

## Kingfisher Pension Scheme

### Implementation Statement for the year ending 31 March 2022

30 June 2022

#### 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](http://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 2022. 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, when the SIP was expanded to cover the Trustee's policies on stewardship and arrangements with fund managers.

#### 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 December 2021 the Trustee reviewed the written objectives for its investment advisers, so as to meet the requirements of the Competition and Markets Authority.

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

Date	Review of
19.01.2022	Club Vita – Longevity Update. Including; (i) Baseline longevity: highlights from annual reporting (ii) Future improvements in longevity, and (iii) Longevity as a risk: COVID-19 and climate change - Mark Sharkey, Club Vita
19.01.2022	Legal Update – Richard Evans, Mayer Brown
08.11.2021	Actuarial Valuation training Part 2 - Lisa Deas and Leonard Bowman, Hymans Robertson
04.11.2021	Practical Diversity, Equity and Inclusion for Pension Schemes – Lynda Whitney and Susan Hoare, Aon
04.11.2021	Actuarial Valuation training Part 1 - Lisa Deas and Abigail Pearson, Hymans Robertson
15.07.2021	Pensions Dashboard overview and update - Chris Curry, The Pensions Policy Institute
15.07.2021	Liability Driven Investment - Paul Richmond and Hannah Ni Riain, Insight Investment

### *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. No change was made to this long-term strategy during the year.

During the year, the Trustee implemented the long-term strategy by continuing to invest predominantly in matching assets. 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 2022, the proportions of matching and return seeking assets were approximately 88% and 12% respectively.

In July 2021 the Trustee took the opportunity to further de-risk the Scheme in accordance with the long-term strategy by completing a third bulk annuity purchase, building on the annuity purchases completed in 2015 and 2018. The transaction was completed with Aviva Life & Pensions UK Limited and addressed over 8,000 pensioner members. Whilst it targeted this pensioner population, and removes the longevity risk associated with them, the annuity is an asset of the overall Scheme, and it thereby helps provide greater security of benefits for all of the Scheme's final salary members.

### *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.

During the year, the Trustee gave effect to its strategy by continuing to make available L&G funds which (in the Trustee's view) meet the aims described above.

A change was made to the funds used for the purpose of the Default Arrangement in May 2021: the Trustees completed a transition from the Multi-Asset Fund to the Future World Multi-Asset Fund which has further enhanced ESG (Environmental, Social & Governance) integration features. For the Default Arrangement the relevant funds are now the L&G Future World Fund and the L&G Future World Multi-Asset Fund (during the growth phase) and the L&G Money Market Fund (for de-risking). There were no changes to the Self-Select Options.

### *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, other than the wind up of the residual LaSalle property portfolio, 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 Insight Investment Management, HayFin Capital Management, BlackRock Investment Management, PIMCO, abrdn, and LGIM.

#### *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 Investment Management (LGIM). 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, as mentioned above, the Trustee transitioned from the Multi-Asset Fund to the Future World Multi-Asset Fund in May 2021, which has further enhanced ESG integration features.

LGIM are part of the Net Zero Asset Managers initiative which is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner across all assets under management. In line with this commitment, in November 2021 LGIM set a target for 70% of eligible assets under management to be managed in line with this net-zero ambition by 2030. In addition, drawing on industry best practice, they have set out LGIM's key requirements for any investment portfolio to be considered net-zero aligned. This includes setting targets, adopting a decarbonisation pathway, engaging for change, excluding misaligned companies, and growing 'green' opportunities.

LGIM also applies a "Climate Impact Pledge" – each year LGIM 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.

In October 2021, LGIM launched the fifth engagement cycle of the Climate Impact Pledge. LGIM analyse and directly engage with around 60 companies in 15 climate-critical sectors on their strategic approach to climate change, and to what extent they are aligning their businesses with the constraints and opportunities of a net-zero transition. The programme targets companies that are large and influential in their respective sectors, but who are not yet meeting 'best practice' expectations. These are companies who could have a significant positive effect across their industries and value chains by setting and pursuing ambitious net-zero targets. During 2022, LGIM will continue to press companies to establish robust decarbonisation strategies, with granular interim roadmaps to 2050.

In 2021 LGIM continued to hold directors to account for their management of climate risk and took action against over 100 companies under their Climate Impact Pledge.

LGIM also published their biodiversity policy. This commits LGIM to addressing biodiversity loss by working with policymakers and developing their capacity to assess biodiversity risks and opportunities. In 2021 LGIM also signed the 'Finance for biodiversity pledge'.

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.

### *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.

However, during the year The Trustee, working with L&G and Tumelo (a Bristol based fintech company) launched a member engagement tool providing members with greater transparency of the companies they have their pension invested in. The tool also provides the members with the opportunity to share their views on how certain shareholder votes should be cast in relation to these companies, on issues including ESG: climate change, gender equality, diversity and human rights. These member views are shared with the investment managers who are then able to take them into consideration when voting. The vote the investment manager casts is in turn shared with the members, with rationale as to why the investment manager voted the way they decided.

In October 2021, The Trustees in conjunction with Legal & General and a firm called Pension Geeks held a virtual pensions awareness week. The week addressed a broad range of topics including workplace pensions, the gender pension gap, investing and ESG. This remote event received a material level of engagement with members working in many geographically based B&Q stores and Screwfix branches, helping them better understand and plan their retirement provision. This pension awareness week was a contributing factor to the Scheme winning the Pension Age DC Pension Scheme of the Year award in February 2022.

## **Voting**

### *Voting arrangements*

The core equity manager for both the Final Salary and Money Purchase Section is LGIM. 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 LGIM as described below.

LGIM'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 LGIM'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.

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

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

### *Voting behaviour*

The LGIM Investment Stewardship team comprises 22 professionals with an average of 11 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment, and public policy. The Head of Investment Stewardship, Kurt Morriesen, reports directly to LGIM's CEO, Michelle Scrimgeour. As part of the Trustee training programme for 2022, the Trustees are inviting LGIM's Stewardship Team to present and provide an update on their latest stewardship activities.

During 2021 LGIM cast over 180,200 votes at over 15,400 meetings. In 2021, LGIM also began pre-declaring voting intentions in a centralised, transparent and easily accessible format. These voting intentions highlight the companies and resolutions they believe require additional scrutiny by the market and cover a range of ESG topics.

LGIM report on their compliance with their engagement policies annually, via their Active Ownership Report.

The funds that have an exposure to equities within the default arrangement are as follows:

- L&G Future World Multi-Asset Fund
- L&G Future World Fund

The table below, sets out the further details relating to LGIM's voting record for stocks held within each fund for the year to 31 March 2022.

	Future World MAF	Future World Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	8,296	2621
How many resolutions were you eligible to vote on over the year to 31/03/2022?	85,030	32,190
What % of resolutions did you vote on for which you were eligible?	99.72%	99.80%
Of the resolutions on which you voted, what % did you vote with management?	79.11%	80.79%
Of the resolutions on which you voted, what % did you vote against management?	20.35%	18.18%
Of the resolutions on which you voted, what % did you abstain from?	0.53%	1.03%
In what % of meetings, for which you did vote, did you vote at least once against management?	71.71%	70.47%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	12.85%	12.09%

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 LGIM over the year included the following:

<b>Company name :</b> Microsoft	
<b>Sector :</b> Software & services	<b>Market cap:</b> US \$2,311bn
<b>Issue identified:</b>	The company recently re-combined the chair and CEO roles, after having these separate for a number of years.
<b>Summary of the resolution:</b>	To re-elect CEO Satya Nadella, and John Thompson (Nomination Committee Chair and Lead Independent Director).
<b>How LGIM voted:</b>	LGIM voted against both resolutions.
<b>Rationale for the vote decision:</b>	LGIM has set out expectations for all companies to have a separate chair and CEO. This recombination of the roles during 2021 at Microsoft was particularly disappointing as it has had a separation of the roles for many years. Given the company did not seek prior shareholder approval for the re-combination of roles, we also voted against the board Nomination Committee Chair / Lead Independent Director.
<b>Outcome:</b>	While engagement with the company has been fruitful over the years, we conveyed our disappointment at this governance change. Both directors were re-elected with over 90% support from shareholders.
<b>Why is this vote significant?</b>	This vote was significant because it related to one of LGIM's engagement themes: Board effectiveness.

<b>Company name:</b> ExxonMobil Corporation			
<b>Sector:</b> Oil and gas	<b>Market cap:</b> \$236.9bn		
<b>Issue identified:</b>	<p>Due to persistent concerns around governance, climate and capital allocation, the company was removed from select LGIM strategies in 2019, with sanctions applied under LGIM's Climate Impact Pledge.</p> <p>In 2020, LGIM announced that they would be opposing the re-election of the company's chair/CEO as they believe the separation of roles provides a better balance of authority and responsibility.</p> <p>In 2021, they escalated their engagement by supporting an activist investor who proposed an alternative slate of directors, as the experience and skills of the proposed four candidates would, in their view, make a positive contribution to board effectiveness and oversight. LGIM announced their voting stance ahead of the AGM, with their position being widely covered in major news outlets and referenced in the voting recommendations from proxy adviser ISS.</p>		
<b>Summary of the resolution:</b>	Proxy content at the AGM, 26 May 2021		
<b>How LGIM voted:</b>	<table border="0"> <tr> <td> <b>LGIM voted FOR:</b> <ul style="list-style-type: none"> <li>• The four activist-proposed director nominees</li> <li>• A number of ESG shareholder proposals</li> </ul> </td> <td> <b>LGIM voted AGAINST:</b> <ul style="list-style-type: none"> <li>• The re-election of the chair/CEO</li> <li>• The remuneration report</li> <li>• The reappointment of auditors</li> </ul> </td> </tr> </table>	<b>LGIM voted FOR:</b> <ul style="list-style-type: none"> <li>• The four activist-proposed director nominees</li> <li>• A number of ESG shareholder proposals</li> </ul>	<b>LGIM voted AGAINST:</b> <ul style="list-style-type: none"> <li>• The re-election of the chair/CEO</li> <li>• The remuneration report</li> <li>• The reappointment of auditors</li> </ul>
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<b>Rationale for the vote decision:</b>	LGIM have had multiple engagements with the company but remained dissatisfied with the strength of the company's climate targets and strategy, along with the levels of transparency around sustainability and lobbying, and with the levels of board oversight (in particular the combined chair/CEO roles).
<b>Outcome:</b>	<ul style="list-style-type: none"> <li>• Three of the four proposed new directors were appointed.</li> <li>• The chair of the remuneration committee, against whom LGIM voted last year, was not reappointed to the board.</li> <li>• A majority of shareholders voted for a report on climate-related lobbying.</li> </ul>
<b>Why is this vote significant?</b>	<p>This is most high-profile example to date of a climate-related proxy contest; a recently formed hedge fund with a minority stake managed to galvanise sufficient support to replace a third of the board at a company that less than a decade ago was the world's largest by market capitalisation.</p> <p>For LGIM, the escalation is in keeping with their approach of holding individual directors accountable for their companies' climate performance. LGIM have commented on the significance on the vote repeatedly in the media and in their blog.</p>

<b>Company name :</b> HSBC Holdings plc <b>Sector :</b> Banking <b>Market cap:</b> £80.6bn	
<b>Issue identified:</b>	<p>The bank has repeatedly been identified as a substantial climate change financier, continuing to finance new fossil fuel projects not in line with the Paris Agreement goals.</p> <p>To work towards a net-zero future aligned with Paris Agreement goals, ShareAction initially proposed a resolution to strengthen HSBC's climate change policies and disclosure.</p> <p>As a result of further discussions between the company, the proponents and shareholders, ShareAction was sufficiently comfortable with management's counter proposal to withdraw its own resolution.</p>
<b>Summary of the resolution:</b>	<ul style="list-style-type: none"> <li>• AGM: 28 May 2021</li> <li>• Resolution 15 – to set, disclose and implement short- and medium-term targets, to publish and implement a phase-out policy and to report on progress.</li> </ul>
<b>How LGIM voted:</b>	LGIM voted FOR the management-proposed climate change resolution (in line with management's recommendation).
<b>Rationale for the vote decision:</b>	<ul style="list-style-type: none"> <li>• LGIM has engaged with HSBC on its climate change policies and disclosures for a number of years, and they joined a collaborative engagement around the shareholder proposal ahead of the 2021 AGM.</li> <li>• LGIM encouraged the Board to reach a compromise with the proponents to require only a single resolution, and so were happy to support management's climate change proposal at the AGM.</li> </ul>
<b>Outcome:</b>	<ul style="list-style-type: none"> <li>• Engagement between company, proponent and institutional shareholders led to the preferred outcome of a single resolution supported by management and proxy advisers.</li> <li>• Resolution 15 received overwhelming support with 99.71% of votes cast FOR.</li> <li>• LGIM will continue to monitor the strength of HSBC's climate change policies and progress towards improved disclosure of targets and emissions across the portfolio.</li> </ul>
<b>Why is this vote significant?</b>	<p>The topic of the proposal was in line with LGIM's climate change policy stance and their campaign to push for a net-zero economy globally.</p> <p>Ahead of the AGM and while engagement between the parties continued, LGIM had many client and press queries regarding their views and likely vote on the proposals.</p>