonds, other than indirectly through pooled funds.

Manager risk – The risk that underperformance by a fund manager will adversely affect overall investment returns. To manage this risk, the Trustee will where appropriate allocate assets in a given asset class to two or more different fund managers, who may in turn employ different investment approaches (e.g. active versus passive). The Trustee sets clear objectives for fund managers and lays down guidelines and restrictions as to achieving those objectives. The Trustee monitors both the performance of fund managers against their objectives and the performance of DB investments as a whole.

Risks as to derivatives:

- **Counterparty risk** – The risk of counterparty failure. This risk is managed through conditions as to the selection of counterparties and through the posting of collateral (including suitable margin).
- **Basis risk** – The risk of a mismatch between the Trustee's obligations under the payable leg of a derivative and the relevant backing assets. The Trustee manages this risk via its investment policy and via delegation to suitably capable fund managers.
- **Liability risk** – The risk of a divergence between the performance of a derivative and the relevant DB liabilities, e.g. because of an unanticipated change in the basis on which those liabilities are valued. The Trustee manages this risk by constructing its derivative strategy based on a best estimate of future DB cashflows.

Currency risk – The risk that, where investments are overseas, returns are adversely affected by currency movements. This risk is addressed by hedging an appropriate proportion of the currency exposure (having regard to the extent to which hedging can be achieved efficiently).

Custodian risk – The risk that the custodian of the Scheme's assets (or an overseas sub-custodian) misplaces assets. The Trustee manages this via a robust process for the appointment and monitoring of the custodian, and by imposing suitable terms as to the use of sub-custodians.

Liquidity risk – The risk that, due to a shortage of cash, the Trustee is unable to pay benefits when due or is forced to make an unintended asset sale. The Trustee manages this risk by forecasting cashflows and ensuring that a suitable proportion of DB funds are invested in readily-realisable assets.

Environmental Social and Governance Issues – Risk of the extent to which ESG factors including climate change are not appropriately reflected in asset prices and / or not considered in investment decision making processes leading to underperformance relative to targets. The Trustee considers this risk by taking advice from their investment adviser and discussing ESG integration with investment managers.

Expected returns: The assets taken as a whole are expected to generate returns over the long term that modestly exceed gilts. Target returns for particular portfolios will be agreed with the relevant fund managers.

Realisation of investments: Arrangements are in place to minimise the risk that the Trustee will need to realise investments unexpectedly – see (b)(vii) above. Disposals of individual holdings within a portfolio will normally be a matter for the relevant fund manager. The Trustee does however pro-actively seek and review information as to transaction costs.

Financially-material considerations: The Trustee believes that ESG issues may have a material impact on the performance of investments over the appropriate time horizon, which the Trustee takes to be the period to 2030 (the target date for the 2FO). The Trustee has regard to ESG considerations when investing, in so far as consistent with the Trustee's duties as regards seeking returns and mitigating risk. In particular, the Trustee takes account of climate change risks in the management of the DB global equity portfolio and have implemented a “climate change tilt”, i.e. it has more exposure to companies generating revenue from low-carbon opportunities, and less exposure to companies with higher carbon emissions and fossil fuel assets relative to their sector. The Trustee has also invested in a global renewable energy fund. The Trustee assesses the investment managers’ approach to ESG as part of the investment manager selection process. Other than in this regard, it is left to fund managers to determine the extent to which ESG issues are taken into account when making investment decisions. The Trustee recognises that passive managers may be constrained by the need to track relevant indices, but nevertheless expects such managers to pursue a policy of engagement with investee companies (see below).

Non-financial matters: The Trustee recognises that some DB members may have strong views as to non-financial matters including ethical issues. However, the Trustee does not feel that there is any clear consensus as to non-financial matters across the Scheme membership. Against that background, the Trustee does not seek to take account of members' views as to non-financial matters when investing.

Voting and investor rights and engagement: The Trustee encourages fund managers to vote and exercise other investor rights, and to engage with investee companies and other relevant persons on relevant matters, with a view to furthering the Trustee's long-term financial interests and the policies described above. The fund managers decide whether and how to vote and engage on particular issues, referring back to the Trustee only where they deem an issue to be contentious and to warrant discussion by the Trustee. Stewardship information supplied by fund managers is reviewed and, where a review gives rise to a concern, the Trustee will consider how best to address that concern with the relevant manager.

The majority of the DB fund managers, including all managers investing in listed equities, are signatories to the UK Stewardship Code.

Arrangements with fund managers: The Trustee's policy as regards arrangements with any fund manager is as follows:

The Trustee will enter into a contract with the fund manager on terms which are appropriate having regard to the policies set out in this SIP, including terms as to investment objectives/benchmarks; constraints (e.g. concentration limits); financially-material considerations; remuneration; performance measurement and reporting; and termination of the arrangement.

The Trustee will ensure that the policies set out in this SIP (so far as relevant) are clearly communicated to the fund manager.

The Trustee will proactively monitor and liaise with the fund manager on a regular basis.

If the Trustee identifies that the fund manager is failing to meet the Trustee's objectives, the Trustee will engage with the manager with a view to understanding and (as far as possible) addressing the failure.

If there is a serious or persistent failure to meet the Trustee's objectives, the Trustee will formally review the fund manager's appointment and (depending on the outcome of the review) may terminate the arrangement.

Specifically:

- **Incentives to align decisions with Trustee's policies**: Where appropriate, fund managers may be given a direct incentive to achieve the target investment return agreed with the Trustee, via a suitable performance fee. In all cases fund managers have an indirect incentive to align strategy and decisions with the Trustee's policies, given the process of communication, monitoring, liaison, engagement and review mentioned above.
- **Incentives to think long-term and to engage**: Fund managers have an indirect incentive to make decisions based on medium- to long-term financial and non-financial performance and to engage with investee companies in order to improve performance, given the process of communication, monitoring, liaison, engagement and review mentioned above. Where performance fees apply, the terms are set with a view to ensuring that short-term performance is not given undue priority; see below.
- **Performance and remuneration evaluation**: Fund managers' performance and remuneration are evaluated in the round and over predetermined medium- to long-term periods. Investment returns are a factor but they are not assessed on a purely short-term basis. Performance as against the Trustee's other objectives and policies is taken into account. Where the arrangements with a fund manager include a performance fee, the terms will be set with a view to ensuring that the manager does not give undue priority to short-term investment returns, to the detriment of long-term returns or the Trustee's other objectives and policies.

- **Portfolio turnover**: The Trustee recognises that in addition to annual management charges and performance fees, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments (such as transition costs from portfolio turnover). The Trustee ascertains fund managers' policies as regards portfolio turnover and monitors turnover costs regularly. In general the Trustee does not go further and formally monitor or specify targets as to turnover or associated costs, because the Trustee recognises that these costs are a necessary cost to generate returns and that the level of these costs varies by asset class and manager. However, where a fund manager is underperforming, the Trustee may scrutinise portfolio turnover and associated costs as part of its review.
- **Duration**: Arrangements with fund managers are generally open-ended but with the Trustee having the right to terminate at any time.

DC INVESTMENT, INCLUDING THE DEFAULT ARRANGEMENT

Background

In accordance with the Pensions Act 2008 and the Scheme's governing rules, the Trustee has put in place:

- a Default Arrangement in which KPS-MP members' (including automatically enrolled employees) retirement accounts are by default invested; and
- a range of other 'white-labelled' DC investment options from which members may choose (**Self-Select Options**).

The DC investments consist primarily of holdings in unitised funds (**Funds**) offered by insurance companies. The Funds invest in turn (via their fund managers) but the underlying assets of the Funds are not owned by the Trustee.

The Trustee has chosen a "Lifestyle Cash Target" as the Default Arrangement. The Trustee's investments under the arrangement consist of units in Funds offered by Legal & General Assurance Society Limited (**L&G**), described further in Paragraph 21(a). The Self-Select Options consist primarily of Funds offered by L&G, although some other legacy investments are retained for certain longstanding members.

The Default Arrangement and the Self-Select Options are regularly monitored and reviewed by the Trustee and may be changed by the Trustee at any time.

Aims and objectives for the Default Arrangement (Regulation 2A(1)(a))

The Trustee's aims and objectives for the Default Arrangement are as follows:

- The Default Arrangement should be suitable for the bulk of KPS-MP members and seeks a return of CPI +3% net of all charges over the long term.
- For younger members, investment should be in growth assets: higher-risk investments which are expected to produce significant real returns (after charges) over the long term.
- Over the five years to selected retirement age (**SRA**), investments should be de-risked (relative to cash), with members gradually being switched out of growth assets such that by SRA they are wholly invested in cash/near-cash.
- Growth assets should be suitably diversified to reduce volatility.
- Charges should be substantially below the statutory charge cap of 0.75% per year and should ensure that members receive real value-for-money.

DC investment policies (Regulations 2(3), 2A(1)(b))

The Trustee has the following policies as regards DC investments including the Default Arrangement:

Kinds of investment, and the balance between them:

- **Default Arrangement**: During the growth phase investment is split equally between the Passive Equity Fund i.e. the L&G Future World Fund and the Diversified Return Fund i.e. the L&G Multi Asset Fund. The Passive Equity Fund is invested in global equities, including an ESG climate tilt with 50% of the overseas currency exposure hedged. The Multi-Asset Fund is invested in a range of global assets including equities, government and corporate bonds, real estate, infrastructure and private equity; the balance as between the different asset classes is determined by Legal & General. In the de-risking phase investment is gradually switched (as outlined above) to the Money Market Fund. The Money Market Fund is invested in money market instruments and fixed deposits.
- **Self-Select Options**: The Trustee's policy is to offer a simple range of white-labelled Funds covering the major asset classes, with the underlying investments of each Fund being suitably diversified within the relevant asset class. The Funds within the range are chosen having regard to (among other thing) members' likely needs, attitude to risk, and value-for-money.

Risks, including measurement and management: The Trustee considers the key risks to be as follows:

Inflation risk – The risk that the investment returns over members' working lives are inadequate relative to inflation.

- **Default Arrangement**: Inflation risk is addressed by investing over the bulk of members' working lives in Funds which hold growth assets and which are expected to produce positive real returns, and by monitoring the performance of those Funds as against an inflation-based target.
- **Self-Select Options**: Inflation risk is addressed by informing members of the risk and by offering Funds which hold growth assets and are expected to produce positive real returns.

Shortfall risk (opportunity cost) – The risk that members end up with insufficient funds at retirement with which to secure a reasonable income.

- **Default Arrangement**: Shortfall risk is addressed by investing over the bulk of members' working lives in Funds which hold growth assets and by monitoring the performance of those Funds, and by de-risking to cash over the five years to SRA so as to limit members' exposure to adverse market movements. See (v) below as regards the shortfall risk which arises from de-risking to cash for members who take benefits via annuity purchase or drawdown.
- **Self-Select Options**: Shortfall risk is addressed by informing members of the risk and by offering Funds which hold growth assets and Funds which enable members to de-risk in the run-up to retirement.

Currency risk – The risk that, where Funds' underlying investments are overseas, returns are adversely affected by currency movements.

- **Default Arrangement**: Currency risk is addressed in respect of the Passive Equity Fund by hedging of 50% of the currency exposure as described above.
- **Self-Select Options**: Currency risk is addressed by informing members of the risk and by offering the Passive Equity Fund for members who wish to invest in global equities with some hedging of the currency exposure.

Concentration risk – The risk that undue concentration in a single asset or asset class leaves members exposed should that asset or asset class fall in value.

- **Default Arrangement**: Concentration risk is addressed by investing, during the growth phase, across two Funds with a broad range of underlying assets as described above.
- **Self-Select Options**: Concentration risk is addressed by informing members of the risk and by offering Funds across a range of different asset classes, with the underlying assets of each Fund being diversified within the relevant asset class.

Benefit conversion risk – The risk that relative market movements in the run-up to retirement lead to a substantial reduction in the benefits secured.

- **Default Arrangement**: Benefit conversion risk is addressed via de-risking to cash/near-cash in the five years prior to SRA. The Trustee recognises that significant risk remains for members who retire before SRA and/or who take benefits via an annuity or drawdown rather than in cash. This residual risk is addressed by informing members of the risk and by offering suitable alternative Self-Select Options (see below).
- **Self-Select Options**: Benefit conversion risk is addressed by informing members of the risk and by offering Funds which members may use to mitigate it, including the Money Market Fund, the Pre-Retirement Fund and Pre-Retirement Inflation Linked Fund.

Manager risk – The risk that underperformance by a fund manager will adversely affect a member's overall investment returns.

- **Default Arrangement**: Manager risk is addressed by investing during the growth phase partly in a Fund which is passively managed, and by regularly monitoring the performance and capabilities of the fund managers of the actively managed Funds.

- **Self-Select Options**: Manager risk is addressed by offering several Funds which are passively managed, and by regularly monitoring the performance and capabilities of the fund managers of the actively managed Funds.

Environmental Social and Governance Issues – Risk of the extent to which ESG factors including climate change are not appropriately reflected in asset prices and / or not considered in investment decision making processes leading to underperformance relative to targets. The Trustee considers this risk by taking advice from their investment adviser and discussing ESG integration with investment managers.

Expected returns:

- **Default Arrangement**: The strategy's objective is to generate returns over the long term of CPI + 3% per annum after all charges. This is not guaranteed and there may be periods of underperformance against this return target. The Trustee takes investment advice when reviewing the default strategy to help determine whether the return target remains appropriate.

  The growth phase invests in asset classes that are expected to grow in value relative to inflation more than other investments. Cash/near-cash is expected to generate returns in accordance with prevailing market interest rates, though there is a small chance that returns will be negative.

- **Self-Select Options**: For each Fund a target return, appropriate to the underlying assets, is agreed and monitored.

Realisation of investments: The Trustee's holdings in Funds will be sold as and when necessary for the purpose of investment switches, benefit payments or transfers-out. The Trustee expects that such holdings will be readily realisable in all normal market conditions. Realisation of the underlying investments of the Funds is a matter for their fund managers. The Trustee does however pro-actively seek and review information as to transaction costs.

Financially-material considerations: The Trustee believes that ESG issues may have a material impact on the performance of investments over the appropriate time horizon, which the Trustee takes to be members' working lives. The Trustee has regard to ESG considerations when investing, in so far as consistent with the Trustee's duties as regards seeking returns and mitigating risk. The Trustee selected the L&G Future World Fund as the underlying fund of the Passive Equity Fund in part to mitigate the financially material risks associated with climate change. The Fund has a "climate change tilt", i.e. it has more exposure to companies generating revenue from low-carbon opportunities, and less exposure to companies with higher carbon emissions and fossil fuel assets relative to their sector. The Trustee assesses the investment managers' approach to ESG as part of the investment manager selection process. Other than in this regard, it is left to the fund managers to determine the extent to which ESG issues are taken into account when making decisions as to the underlying investments. The Trustee recognises that passive managers may be constrained by the need to track relevant indices, but nevertheless expects such managers to pursue a policy of engagement with investee companies (see below).

Non-financial matters: The Trustee recognises that some DC members may have strong views as to non-financial matters including ethical issues. However, the Trustee does not feel that there is any clear consensus as to non-financial matters across the Scheme membership. Against that background, the Trustee has determined that the Self-Select Options should include the Ethical Fund and the Shariah Fund, but does not otherwise take account of members' views on non-financial matters when investing.

Voting and investor rights and engagement: Voting and other rights attaching to the investments of the Funds are exercisable by the fund managers. It is left to the fund managers to determine whether and how to exercise those rights. The Trustee does however monitor and engage with the fund managers. L&G provide corporate governance and responsible investment presentations to the Trustee, outlining their stewardship approach and reporting on their engagement and voting activities. Stewardship information supplied by L&G/fund managers is reviewed and, where a review gives rise to a concern, the Trustee will consider how best to address that concern with L&G/the relevant manager.

The fund managers of all Funds are signatories to the UK Stewardship Code.

Arrangements with fund managers: As mentioned in Paragraphs 16 to 18, DC investments are made via insurance companies, principally L&G. Whilst the Trustee selects the underlying Funds which are made available to members, the fund managers of those Funds are appointed by the insurer. Consequently the Trustee has no direct arrangements with fund managers. However, in the interests of transparency, the Trustee's policy as regards analogous matters is as follows:

The Trustee will enter into a contract with the insurer on terms which are appropriate having regard to the policies set out in this SIP, including terms as fees; performance measurement and reporting; and termination of the arrangement.

When choosing Funds, the Trustee will so far as practicable ensure that the applicable terms are likewise appropriate, including the terms as to investment objectives/benchmarks; constraints (e.g. concentration limits); financially-material considerations; non-financial matters; and fees.

The Trustee will proactively monitor Funds and liaise with the insurer and/or fund managers from time to time.

If the Trustee identifies that a Fund is failing to meet the Trustee's objectives, the Trustee will engage with the insurer and/or fund manager with a view to understanding and (as far as possible) addressing the failure.

If there is a serious or persistent failure to meet the Trustee's objectives, the Trustee will formally review the Fund's selection and (depending on the outcome of the review) may close or withdraw the Fund or terminate the arrangement with the insurer.

Specifically:

- **Incentives to align decisions with Trustee's policies; incentives to think long-term and to engage**: The Trustee ensures that the terms of Funds are appropriate having regard to the Trustee's policies, as mentioned above. The Trustee considers that the process of monitoring, liaison, engagement and review mentioned above provides L&G (and, to some extent, indirectly, fund managers) with an incentive to align strategy and decisions with the Trustee's policies, to make decisions based on medium- to long-term financial and non-financial performance, and to engage with investee companies in order to improve performance. As mentioned above, the Trustee has no direct arrangements with fund managers. That being the case, the Trustee believes that it would not be practicable to directly incentivise fund managers as regards the matters discussed in this paragraph.
- **Performance and remuneration evaluation**: Fund performance and charges are evaluated in the round and over predetermined medium- to long-term periods. Investment returns are a factor but they are not assessed on a purely short-term basis. Performance as against the Trustee's other objectives and policies is taken into account. There are no performance fees in relation to the Funds.
- **Portfolio turnover**: The Trustee may have regard to portfolio turnover when selecting Funds. In addition the Trustee receives and assesses data from insurers as regards Funds' transaction costs. To that extent the Trustee monitors turnover costs. In general the Trustee does not go further and formally monitor or specify targets as to turnover or associated costs, because in the Trustee's view such further monitoring and target-setting would not add significant value. However, where a fund manager is underperforming, the Trustee may scrutinise portfolio turnover and associated costs as part of its review.
- **Duration**: Arrangements with insurers are generally open-ended but with the Trustee having the right to terminate at any time. Likewise the Trustee is generally able to close or withdraw underlying Funds at any time.

Ensuring the default strategy is in members' interests (Regulation 2A(1)(c))

The Trustee considers that KPS-MP members will typically be relatively risk-averse and on retirement will take their benefits in cash form. The Trustee is conscious of the significant impact which charges and transaction costs can have, over the long term, on the benefits which members receive. The Trustee's default strategy described in Paragraphs 20 and 21 above is intended to serve the best interests of members by striking an appropriate balance, during the growth phase, as between maximising returns while reducing volatility; by de-risking in the run-up to retirement so as to avoid conversion risk; and by delivering real value for members.

KINGFISHER PENSION SCHEME (KPS)

Implementation Statement for the year ending 31 March 2021

22 June 2021

Background

The Trustee maintains a Statement of Investment Principles (**SIP**) for the two sections of the Kingfisher Pension Scheme – the Final Salary Section and the Money Purchase Section. The SIP is available on the Scheme's website, www.kingfisherpensions.com/wp-content/uploads/2020/09/Statement-of-Investment-Principles--September-2020.pdf.

This statement, which is required by legislation, explains how the Trustee has implemented the SIP during the year ending 31 March 2021. The statement will be included in the Scheme's Report and Accounts and published on the Scheme's website.

Changes to the SIP

The Trustee reviews the SIP at least once every three years, and following any significant change in investment policy. The last review for these purposes was carried out in September 2020.

The SIP was amended in in order to comply with new statutory requirements. After consulting its legal and investment advisers, the Trustee added statements about its policies on stewardship and on arrangements with fund managers (including arrangements as to compliance with the Trustee's policies, engagement with investee companies, portfolio turnover, and performance and remuneration). The new statements are in Paragraphs 15(g)/(h) and 21(g)/(h) of the SIP.

In addition, an amendment was made to the SIP to reflect a small increase in hedging under the Final Salary Section.

Giving effect to the SIP

The Trustee is satisfied that it has followed the SIP throughout the year for both the Final Salary and Money Purchase Sections. The following paragraphs provide information about how the SIP has been followed.

Governance

In accordance with the SIP, certain investment functions have been delegated to the DB Investment Committee and the DC Investment and Retirement Committee (the **Investment Committees**). There was no change to the role or responsibilities of the Investment Committees during the year.

The Investment Committees met quarterly during the year to consider investment matters, supported by the Trustee's investment advisers where appropriate as provided for in the SIP.

In November 2020 the Trustee reviewed the written objectives for its investment advisers, so as to meet new requirements of the Competition and Markets Authority.

During the year, the Trustee Board received training as to;

Date	**Review of**
27.01.2021	Club Vita Longevity update – Mark Sharkey – Club Vita Team An overview of the bespoke longevity assumptions used by the Scheme. • Benchmarking the demographic characteristics of the Scheme membership versus the industry average. • Future longevity trends and the impact of COVID-19 on pension scheme risk management. A light-hearted look at some of the more unusual drivers of longer life, from keeping active in old age to having a companion in your twilight years.
27.01.2021	A Global Macroeconomic & Geopolitical update – Steven Bell BMO, Chief Economist.
03.11.2020	Pensions Scams – Michael Broomfield & Paul Brackston The Pensions Regulator

03.11.2020	Death and Incapacity Benefits including case studies Richard Evans Partner, MBI. Scheme Lawyer.
03.11.2020	Financial Wellbeing & Communications Charlotte Anthony, Anna Living and Steven Dean Legal & General.
07.07.2020	Legal & General's Approach to ESG & Stewardship – Sacha Sedan
07.07.2020	Legal training and a regulatory update – Richard Evans Partner MBI & Scheme Lawyer
07.07.2020	DC Value Assessment workshop – Declan Wainwright, Hymans Robertson

Investment strategy – Final Salary Section

For the Final Salary Section, the SIP provides that the Trustee will invest with the aim of achieving the Scheme's secondary funding objective, i.e. to be fully-funded on a "gilts flat" basis by 2030. The bulk of the portfolio is to be invested in assets which broadly match the Scheme's liabilities (gilts, corporate bonds, swaps and buy-in policies). In addition a substantial part of the interest rate and inflation risk to be hedged using suitable assets. A small proportion of the portfolio is to be invested in return-seeking assets (equities and alternative assets such as private equity, property and commodities). The portfolio is to be gradually de-risked so that by 2030 it consists entirely of matching assets. The timing of de-risking is determined by the Trustee in consultation with the Company.

In March 2021 the Trustee took the opportunity to de-risk the Scheme further and lock in some of the gains the Scheme had experienced during the year. £100m was switched from return seeking assets to matching assets.

No change was made to this long-term strategy during the year. The DB Investment Committee monitored the asset allocation on a quarterly basis and is satisfied that the allocation remained in accordance with the SIP. As at 31 March 2021, the proportions of matching and return seeking assets were 89% and 11% respectively.

Investment strategy – Money Purchase Section

For the Money Purchase Section, the SIP provides that the Trustee will make available a Default Arrangement (for members who do not make their own investment choices) and Self-Select Options (for members who wish to choose). The aim as regards the Default Arrangement is to invest in growth assets for younger members but with de-risking to cash (or similar) over the five years to selected retirement age; to achieve long-term returns, after charges, of CPI + 3%; and for charges to be well below 0.75% p.a. The aim as regards the Self-Select Options is to offer a simple range of white-labelled funds covering the major asset classes, with suitable diversification within each fund.

No change was made to this strategy during the year. Nor was there any change to the funds used for the purpose of the Default Arrangement or the Self-Select Options. For the Default Arrangement the relevant funds continue to be the L&G Future World Fund and the L&G Multi-Asset Fund (during the growth phase) and the L&G Money Market Fund (for de-risking), as described in the SIP. In March 2021 the Trustee decided to switch the L&G Multi-Asset Fund to the Future-World Multi-Asset fund, (see below) the switch taking place in May 2021.

Fund managers and performance

All day-to-day investment decisions throughout the year were delegated to authorised fund managers, in accordance with the SIP. Accordingly decisions as to the sale and purchase of assets underlying the Trustee's chosen funds were made by the fund managers, subject to the applicable mandates.

During the year no fund managers were appointed or removed and there were no material changes to the arrangements with the existing fund managers.

The Investment Committees monitored fund managers' performance against the applicable benchmarks on a quarterly basis, using the services of an independent performance measurer, in accordance with the SIP. Turnover costs (where available) were also monitored, along with ESG issues and voting behaviour as described below. In all cases the Committees were satisfied that the Trustee's objectives (taken together) were met.

In accordance with the SIP, the Investment Committees liaised with fund managers on a regular basis throughout the year.

The Investment Committees invite the investment managers to provide updates at their meetings. During the year the Committees held discussions and received updates from HayFin Capital Management, PIMCO, Aberdeen, LGT Capital Partners, LGIM, BMO Global Asset Management.

Financial matters including ESG

The Trustee believes that environmental, social and governance (**ESG**) issues may have a material impact on the long-term performance of investments. The SIP provides that the Trustee will have regard to ESG issues when investing, so far as consistent with the Trustee's duties as regards seeking returns and mitigating risk. Fund managers' approaches to ESG will be considered when making appointments. Thereafter the Trustee will monitor and engage with fund managers as regards ESG issues as appropriate, and will take account of such issues when reviewing managers' performance. Subject to that it is left to managers to determine the extent to which ESG issues are taken into account when making underlying investments.

Further to the policy set out in the SIP, the Trustee has continued to apply a "climate" tilt to the core equity investments under both the Final Salary and Money Purchase Sections, managed by Legal & General (**L&G**). The approach gives a greater weighting to companies which are less carbon-intensive, relative to their sector, or which have greater engagement in the transition to a green economy. Under the Final Salary Section the Trustee also invests in a global renewable energy fund. Under the Money Purchase Section, in March 2021, the Trustee decided to switch the Multi Asset Fund to the Future World Multi Asset Fund which has further enhanced ESG (Environmental, Social & Governance) integration features. This migration took place in May 2021.

L&G also applies a “Climate Impact Pledge”– each year L&G engages with the largest companies across the world identified as key to meeting global climate change goals, and commits to disinvesting from companies that fail to demonstrate sufficient action. During 2020 L&G were part of a collective action of 30 fund managers who set a goal of achieving net zero carbon emissions across their investment portfolios by 2030.

In accordance with the SIP, the Trustee has encouraged fund managers to vote and exercise other investor rights, and to engage with investee companies and other relevant persons on ESG issues.

The quarterly investment reports which the Investment Committees received from the Trustee's investment advisers included assessments as to fund managers' integration of ESG considerations into their investment processes, and their stewardship practices. In addition fund managers supplied information as to their own stewardship. The Committees were satisfied that the information received did not give rise to concerns which, in accordance with the SIP, should be raised with the fund managers.

L&G provided a corporate governance and responsible investment presentation to the Trustee, the session discussed their approach to ESG, outlining their stewardship approach and their reporting regarding engagement and voting activities. Matters discussed included the impact of climate change, engagement with companies, including case studies, and the action L&G had taken on diversity.

Non-financial matters

The Trustee has regard to ESG issues when investing as described above. The Trustee recognises that members may have their own strong views on ethical, social and environmental issues (**non-financial matters**), but does not believe that there is any clear consensus as to non-financial matters across the membership. Against that background, in accordance with the SIP, the Trustee has continued to offer the Ethical Fund and the Shariah Fund as Self-Select Options under the Money Purchase Section, but has not otherwise sought to take account of members' views on non-financial matters when investing.

Voting

Voting arrangements

The core equity manager for both the Final Salary and Money Purchase Section is L&G. The Trustee does not exercise voting rights, as its investments are through pooled funds with many other participating investors. Instead voting rights are exercised by L&G as described below.

L&G’s voting and engagement activities are driven by its Investment Stewardship team, made up of ESG professionals. The team determines how to vote and engage with investee companies in order to achieve the best outcome for L&G's

clients as a whole. For this purpose the team has adopted formal policies (reviewed each year) on corporate governance, responsible investment and conflicts of interest. The team draws on its own research and ESG assessment tools, and on ISS recommendations and reports of the Institutional Voting Information Services.

L&G disclose their voting records on their website at the end of each month, including summaries of their positions for significant shareholder votes. L&G's voting policies are reviewed annually and take into account feedback from its clients. Every year, L&G holds a stakeholder roundtable event where investors are invited to express their views to the Investment Stewardship team.

L&G uses ISS's "ProxyExchange" electronic voting platform in order to vote. However, strategic decisions as to voting are made by L&G as described above. To ensure that ISS votes in accordance with those strategic decisions, L&G has put in place a place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G consider to be minimum best practice standards which all companies should observe. L&G retains power to override any proposed voting decisions of ISS.

Voting behaviour

During the year L&G announced that it will vote against FTSE 100 companies with all-white boards if they fail to diversify their leadership teams by 2022. They also wrote to the S&P 500 companies in the USA, explaining that they expect their boards to include at least one black, Asian or other minority ethnic member by January 2022. If companies fail to meet that target, L&G have explained that they will openly vote against the re-election of their chairman or the head of their nomination committee.

During 2020 LGIM cast over 138,600 votes at over 14,000 meetings. They voted against 11,489 resolutions and voted against 75% of companies. LGIM opposed the election of more than 4,700 directors over governance concerns. In 2021, LGIM will sanction companies in Germany when directors are elected for longer than four years.

For further information about how the Trustee engaged with fund managers as to voting and stewardship, see the "Financial matters" section above.

Key votes

In the Trustee's view, the most significant votes are those as to ESG issues which are likely to affect long-term investment performance. Significant votes by L&G over the year included the following:

Company name: The Procter & Gamble Company (P&G)

Sector: Household goods and home construction **Market cap:** $325.8 billion

Issue identified:	P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Why is it an issue? Palm oil and forest pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.
Summary of the resolution:	Resolution 5 – Report on effort to eliminate deforestation. The AGM took place on 13 October 2020.
How LGIM voted:	LGIM voted in favour of the resolution.

Rationale for the vote decision:	LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Rationale for the vote? Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies LGIM invest their clients' assets in are not contributing to deforestation. Any other steps? LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources.
Outcome:	The resolution received the support of 67.68% of shareholders (including LGIM). LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.
Why is this vote significant?	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

Company name : Fast Retailing Co. Limited

Sector : Consumer discretionary: Specialty retail - Apparel retail **Market cap:** JPY 9.74 trillion

Issue identified:	Japanese companies in general have trailed behind European and US companies, as well as companies in other countries in ensuring more women are appointed to their boards. A lack of women employed is also a concern below board level.
Summary of the resolution:	Resolution 2.1: Elect Director Yanai Tadashi at the company's annual shareholder meeting held on 26 November 2020.
How LGIM voted:	LGIM voted against the resolution.
Rationale for the vote decision:	LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level LGIM consider that every board should have at least one female director. LGIM deem this a de minimis standard. Globally, LGIM aspire to all boards comprising 30% women. In the beginning of 2020, LGIM announced that they would vote against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for companies included in the TOPIX100 where these standards were not upheld. LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to act on this issue.
Outcome:	Shareholders supported the election of the director. LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.
Why is this vote significant?	LGIM considers it imperative that the boards of Japanese companies increase their levels of diversity.

APPENDIX 2 : Member cost illustrations

The following tables show the potential impact of the costs and charges borne by average members. This is shown as projected values in today's money at several times up to retirement for a selection of funds.

Representative Member 1: Active Member, age 40, with a pension pot size of £13,035, on a salary of £16,935 p.a., making 10% contributions (5% employee; 5% employer) and retiring at age 68 in line with the State Pension Age

For the default arrangement:

Years to retirement	Before costs and charges (today's £)	After costs and charges are taken (today's £)
28	£13,035	£13,035
25	£18,628	£18,408
20	£28,414	£27,638
15	£38,812	£37,222
10	£49,859	£47,173
5	£61,597	£57,507
3	£65,033	£60,505
1	£66,640	£61,887
0	£66,799	£61,999

Source: Hymans Robertson based on data supplied by Legal & General (L&G) and the Kingfisher Pensions Team.

For a selection of the self-select funds:

Years to retirement	Passive Equity Fund		Money Market Fund		Emerging Markets Fund		Property Fund	
	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)
28	£13,035	£13,035	£13,035	£13,035	£13,035	£13,035	£13,035	£13,035
25	£18,792	£18,521	£17,028	£16,919	£19,696	£19,031	£18,512	£17,935
20	£29,001	£28,036	£23,108	£22,775	£32,402	£29,877	£28,003	£26,020
15	£40,032	£38,033	£28,535	£27,937	£47,432	£41,885	£37,966	£34,002
10	£51,951	£48,537	£33,381	£32,489	£65,208	£55,182	£48,424	£41,884
5	£64,830	£59,575	£37,706	£36,502	£86,234	£69,905	£59,403	£49,666
3	£70,268	£64,145	£39,304	£37,971	£95,684	£76,227	£63,946	£52,751
1	£75,876	£68,807	£40,830	£39,368	£105,790	£82,812	£68,577	£55,821
0	£78,747	£71,173	£41,568	£40,040	£111,104	£86,207	£70,927	£57,350

Source: Hymans Robertson based on data supplied by L&G and the Kingfisher Pensions Team.

The assumptions used in these calculations are detailed below.

Representative Member 2: Deferred Member, age 38, with a pension pot size of £5,340 making 0% contributions and retiring at age 68 in line with the State Pension Age.

For the default arrangement:

Years to retirement	Before costs and charges (today's £)	After costs and charges are taken (today's £)
30	£5,340	£5,340
25	£5,674	£5,545
20	£6,028	£5,758
15	£6,405	£5,979
10	£6,805	£6,208
5	£7,230	£6,447
3	£7,241	£6,409
1	£7,053	£6,207
0	£6,895	£6,053

Source: Hymans Robertson based on data supplied by L&G and the Kingfisher Pensions Team.

For a selection of the self-select funds:

Years to retirement	Passive Equity Fund		Money Market Fund		Emerging Markets Fund		Property Fund	
	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)
30	£5,340	£5,340	£5,340	£5,340	£5,340	£5,340	£5,340	£5,340
25	£5,770	£5,611	£4,767	£4,708	£6,316	£5,913	£5,606	£5,273
20	£6,235	£5,896	£4,256	£4,151	£7,471	£6,547	£5,884	£5,206
15	£6,737	£6,195	£3,799	£3,660	£8,836	£7,249	£6,177	£5,140
10	£7,279	£6,510	£3,392	£3,226	£10,452	£8,027	£6,484	£5,076
5	£7,865	£6,840	£3,028	£2,845	£12,362	£8,887	£6,807	£5,011
3	£8,113	£6,977	£2,894	£2,705	£13,221	£9,257	£6,940	£4,986
1	£8,368	£7,116	£2,765	£2,572	£14,139	£9,642	£7,077	£4,961
0	£8,499	£7,187	£2,703	£2,508	£14,622	£9,841	£7,146	£4,948

Source: Hymans Robertson based on data supplied by L&G and the Kingfisher Pensions Team.

The assumptions used in these calculations are detailed below.

Representative Member 3: Active Member who has just joined the scheme, age 22, on a salary of £16,935 p.a., making 10% contributions (5% employee; 5% employer) and retiring at age 68 in line with the State Pension Age.

For the default arrangement:

Years to retirement	Before costs and charges (today's £)	After costs and charges are taken (today's £)
46	£0	£0
45	£1,683	£1,679
40	£10,410	£10,267
35	£19,683	£19,184
30	£29,535	£28,443
25	£40,002	£38,058
20	£51,124	£48,042
15	£62,940	£58,408
10	£75,495	£69,173
5	£88,834	£80,351
3	£92,314	£83,217
1	£93,211	£83,884
0	£92,774	£83,449

Source: Hymans Robertson based on data supplied by L&G and the Kingfisher Pensions Team.

For a selection of the self-select funds:

Years to retirement	Passive Equity Fund		Money Market Fund		Emerging Markets Fund		Property Fund	
	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)	Before costs and charges (today's £)	After costs and charges (today's £)
46	£0	£0	£0	£0	£0	£0	£0	£0

45	£1,686	£1,681	£1,654	£1,652	£1,701	£1,690	£1,681	£1,671
40	£10,517	£10,340	£9,383	£9,314	£11,118	£10,675	£10,334	£9,960
35	£20,060	£19,439	£16,283	£16,070	£22,257	£20,625	£19,418	£18,145
30	£30,371	£29,000	£22,442	£22,026	£35,431	£31,641	£28,954	£26,227
25	£41,513	£39,046	£27,941	£27,277	£51,014	£43,839	£38,964	£34,207
20	£53,552	£49,602	£32,850	£31,907	£69,446	£57,345	£49,472	£42,086
15	£66,560	£60,694	£37,233	£35,989	£91,247	£72,300	£60,503	£49,865
10	£80,615	£72,348	£41,145	£39,588	£117,032	£88,859	£72,082	£57,547
5	£95,803	£84,594	£44,638	£42,760	£147,532	£107,193	£84,238	£65,132
3	£102,215	£89,665	£45,928	£43,922	£161,239	£115,067	£89,268	£68,138
1	£108,828	£94,837	£47,160	£45,026	£175,899	£123,267	£94,396	£71,130
0	£112,213	£97,462	£47,756	£45,558	£183,606	£127,495	£96,998	£72,620

Source: Hymans Robertson based on data supplied by L&G and the Kingfisher Pensions Team.

Assumptions:

- The opening pension pot size of £13,035 for an active member and £5,340 for a deferred member, which was the average pension pot size for members at 31 March 2021;
- A contribution in current day terms 10% p.a. (5% employee and 5% employer), which was the most popular contribution choice for members in the Scheme as at 31 March 2021;
- The investment return assumed for each fund above is as follows:

Fund	SMPI Growth Rate % p.a. (supplied by L&G)
Passive Equity Fund	4.1
Diversified Return Fund	3.4
Money Market Fund	0.2
Emerging Markets Fund	6.0
Property Fund	3.5

- Inflation is assumed to be 2.5% per annum;
- The investment transaction costs, and total expense ratios assumed for each fund above are as follows:

Fund	Total Expense Ratio (TER) %	Fund Transaction Costs %
Passive Equity Fund	0.47	0.11
Diversified Return Fund	0.34	0.03

Money Market Fund	0.31	-0.06
Emerging Markets Fund	1.22	0.17
Property Fund	1.50	-0.24

- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used.

Please note that these illustrated values:

- Use TER supplied for the year to 31 March 2021;
- Use transaction costs supplied for the past 3 years to 31 December 2020 being the best information available to the Trustee at the time;
- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- May differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how a member's individual DC savings might grow; and
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.