



Kingfisher Pension Scheme

Annual Report and Financial Statements

For the year ended 31 March 2023

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Trustee and advisers

TRUSTEE

Kingfisher Pension Trustee Limited

TRUSTEE DIRECTORS

Employer nominated

BESTrustees Limited represented by Clive Gilchrist (retired 30 June 2023)

ITS Limited represented by Rachel Croft (appointed 1 July 2023)

Gillian Baker (appointed 30 June 2022)

Joanna Bevan

Dermot Courtier (appointed 1 April 2023)

Sally Clifton (retired 28 March 2023)

Helen Jones

Simon Ogle (appointed 30 June 2022)

Paul Shearer

Member nominated

Lee Aspin

Yolanda Jackson

Grant MacGregor (appointed 30 June 2022)

Jane Winsbrow

PRINCIPAL EMPLOYER

Kingfisher plc

PARTICIPATING EMPLOYERS

B&Q Limited

B&Q (Retail) Guernsey Limited

B&Q (Retail) Jersey Limited

Kingfisher Information Technology Service (UK) Limited

Kingfisher International Products Limited

Screwfix Direct Limited

SECRETARY TO THE TRUSTEE

James Chemirmir (appointed 16 March 2023)

Dermot Courtier (resigned 15 March 2023)

ACTUARY

Hymans Robertson LLP

Calum Cooper FFA (appointed 30 June 2023)

Lisa Deas FFA (resigned 29 June 2023)

INDEPENDENT AUDITOR

Grant Thornton UK LLP

LEGAL ADVISERS

Mayer Brown International LLP

Eversheds LLP

GROUP LIFE ASSURANCE

Canada Life (appointed 1 July 2022)

Unum Limited (terminated 30 June 2022)

INVESTMENT MANAGERS

Final Salary section

Aberdeen Asset Managers Limited (terminated 11 October 2022)

BlackRock Renewable Power Fund II (C), L.P.

BlackRock Investment Management (UK) Limited

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 and General Assurance Society Limited

ANNUITY PROVIDERS

Legal and General Assurance Society Limited

Pension Insurance Corporation

Aviva Life & Pensions UK Limited

INVESTMENT ADVISERS

Aon Solutions UK Limited

Barnett Waddingham LLP

CUSTODIAN

State Street Bank & Trust Company

AVC PROVIDERS

BlackRock Investment Management (UK) Limited

Legal and General Assurance (Pensions Management) Limited

The Prudential Assurance Company Limited

Phoenix Life Assurance Limited

BANKERS

Barclays Bank plc

ADMINISTRATORS

Final Salary Section

Hymans Robertson LLP

Money Purchase Section

Legal and General Assurance Society Limited ('L&G')

NAME AND ADDRESS FOR ENQUIRIES

Scheme Secretary

Kingfisher plc

1 Paddington Square

London W2 1GG

Email: corporatepensions@kingfisher.com

Trustee's report

The Trustee of the Kingfisher Pension Scheme (the 'Scheme') present their annual report for the year ended 31 March 2023. This report is completed in accordance with all Regulatory requirements applicable for the Scheme year.

Introduction

The Trustee would like to draw attention to the following activities which were undertaken during the Scheme year:

- Completion of the tri-annual valuation (page 4)
- Consultation on Guaranteed Minimum Pension Equalisation (page 6)
- Completion of the Statement for Taskforce on Climate-related Financial Disclosures (page 8)

The Trustee Report includes the Implementation Statement (page 8) which provides information regarding investment activity and performance during the Scheme year. The Annual Governance Statement for the Money Purchase Section is included as an Appendix to this report, which provides information regarding:

- Investment strategy and governance
- Processing of core financial transactions
- Disclosure of member-borne costs and charges
- Assessment of value for members
- How the Trustee has met trustee knowledge and understanding requirements

Constitution of the Scheme

The Scheme provides a Final Salary section ('FS') and a Money Purchase section ('MP') which holds Scheme funds on trust to apply them for the purpose of paying pensions and other benefits. It is governed by a Trust Deed dated 15 December 1986 and subsequent amendments.

The Final Salary section closed to future accrual on 1 July 2012. The Money Purchase section was introduced on 1 April 2004.

The Money Purchase section does not pay pensions as annuities are purchased to fund pension benefits which 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.

Management of the Scheme

The Trustee Directors who served during the year are listed on page 2.

The current professional Trustee (ITS Limited) and previous professional Trustee (BESTrustees Limited) are both trustee companies, who acts (or acted) as a Trustee Director to the trust. These companies have no interest in the assets of the trust; they are not beneficiaries of the trust and are not entitled to share in the assets of the trust. The professional Trustee and six of the Trustee Directors are appointed by the Company.

The member nominated Trustee Directors serve for a period of four years unless their Trusteeship is terminated, they resign or leave active membership before the end of their term. These Trustee Directors are also able to stand for re-election 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.

Trustee's report (continued)

Committees

The Trustee has established the following sub committees to facilitate additional targeted and technical matters:

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

Financial development of the Scheme

The Financial Statements of the Scheme for the year ended 31 March 2023, as set out on pages 20 to 37 have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995. A summary is shown below:

| £m | 31 March 2023 | | 31 March 2022 | |
|---|---------------|------------|---------------|------------|
| | FS Section | MP Section | FS Section | MP Section |
| Net (withdrawals)/additions from dealing with members | (112.2) | 54.8 | (133.0) | 58.7 |
| Net (losses) / returns on investments | (1,020.6) | (26.8) | 75.2 | 40.7 |
| Net (decrease) / increase in fund | (1,132.8) | 28.0 | (57.8) | 99.4 |
| Transfers between sections | (5.3) | 5.3 | 5.5 | (5.5) |
| Net assets at the end of the year | 2,468.7 | 652.5 | 3,606.8 | 619.2 |

Information regarding the investment activity and performance of the Scheme can be found within the Implementation Statement which begins on page 8.

Actuarial review (Final Salary section)

The latest triennial actuarial valuation of the Scheme was carried out as at 31 March 2022. The results of this actuarial review are shown below:

| £m | 31 March 2022 | | 31 March 2019 | |
|---------------------|---------------|-------|---------------|-------|
| | TP | 2FO* | TP | 2FO* |
| Assets | 3,506 | 3,587 | 3,573 | 3,573 |
| Liabilities | 3,323 | 3,564 | 3,416 | 3,812 |
| Surplus / (Deficit) | 183 | 23 | 157 | (239) |
| Funding level | 106% | 101% | 105% | 94% |

*Further explanation of 2FO is provided in the Investment Report on page 7.

The Schedule of Contributions ("SOC") signed on 6 April 2020 required the Company to pay contributions of £27m each Scheme year to the Final Salary section to improve the Scheme's 2FO position. Income from the Special Purpose Vehicle ('SPVI') was deducted from this contribution. SPVI is the expected amount of income to be received from the Trustee's partnership interest in the SPV in that year based on the interest held at the start of the year, adjusted to allow for a reconciliation of actual SPVI from prior years against those previously recognised in SPVI in prior years.

Two new SOC's were signed in the Scheme year due to the latest triennial actuarial review. The valuation as at 31 March 2022 reached conclusion in September 2022. The first SOC was signed on 30 August 2022 as a temporary measure until the full valuation had been completed, which removed the requirement for the Company to pay sponsor contributions from 1 August 2022. A further SOC was signed on 27 September 2022 which allowed the SPVI received from 1 September 2022 to be transferred from the FS Section to the MP Section to assist in funding Employer MP Section contributions. This agreement was reached by signing a Memorandum of Agreement ("MOA") between the Company and the Trustee, which covers the period September 2022 to June 2025 (payable in July 2025). This means that the final SPVI transfer from the FS to MP section will take place in July 2025 under the existing MOA.

Further information on the SPV is provided in note 14 on page 29. Information on contributions received in the year and the corresponding SPVI transfer between sections is shown in note 2 on page 24.

Trustee's report (continued)

The results of the latest funding position estimated as at 31 March 2023 are shown below:

| £m | 31 March 2023 | | 31 March 2022 | |
|---------------------|---------------|-------|---------------|-------|
| | TP | 2FO | TP | 2FO |
| Assets | 2,404 | 2,456 | 3,506 | 3,587 |
| Liabilities | 2,267 | 2,407 | 3,323 | 3,564 |
| Surplus / (Deficit) | 137 | 49 | 183 | 23 |
| Funding level | 106% | 102% | 106% | 101% |

Note: full value of SPV is included in the 31 March 2023 position and future SPVI transfers expected under the MOA have not been deducted from the assets

The Report on Actuarial Liabilities forms part of the Trustee's Report and is shown after Actuary's Certification of the Schedule of Contributions on page 42.

Next actuarial valuation

The next actuarial valuation of the Scheme is due as at 31 March 2025.

Scheme actuary

Lisa Deas resigned on 29 June 2023. There are no circumstances connected with her resignation which, in her opinion, significantly affected the interests of the members or the prospective members of, or beneficiaries under, the Scheme. Calum Cooper was appointed as Scheme Actuary in her place.

Membership

| Membership | Final Salary Section | | | | Money Purchase Section | | |
|--------------------------------|----------------------|---------------|--------------|---------------|------------------------|---------------|---------------|
| | Deferred | Pensioners* | Dependant | Total | Active | Deferred | Total |
| 1 April 2022 | 13,949 | 13,412 | 1,308 | 28,669 | 26,513 | 39,133 | 65,646 |
| Opening balance adjustment** | - | - | - | - | - | 7 | 7 |
| New | - | 483 | 181 | 664 | 5,546 | 6,334 | 11,880 |
| Deaths | (43) | (503) | (91) | (637) | - | (23) | (23) |
| Retirements | (483) | - | - | (483) | (22) | (645) | (667) |
| Commutations full / trivial | (74) | - | (116) | (190) | - | - | - |
| Leavers with retained benefits | - | - | - | - | (6,334) | - | (6,334) |
| Cessations/surrenders | (1) | (15) | (3) | (19) | (14) | (171) | (185) |
| Transfers out | (82) | - | - | (82) | (3) | (985) | (988) |
| Reinstatements | 2 | - | - | 2 | - | - | - |
| 31 March 2023 | 13,268 | 13,377 | 1,279 | 27,924 | 25,686 | 43,650 | 69,336 |

*Included in the pensioner numbers are 8,400 (2022:8,598) which are secured by annuity contracts. Further information on annuity contracts is provided in note 15.

The number of life insurance only members at the year-end is 11,379 (2022: 13,676)

** relates to late notifications of members

Employees who opt out of the Scheme before contributions are remitted are not included in these statistics.

Pension increases (Final Salary section)

Pensions in payment receive guaranteed annual increases matching the rise in the Retail Prices Index ('RPI') (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.

Trustee's report (continued)

Increases from the Scheme do not apply to that element of the pension in payment representing any Guaranteed Minimum Pension ('GMP') earned before 6 April 1988 after age 60 for females, or 65 for males, as these increases are provided with the State pension. The Scheme is required to provide GMP as a consequence of contracting-out of the State Earnings Related Pension Scheme (SERPS). 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 are shown in the table below:

| Year | Pension Increase | RPI |
|------|------------------|-------|
| 2023 | 5% (capped) | 13.4% |
| 2022 | 5% (capped) | 7.5% |
| 2021 | 1.2 % | 1.2 % |

Increases for pensioners in the Channel Islands are calculated in accordance with their own RPI. The RPI for Jersey and Guernsey was 12.7% and 8.5% respectively at December 2022.

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

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issue determined by the judgement arises in relation to many other defined benefit pension schemes. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020 the High Court issued a follow-on judgement, which suggested that transfer payments made since May 1990 will need to be topped up to allow for GMP equalisation.

Based on the assessment of the backdated amounts and related interest due, the Scheme Actuary has estimated the effect to be an increase in 0.2% of the Scheme's liabilities. An allowance for this is made in the liabilities to reflect the estimated impact. No provision has been made for this in the financial statements at this time.

In January 2023 the Trustee completed a consultation exercise to equalise the GMP for the first phase of membership (pensioners aged 80 or over). This phase of the project is expected to complete in November 2023. The results of this project and activity regarding further phases of GMP equalisation will be provided in the Trustee Report in the next Scheme year.

Changes to rules

A deed of variation was signed on 28 September 2022 which provided deletion and amendment of clause 26.5(d) (Balance of FS Separate Fund).

A deed of variation was signed on 24 April 2023 which applied various amendments regarding GMP conversion.

Investment Report

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.

Trustee's report (continued)

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.

Objectives and Performance (Final Salary Section)

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.

Matching assets constituted 88% of Scheme assets at March 2023 and is expected to constitute 100% of Scheme Assets by March 2030. The Scheme is targeting hedging of the interest rate (96%) and inflation (96%) 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 2023 is shown in the following table:

| Annualised return over | 1 year | 3 years | 5 years |
|------------------------|---------|---------|---------|
| Actual | (34.8%) | (11.7%) | (4.9%) |
| Benchmark | (34.7%) | (12.4%) | (5.2%) |

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives.

Information regarding the investment activity and performance of the Scheme can be found within the Implementation Statement which begins on page 8.

Trustee's report (continued)

Objectives and performance (Money Purchase Section)

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.

Over the year to 31 March 2023 the return of the default strategy is shown in the following table:

| Annualised return over | 1 year | 5 years |
|------------------------|--------|---------|
| Actual | (4.7%) | 6.0% |
| Benchmark | (4.0%) | 6.1% |

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.

Statement for Taskforce on Climate-related Financial Disclosures ("TCFD")

In October 2022 UK disclosures per the TCFD framework became mandatory for schemes with assets more than £1 billion.

This is therefore the first TCFD report produced for the Scheme in line with these requirements. Subsequent reports are expected to evolve over time as the Trustee's approach develops and the actions are taken. The full TCFD Statement for the Scheme can be found by accessing this link:

<https://www.kingfisherpensions.com/wp-content/uploads/2023/07/Kingfisher-Pension-Scheme-%E2%80%93-TCFD-Report-31-March-2023.pdf>

Implementation Statement

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:

<https://www.kingfisherpensions.com/wp-content/uploads/2023/02/KPS-SIP-2022.pdf>

This statement, which is required by legislation, explains how the Trustee has implemented the SIP during the year ending 31 March 2023.

Changes to the SIP

The Trustee reviews the SIP at least once every three years and following any significant change in investment policy.

The latest review for these purposes was carried out in December 2022, when the SIP was updated following the completion of the 2022 actuarial valuation and a review of the default strategy under the Money Purchase Section. Minor changes were made to the SIP to reflect the outcome of the valuation and the review and as otherwise as a matter of good practice. In particular information was added about:

- The changes to the default strategy described below
- The Trustee's beliefs and policies as regards climate change and the liquidity and realisation of investments
- The Trustee's risks were updated to include collateral adequacy risk

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.

Trustee's report (continued)

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. The DB Investment Committee held additional meetings during the year in order to discuss and address the impact of the gilt volatility experienced in 2022. Further details about the impact of the gilt volatility on the Scheme are included in the Final Salary investment strategy section of this statement further below.

During the year, the DC Investment Committee completed an in-depth review of the Default Arrangement, which resulted in some reshaping of the arrangement, further details are included in the Money Purchase investment strategy section of this statement.

In December 2022 the Trustee reviewed the written objectives for its investment advisers, so as to meet the requirements of the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

During the year, the Trustee Board received training in the following areas;

| Date | Review of |
|------------|---|
| 18.1.2023 | Cyber Security - Steve Hiscock, Legal and General |
| 18.1.2023 | Liability Driven Investment - Sugan Pillay, Hannah Ni Riain, David Jamieson and Emily Halliday-Insight Investment Management |
| 19.10.2022 | Merger and Acquisitions scenario training – Leonard Bowman and Lisa Deas, Hymans Robertson, Francois Barker and Simon Daniel, Eversheds Sutherland |
| 20.07.2022 | Latest views on ESG updates and engagement, stewardship with client companies – Kurt Morriesen, Catherine Ogden and Cristy Rodriguez, Legal and General |
| 20.07.2022 | What's beyond TCFD and ESG - Francois Barker, Mark Latimour and Simon Daniel, Eversheds Sutherland |
| 20.07.2022 | The global macro-economic environment in uncertain times - Steven Bell, Colombia Threadneedle Investments |

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 2023, the proportions of matching and return seeking assets were approximately 88% and 12% respectively.

The Trustee further de-risked the return seeking assets of the Scheme by terminating the emerging market portfolio and further reducing the size of the global equity portfolio.

On the matching asset side of the Scheme the Kingfisher Pension Scheme employs a Liability Driven Investment (LDI) strategy to hedge the majority of the Scheme's interest rate and inflation exposure. 2022 was a volatile year for the gilt market, in particular the falling gilt prices that the market experienced in September 2022 resulted in the value of the Scheme's liabilities and assets falling significantly. As the LDI portfolio predominantly holds gilts, and uses leverage, collateral top ups were required.

Trustee's report (continued)

The Trustees employed their collateral management framework and transferred funds to the LDI portfolio, predominantly from the Scheme's Absolute Return Bond Funds and Multi-Asset Credit Fund. The Scheme maintained its hedged position throughout the period and the Scheme's strong funding level was maintained.

The Trustee reviewed the investment strategy taking in to account the results of the 2022 actuarial valuation and the impact of the gilt volatility. The Trustee believes the current investment strategy is supportive of the 2030 secondary funding objective and increased the level of hedging from 94% to 96% of the Scheme's interest and inflation exposure in order to further de-risk the Scheme.

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 in to cash (or similar) over the ten 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.

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.

The Trustee completed an in-depth default strategy review during the year, which included demographic analysis of the membership and projections of member outcomes, against different measures including the Pensions and Lifetime Savings Association (PLSA) Retirement Living Standards, of which Kingfisher Pension Scheme is a supporter. 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 is likely to be their main source of income in retirement. Having regard to these factors, the Trustee approved the following changes at their meeting on 23 September 2022.

1. An increase in the equity allocation of the default strategy at younger ages
2. An increase in the length of the de-risking period from 5 to 10 years
3. A decrease in the length of time that cash is introduced from 5 to 3 years

In terms of the self-select fund options, changes were also made to the L&G underlying funds of the Scheme's Pre-Retirement Fund and the Scheme's Pre-Retirement Inflation Linked Fund. The underlying funds are now the L&G Future World Annuity Aware Fund and the L&G Future World Inflation Linked Annuity Aware Fund respectively and they incorporate Environmental, Social and Governance considerations as part of the investment strategy.

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 termination of the Abrdn emerging market portfolio, no fund managers were appointed or removed. There were no material changes to the arrangements with the existing fund managers, other than the portfolio changes resulting from the gilt volatility experienced during 2022, outlined earlier in this statement.

The Investment Committees monitored the 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.

Trustee's report (continued)

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, LGT Capital Partners, PIMCO, 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. As part of Final Salary Section investments, the Trustee also invests in a global renewable energy fund. As part of the Money Purchase Section investments, the Trustee invests in a number of L&G 'Future World' funds, including the L&G Future World Equity Fund, the L&G Future World Multi Asset Fund, the L&G Future World Annuity Aware Fund and the L&G Future World Inflation Linked Annuity Aware Fund.

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, LGIM have 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.

During 2022, LGIM continued their deforestation engagement campaign. Having communicated initially with around 300 companies in deforestation-critical sectors, they then followed up with direct engagements to discuss their deforestation policies and approaches. As part of their deforestation policy they will be sanctioning companies for not meeting their minimum expectations of having a deforestation policy or programme from 2023 onwards.

LGIM has joined over 30 financial institutions as part of the global Finance Sector Deforestation Action (FSDA) initiative to commit to use best efforts to eliminate agricultural commodity-driven deforestation from their investment portfolios by 2025. The initiative has set out investor expectations for companies around commitments, disclosure and actions related to deforestation. LGIM are also active members of the Investors Policy Dialogue on Deforestation (IPDD). This collaboration was established in 2020 and is an investor-led engagement initiative that aims to halt deforestation.

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.

Trustee's report (continued)

The quarterly investment reports which the Investment Committees received from the Trustee's investment advisers included assessments as to the 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.

The Trustee, working with L&G and Tumelo provide a member engagement tool that gives members 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, along with rationale as to why the investment manager voted the way they decided.

The Scheme provides members with access to webinars provided by L&G covering a broad range of topics including workplace pensions, the pension gender gap, investing and ESG.

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.

Trustee's report (continued)

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 and Responsible Investment Integration, Michael Marks, reports directly to LGIM's CEO, Michelle Scrimgeour. As part of the Trustee's training programme for 2022, the Trustee received an update session from LGIM's Stewardship Team in order to discuss, and scrutinise, their latest stewardship activities.

During 2022 LGIM cast 171,000 votes across all their assets under management and their investment stewardship team engaged with 902 companies. In 2022, their campaigns involved expanding their work on diversity to emerging markets; efforts to tackle commodity-driven deforestation; and fighting for equal voting rights, particularly in the US.

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 2023.

| | Future World MAF | Future World Fund |
|--|------------------|-------------------|
| How many meetings were you eligible to vote at over the year to 31/03/2023? | 8,913 | 1,917 |
| How many resolutions were you eligible to vote on over the year to 31/03/2023? | 93,332 | 25,282 |
| What % of resolutions did you vote on for which you were eligible? | 99.83% | 99.83% |
| Of the resolutions on which you voted, what % did you vote with management? | 77.59% | 80.81% |
| Of the resolutions on which you voted, what % did you vote against management? | 21.74% | 18.82% |
| Of the resolutions on which you voted, what % did you abstain from? | 0.67% | 0.36% |
| In what % of meetings, for which you did vote, did you vote at least once against management? | 73.39% | 72.30% |
| What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) | 12.89% | 13.36% |

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

Trustee's report (continued)

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:

| | |
|---|---|
| Company name: BHP Group Limited | |
| Sector: Metals and Mining | |
| Issue identified: | Climate-policy advocacy and climate disclosure, both of which LGIM considered to be material to the net zero transition. |
| Summary of the resolution: | Resolution 14: Approve Policy Advocacy Resolution 15: Approve Climate Accounting and Audit AGM date: 10 November 2022 |
| How LGIM voted: | These were both shareholder-proposed resolutions and LGIM voted in favour of both (i.e. against management). |
| Rationale for the vote decision: | Resolution 14 was a request that the company proactively advocate for Australian policy settings that are consistent with the Paris Agreement's objective of limiting global warming to 1.5°C. A vote in favour of this proposal was applied as LGIM believes positive climate-related advocacy is in the best interest of the company and its shareholders. LGIM noted that nothing in this resolution was designed to limit the Board's discretion to take decisions in the best interest of the company. Resolution 15 requested that, from 2023, the notes to the company's audited financial statements include a climate sensitivity analysis which includes a scenario aligned with limiting global warming to 1.5°C, presents the quantitative estimates and judgements for all scenarios used, and covers all commodities. While LGIM considered the company to be a leader with respect to its climate-related disclosure, a vote for this proposal was applied as LGIM believe that further quantitative disclosure in the company's financial statements around the impact of climate change scenarios on BHP's material commodity portfolio is important. |
| Outcome: | These resolutions received 12.7% and 18.7% support, respectively, from shareholders. LGIM continue to engage with BHP and, more broadly, to support proposals that are aligned with their net zero aims and beliefs. |
| Why is this vote significant? | These votes were significant because of their importance on climate change engagement. |

| | |
|--|--|
| Company name: Royal Mail Plc | |
| Sector: Industrials: Transportation and logistics | |
| Issue identified: | A lack of gender diversity on the executive committee. LGIM has expanded their gender diversity policy in the UK to include the executive committee, as well as the company board. |
| Summary of the resolution: | Resolution 4: Re-elect Keith Williams as director at the AGM on 20 July 2022. |
| How LGIM voted: | Against |
| Rationale for the vote decision: | Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, LGIM have applied voting sanctions to the FTSE 100 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time. |
| Outcome: | 92.7% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement their global and regional voting policies on this issue. |
| Why is this vote significant? | This vote is significant as it relates to the escalation of activities on a core stewardship theme, gender diversity. |

Trustee's report (continued)

| | |
|---|---|
| Company name: Informa Plc | |
| Sector: Printing and publishing | |
| Issue identified: | LGIM has noted concerns about the company's remuneration practices for many years, both individually and collaboratively. Due to continued dissatisfaction, they voted against the company's pay proposals at its December 2020 and June 2021 meetings. |
| Summary of the resolution: | Resolution 9 – Re-elect Helen Owers as director Resolution 11 – Re-elect Stephen Davidson as director Resolution 14 – Approve Remuneration Report Resolution 19 – Approve Remuneration Policy AGM date: 16 June 2022 |
| How LGIM voted: | Against resolutions 9, 11, 14, 19 (against management recommendation) |
| Rationale for the vote decision: | The Remuneration Policy was put to a vote again at this AGM, with the main changes being the re-introduction of the performance-based LTIP (long-term incentive plan) which was under a separate resolution, to come into force from 2024. Although this is a positive change, the post-exit shareholding requirements under the policy did not meet LGIM's minimum standards and with regard to pensions, it is unclear whether reductions will align with the wider workforce. Given previous and continuing dissatisfaction, LGIM also voted against incumbent remuneration committee members, Helen Owers and Stephen Davidson. |
| Outcome: | More than 70% of shareholders voted against the Remuneration Report. The Remuneration Policy was approved by 93.5% of shareholders, and 20% of shareholders voted against the re-election of Helen Owers, incumbent member of the remuneration committee. The resolution to re-elect Stephen Davidson, former chair of the remuneration committee, was withdrawn due to him stepping down from the board entirely. Although the report failed to pass, such votes are advisory and not binding. LGIM will continue to engage both individually and collaboratively to help push for improvements. |
| Why is this vote significant? | It is considered a significant vote as it is in application of an escalation of LGIM's vote policy on the topic of remuneration. |

The Trustee's Annual Report, which includes the Statement of Trustee's Responsibility on page 16 and the Compliance Statement on pages 43 to 44, were approved by the board and signed on its behalf by:

Rachel Croft

ITS Limited

Represented by Rachel Croft, Chairperson

5 October 2023

Statement of Trustee's Responsibilities

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

Opinion

We have audited the financial statements of Kingfisher Pension Scheme (the 'Scheme') for the year ended 31 March 2023, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a 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 2023, 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 including effects arising from macro-economic uncertainties such as the effects of economic policies announced by the UK government in September 2022 and the cost-of-living crisis, 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.

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.

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.

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

Independent auditor's report (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. 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.

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 themselves. 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

As explained more fully in the Trustee's responsibilities statement set out on page 16, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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").
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the scheme operates.
- 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 and through discussion with management, the Trustee, and from inspection of Trustee board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Trustee.

Independent auditor's report (continued)

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 and inappropriate valuation of investment assets.

Our audit procedures involved:

- Journal entry testing, with a focus on large journals, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
- Use of our internal experts to challenge the reasonableness of the bulk annuity insurance policy asset valuation at the year-end produced by the Trustee's valuation experts and
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.

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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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 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 are 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.

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.

Use of our report

This report is made solely to the Scheme's 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 Scheme's Trustee those matters we are required to state to it 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 Scheme's 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
Cardiff

Date: 5 October 2023

Fund Account for the year ended 31 March 2023

| £m | Notes | FS | MP | Total | FS | MP | Total |
|---|-----------|------------------|---------------|------------------|-------------|-------------|-------------|
| | | | | 2023 | | | 2022 |
| Contributions and benefits | | | | | | | |
| Employer contributions | | 3.6 | 64.3 | 67.9 | 11.1 | 66.3 | 77.4 |
| Employee contributions | | - | 8.9 | 8.9 | - | 9.8 | 9.8 |
| Total contributions | 2 | 3.6 | 73.2 | 76.8 | 11.1 | 76.1 | 87.2 |
| Individual transfers in | | - | 1.6 | 1.6 | - | 3.2 | 3.2 |
| Other income | 3 | 3.4 | - | 3.4 | 3.6 | - | 3.6 |
| | | 7.0 | 74.8 | 81.8 | 14.7 | 79.3 | 94.0 |
| Benefits payable | 4 | (84.4) | (4.5) | (88.9) | (105.1) | (3.7) | (108.8) |
| Payments to and on account of leavers | 5 | (28.4) | (14.3) | (42.7) | (36.3) | (15.7) | (52.0) |
| Other payments | 6 | (2.4) | - | (2.4) | (2.3) | - | (2.3) |
| Administrative expenses | 7 | (4.0) | (1.2) | (5.2) | (4.0) | (1.2) | (5.2) |
| | | (119.2) | (20.0) | (139.2) | (147.7) | (20.6) | (168.3) |
| Net (withdrawals)/additions from dealings with members | | (112.2) | 54.8 | (57.4) | (133.0) | 58.7 | (74.3) |
| Returns on investments | | | | | | | |
| Investment income | 8 | 75.9 | - | 75.9 | 86.5 | - | 86.5 |
| Change in market value of investments | 17 | (1,093.8) | (26.8) | (1,120.6) | (6.4) | 40.7 | 34.3 |
| Investment management expenses | 9 | (2.7) | - | (2.7) | (4.9) | - | (4.9) |
| Net returns on investments | | (1,020.6) | (26.8) | (1,047.4) | 75.2 | 40.7 | 115.9 |
| Net (decrease)/increase in the fund during the year | | (1,132.8) | 28.0 | (1,104.8) | (57.8) | 99.4 | 41.6 |
| Transfer between sections | 10 | (5.3) | 5.3 | - | 5.5 | (5.5) | - |
| Net assets of the Scheme at 1 April | | 3,606.8 | 619.2 | 4,226.0 | 3,659.1 | 525.3 | 4,184.4 |
| Net assets of the Scheme at 31 March | | 2,468.7 | 652.5 | 3,121.2 | 3,606.8 | 619.2 | 4,226.0 |

The notes on pages 22 to 37 form part of these financial statements.

Statement of Net Assets as at 31 March 2023 (available for benefits)

| £m | Notes | 2023 | 2022 |
|---|-----------|----------------|----------------|
| Final Salary Section | | | |
| Investment assets: | 17 | | |
| Bonds | | 1,265.2 | 2,001.4 |
| Pooled investment vehicles | 12 | 582.7 | 1,296.0 |
| Derivatives | 13 | 383.3 | 664.5 |
| Special purpose vehicle | 14 | 121.4 | 143.7 |
| Insurance policies | 15 | 948.1 | 1,282.4 |
| AVC investments | 16 | 16.6 | 17.8 |
| Cash & cash equivalents | | 56.8 | 38.6 |
| Other investment balances | 19 | 78.7 | 66.8 |
| | | 3,452.8 | 5,511.2 |
| Investment liabilities: | 17 | | |
| Bonds | | (30.3) | - |
| Derivatives | 13 | (402.8) | (685.9) |
| Other investment balances | 19 | (582.3) | (1,228.1) |
| Total net investments | | 2,437.4 | 3,597.2 |
| Current assets | 22 | 37.9 | 16.7 |
| Current liabilities | 23 | (6.6) | (7.1) |
| Total net assets of FS | | 2,468.7 | 3,606.8 |
| Money Purchase Section | | | |
| Investment assets: | 17 | | |
| Pooled investment vehicles | 12 | 644.8 | 612.1 |
| Current assets | 22 | 8.3 | 8.0 |
| Current liabilities | 23 | (0.6) | (0.9) |
| Total net assets of MP | | 652.5 | 619.2 |
| Total net assets of the Scheme at 31 March | | 3,121.2 | 4,226.0 |

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 42 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 5 October 2023.

Rachel Croft

ITS Limited,
represented by Rachel Croft, Chairperson

Notes to the financial statements

1. Accounting policies

Basis of preparation

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 guidance set out in the Statement of Recommended Practice (SORP) May 2018 - Financial Reports of Pension Schemes.

The Scheme is established as a Trust under English Law.

The Trustee has performed a Going Concern assessment. Amongst other things, their assessment took into account the Scheme funding position, availability of liquid cashflows, the employers ability to continue to fund contributions and the strength of the insurer to continue to fund insured benefits. They also noted that there has been no decision made to wind up the scheme. On this basis the Trustee considers the Going Concern basis appropriate.

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 including bonds short, 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. Shares in other pooled arrangements have been valued as the latest available net asset value ('NAV'). 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.
 - Futures are contractual agreements to buy or sell a specified financial instrument at a specific price at a predetermined future date. They are valued at the fair value as determined by the closing exchange price as at the year-end.
 - Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. They are valued at the current value of future expected net cash flows arising from the swap, determined using a discounted cash flow model and market data at the reporting 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.

Notes to the financial statements (continued)

- vii) The Special Purpose Vehicle (SPV) is valued on a discounted cash flow basis by the Employer's 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 using the valuation provided by the Scheme Actuary as at the year end date. The valuation is determined as the present value of expected future benefit payments for the members covered by the annuity policies. Cashflows in payment are projected using the 2FO basis used for the latest formal actuarial valuation.

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 an accruals 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

Employer & Employee normal and Employee 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. 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.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid. None were paid in the year.

e) Other income

- i) Receipts from the insurer to fund death in service benefits payable to Scheme members are included within other income on an accruals basis to match the benefits payable.

Notes to the financial statements (continued)

f) Payments to members

- i) 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.
- ii) Opt outs are accounted for when the Scheme is notified of the opt out.
- iii) Individual transfers in or out are accounted for when member liability is discharged/accepted which is normally when paid or received.

g) 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.

h) Accounting estimated and judgements

No significant judgements have been made by the Trustee in the application of the principal accounting policies. Significant assumptions and estimates have been made in the valuation of the Scheme's financial assets and liabilities classified as Level 3 under fair value hierarchy and the accounting adjustment for contributions. Details of these financial assets and liabilities, the valuation techniques applied, and the significant valuation assumptions, are provided in note 20 of these financial statements.

2. Contributions

| £m | | | 2023 | | | 2022 | | |
|-----------------|------------|-------------|-------------|------|------|-------|--|--|
| | FS | MP | Total | FS | MP | Total | | |
| Employer | | | | | | | | |
| Normal | - | 64.3 | 64.3 | - | 66.3 | 66.3 | | |
| Deficit Funding | 3.6 | - | 3.6 | 11.0 | - | 11.0 | | |
| PPF Levy | - | - | - | 0.1 | - | 0.1 | | |
| | 3.6 | 64.3 | 67.9 | 11.1 | 66.3 | 77.4 | | |
| Employee | | | | | | | | |
| Normal | - | 8.9 | 8.9 | - | 9.8 | 9.8 | | |
| | 3.6 | 73.2 | 76.8 | 11.1 | 76.1 | 87.2 | | |

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Deficit funding contributions of £3.6m paid to the FS Section comprises four months of Employer contributions in accordance with the SOC dated 6 April 2020. Deficit funding contributions ceased in August 2022 in accordance with the SOC signed on 30 August 2022.

Employer normal contributions received in the MP Section, comprise £75.1m of normal contributions, offset by £10.8m SPV income in accordance with the MOA. SPV income received in the FS Section is shown in note 8.

Contributions received in the MP Section are allocated to Scheme members.

3. Other income

| £m | | | 2023 | | | 2022 | | |
|--------------------------|-----|----|-------|-----|----|-------|--|--|
| | FS | MP | Total | FS | MP | Total | | |
| Claims on term insurance | 3.4 | - | 3.4 | 3.6 | - | 3.6 | | |

Notes to the financial statements (continued)

4. Benefits payable

| £m | 2023 | | | 2022 | | |
|---|-------------|------------|-------------|-------|-------|-------|
| | FS | MP | Total | FS | MP | Total |
| Pensions | 64.5 | - | 64.5 | 62.9 | - | 62.9 |
| Commutations of pensions and lump sum retirement benefits | 14.9 | 4.5 | 19.4 | 37.6 | 4.3 | 41.9 |
| Lump sum death benefits | 4.5 | - | 4.5 | 4.5 | (0.6) | 3.9 |
| Purchase of annuities | 0.5 | - | 0.5 | 0.1 | - | 0.1 |
| | 84.4 | 4.5 | 88.9 | 105.1 | 3.7 | 108.8 |

5. Payments to and on account of leavers

| £m | 2023 | | | 2022 | | |
|---------------------------------------|-------------|-------------|-------------|------|------|-------|
| | FS | MP | Total | FS | MP | Total |
| Pension sharing orders | 0.9 | 0.4 | 1.3 | 0.5 | 0.2 | 0.7 |
| Individual transfers to other Schemes | 27.5 | 13.9 | 41.4 | 35.8 | 15.5 | 51.3 |
| | 28.4 | 14.3 | 42.7 | 36.3 | 15.7 | 52.0 |

6. Other payments

| £m | 2023 | | | 2022 | | |
|--|------|----|-------|------|----|-------|
| | FS | MP | Total | FS | MP | Total |
| Premiums on term insurance paid to the insurer | 2.4 | - | 2.4 | 2.3 | - | 2.3 |

7. Administrative expenses

| £m | 2023 | | | 2022 | | |
|-------------------------------|------------|------------|------------|------|-----|-------|
| | FS | MP | Total | FS | MP | Total |
| Administration and processing | 2.9 | 1.2 | 4.1 | 3.2 | 1.2 | 4.4 |
| Actuarial fees | 0.6 | - | 0.6 | 0.3 | - | 0.3 |
| Audit* | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Legal and professional fees | 0.2 | - | 0.2 | 0.2 | - | 0.2 |
| Trustee fees | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| PPF Levy | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| | 4.0 | 1.2 | 5.2 | 4.0 | 1.2 | 5.2 |

*Audit fees for the year to 31 March 2023 were £89,610.

Notes to the financial statements (continued)

8. Investment income

| £m | 2023 | | | 2022 | | |
|---|-------------|----|-------------|-------|----|-------|
| | FS | MP | Total | FS | MP | Total |
| Income from bonds | 19.6 | - | 19.6 | 22.5 | - | 22.5 |
| Income from pooled investment vehicles | 5.0 | - | 5.0 | 6.6 | - | 6.6 |
| Income from SPV | 16.2 | - | 16.2 | 16.1 | - | 16.1 |
| Annuity income | 55.1 | - | 55.1 | 40.0 | - | 40.0 |
| Net interest on cash deposits and repos | (14.6) | - | (14.6) | (2.5) | - | (2.5) |
| Income from derivatives | (5.5) | - | (5.5) | 3.7 | - | 3.7 |
| Other | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| | 75.9 | - | 75.9 | 86.5 | - | 86.5 |

Investment income on cash and cash instruments includes £17.3m (2022: £2.6m) of interest payments payable under repurchase agreements. Other income consists of income from class actions and stock lending (see note 21).

SPV income of £10.8m received from 1 August 2022 has been transferred from the FS Section to the MP Section in accordance with the SOC signed on 27 September 2022. This income transfer is shown in 'transfers between sections' on the Fund Account on page 20.

9. Investment management expenses

| £m | 2023 | | | 2022 | | |
|--|------------|----|------------|------|----|-------|
| | FS | MP | Total | FS | MP | Total |
| Administration, management and custody | 2.4 | - | 2.4 | 4.7 | - | 4.7 |
| Performance measurement services | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Other advisory fees | 0.2 | - | 0.2 | 0.1 | - | 0.1 |
| | 2.7 | - | 2.7 | 4.9 | - | 4.9 |

10. Transfer between sections

Transfer between sections comprise:

- amounts disinvested from L&G which are subsequently transferred from the MP section to fund benefits paid under the FS section.
- amounts transferred from the FS section to the MP section under the MOA agreement between the Company and the Scheme.

11. 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 as stated in Note 1 (b) (ii).

Notes to the financial statements (continued)

12. Pooled Investment Vehicles (PIVs)

The Final Salary Section holdings of PIVs are analysed below:

| £m | 2023 Total | 2022 Total |
|-------------------------|---------------|----------------|
| Bond funds | 311.7 | 932.9 |
| Equity funds | 35.8 | 126.3 |
| Property and Farmland | 0.6 | 2.9 |
| Alternative asset funds | 234.6 | 233.9 |
| | 582.7 | 1,296.0 |

The Scheme is the sole investor in an alternative asset pooled fund managed by LGT Capital Partners, which is included in the alternative asset pooled fund total above. The LGT Capital Partners fund invests in a range of underlying alternative asset pooled funds. The underlying exposures are:

| £m | 2023 Total | 2022 Total |
|-----------------------------|---------------|---------------|
| Private Equity | 54.0 | 50.3 |
| Hedge Funds | 60.8 | 66.1 |
| Fixed Income | 19.2 | 18.5 |
| Property | 16.6 | 17.1 |
| Insurance Linked Strategies | 13.8 | 14.1 |
| Infrastructure | 1.8 | 1.0 |
| Cash | 5.7 | 1.2 |
| | 171.9 | 168.3 |

The Money Purchase Section holdings of PIVs are analysed below:

| £m | 2023 Total | 2022 Total |
|--------------------------|---------------|---------------|
| Equity funds | 83.3 | 34.1 |
| Bond funds | 1.8 | 2.4 |
| Cash funds | 33.9 | 32.3 |
| Diversified Growth funds | 525.5 | 543.0 |
| Property funds | 0.3 | 0.3 |
| | 644.8 | 612.1 |

All Money Purchase investment assets are designated to members. Assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid and the assets identified 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.

Notes to the financial statements (continued)

13. Derivatives

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

The 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:

| £m | 2023 | | 2022 | |
|---------|--------------|----------------|--------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Swaps | 383.2 | (402.8) | 664.5 | (685.8) |
| Futures | 0.1 | - | - | (0.1) |
| | 383.3 | (402.8) | 664.5 | (685.9) |

(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) and are shown in the following table:

| £m | Number of Contracts | Notional Principal | Maturity | 2023 | |
|-------------------------|---------------------|--------------------|-------------|--------------|----------------|
| | | | | £ Asset | £ Liability |
| UK - Interest rate swap | 19 | 275.8 | 0-5 Years | 4.8 | (29.4) |
| | 30 | 465.7 | 5-10 Years | 39.4 | (53.0) |
| | 34 | 549.4 | 10-20 Years | 35.2 | (58.6) |
| | 59 | 1,136.2 | 20-30 Years | 138.2 | (84.6) |
| | 34 | 562.0 | 30-40 Years | 22.2 | (63.9) |
| | 15 | 137.9 | 40-50 Years | 1.7 | (29.3) |
| UK – RPI | 24 | 447.6 | 0-5 Years | 39.4 | (25.8) |
| | 25 | 404.2 | 5-10 Years | 42.3 | (23.9) |
| | 43 | 457.2 | 10-20 Years | 24.5 | (25.1) |
| | 41 | 385.3 | 20-30 Years | 13.6 | (7.1) |
| | 23 | 153.4 | 30-40 Years | 10.9 | (1.7) |
| | 12 | 54.0 | 40-50 Years | 11.0 | (0.4) |
| | | | | 383.2 | (402.8) |

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 £38.6m (2021: £20.9m).

| | £m | | £m |
|-----------------------------|--------|-----------------------------------|--------|
| Barclays Bank | (4.0) | HSBC Bank Plc | 12.0 |
| BNPParibas | 9.3 | LCH Clearnet | (42.2) |
| Citigroup | 1.7 | Merrill Lynch International | (20.3) |
| Credit Suisse International | 1.0 | Morgan Stanley & Co International | 8.4 |
| Goldman Sachs International | (13.8) | Natwest Markets Plc | 7.6 |
| | | UBS AG | 1.7 |

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

Notes to the financial statements (continued)

ii) Futures – These contracts are exchange traded

| £m Nature | Notional Amount | Duration | £ Asset | 2023 £ Liability |
|--------------------------|--------------------|----------|------------|---------------------|
| UK fixed interest future | 4.3 | Jun-23 | 0.1 | - |

14. 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.

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.

SPV income received from 1 August 2022 has been transferred from the FS Section to the MP Section in accordance with the SOC signed on 27 September 2022.

15. Insurance Policies

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

| £m | 2023 Total | 2022 Total |
|---|---------------|---------------|
| Legal & General Assurance Society Limited | 166.2 | 222.1 |
| Pensions Insurance Corporation | 137.2 | 185.0 |
| Aviva Life & Pensions UK Limited | 644.7 | 875.3 |
| | 948.1 | 1,282.4 |

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.

Notes to the financial statements (continued)

16. Additional Voluntary Contributions (AVCs)

| £m | 2023 | 2022 |
|-----------------|-------------|-------------|
| Final Salary | Total | Total |
| Prudential | 14.5 | 15.7 |
| Legal & General | 0.9 | 0.9 |
| BlackRock | 1.1 | 1.1 |
| Phoenix Life | 0.1 | 0.1 |
| | 16.6 | 17.8 |

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.

17. Investment reconciliation

Reconciliation of investments held at beginning and end of year.

| £m | Value at 1 April 2022 | Purchases at cost & derivative payments | Sales proceeds & derivative receipts | Change in market value | Value at 31 March 2023 |
|---------------------------------|-----------------------------|--|---|---------------------------|------------------------------|
| Final Salary Section | | | | | |
| Bonds | 2,001.4 | 446.6 | (520.6) | (692.5) | 1,234.9 |
| Pooled investment vehicles | 1,296.0 | 12.8 | (686.5) | (39.6) | 582.7 |
| Derivatives | (21.4) | 295.3 | (288.1) | (5.3) | (19.5) |
| Special Purpose Vehicle | 143.7 | - | - | (22.3) | 121.4 |
| Insurance Policies | 1,282.4 | - | - | (334.3) | 948.1 |
| AVC Investments | 17.8 | - | (1.4) | 0.2 | 16.6 |
| | 4,719.9 | 754.7 | (1,496.6) | (1,093.8) | 2,884.2 |
| Cash deposits | 38.6 | | | 0.1 | 56.8 |
| Other investment balances | (1,161.3) | | | - | (503.6) |
| Net investment assets | 3,597.2 | 754.7 | (1,496.6) | (1,093.7) | 2,437.4 |
| Money Purchase Section * | | | | | |
| Net investment assets | 612.1 | 203.5 | (144.0) | (26.8) | 644.8 |

*The assets are allocated to members of the Scheme.

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 £502.7m of repurchase and reverse repurchase agreements (2022: £1,222.1m).

Notes to the financial statements (continued)

18.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 for the Scheme year were nil (2022: nil).

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.

19.Repurchase and reverse repurchase agreements

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £576.1m (2022: £1,227.3m) and amounts receivable under reverse repurchase agreements amounted to £73.4m (2022: £5.2m). At the year-end £503.4m (2022: £1,134.3m) 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 £4.2m (2022: £67.6m).

| | £m | | £m |
|-----------------------------------|-------|---------------------|-------|
| Insight Government Liquidity Fund | (0.2) | NAB Limited | 4.4 |
| LCH Clearnet | 2.6 | Natwest Markets Plc | (0.4) |
| Lloyds Bank Corporate Markets | (0.1) | Société Générale | 1.0 |
| Lloyds TSB | (9.6) | Toronto Dominion | (1.9) |

20.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.

| £m | | | | |
|-----------------------------------|---------|---------|---------|---------|
| At 31 March 2023 | Level 1 | Level 2 | Level 3 | Total |
| Final Salary Section | | | | |
| Bonds | - | 1,234.9 | - | 1,234.9 |
| Pooled investment vehicles | - | 347.5 | 235.2 | 582.7 |
| Derivatives | 0.1 | - | (19.6) | (19.5) |
| Special Purpose Vehicle | - | - | 121.4 | 121.4 |
| Insurance Policies | - | - | 948.1 | 948.1 |
| AVC investments | - | 16.6 | - | 16.6 |
| Cash deposits | 56.8 | - | - | 56.8 |
| Other investment balances | (0.9) | (502.7) | - | (503.6) |
| | 56.0 | 1,096.3 | 1,285.1 | 2,437.4 |
| Money Purchase Section | | | | |
| Pooled investment vehicles | - | 644.8 | - | 644.8 |

Notes to the financial statements (continued)

| £m | | | | |
|-----------------------------------|-----------------------|-----------------------|---------|-----------|
| At 31 March 2022 | Level 1 (restated) | Level 2 (restated) | Level 3 | Total |
| Final Salary Section | | | | |
| Bonds | - | 2,001.4 | - | 2,001.4 |
| Pooled investment vehicles | - | 1,059.2 | 236.8 | 1,296.0 |
| Derivatives | (0.1) | - | (21.3) | (21.4) |
| Special Purpose Vehicle | - | - | 143.7 | 143.7 |
| Insurance Policies | - | - | 1,282.4 | 1,282.4 |
| AVC investments | - | 17.8 | - | 17.8 |
| Cash deposits | 38.6 | - | - | 38.6 |
| Other investment balances | 60.8 | (1,222.1) | - | (1,161.3) |
| | 99.3 | 1,856.3 | 1,641.6 | 3,597.2 |
| Money Purchase Section | | | | |
| Pooled investment vehicles | - | 612.1 | - | 612.1 |

The Trustee has revisited the Bonds classification and now considers them to be valued as level 2, previously level 1. Current year and prior year Fair Value Hierarchy tables reflect this change.

21. 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 instrument 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 instrument 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 instrument 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 15) 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.

Notes to the financial statements (continued)

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: Aviva Life & Pensions UK Limited 20.7% (2022: 20.8%), L&G insurance policy 5.3% (2022: 5.3%).

Final Salary Section

(i) Credit risk

The FS Section is subject to credit risk as the Scheme invests directly in bonds, bonds short, OTC derivatives, has cash balances and enters into repurchase and reverse 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:

| £m | Investment grade | Non-investment grade | Unrated | Total |
|-------------------------|------------------|----------------------|---------|---------|
| At 31 March 2023 | | | | |
| Bonds | 1,265.2 | - | - | 1,265.2 |
| Bonds short | (30.3) | - | - | (30.3) |
| Special Purpose Vehicle | - | - | 121.4 | 121.4 |
| OTC Derivatives | (19.5) | - | - | (19.5) |
| Cash deposits | 56.8 | - | - | 56.8 |
| Repos | (502.7) | - | - | (502.7) |
| PIVs | - | - | 582.7 | 582.7 |
| | 769.5 | - | 704.1 | 1,473.6 |

| £m | Investment grade | Non-investment grade | Unrated | Total |
|-------------------------|------------------|----------------------|---------|-----------|
| At 31 March 2022 | | | | |
| Bonds | 2,001.4 | - | - | 2,001.4 |
| Special Purpose Vehicle | - | - | 143.7 | 143.7 |
| OTC Derivatives | (21.4) | - | - | (21.4) |
| Cash deposits | 38.6 | - | - | 38.6 |
| Repos | (1,222.1) | - | - | (1,222.1) |
| PIVs | - | - | 1,296.0 | 1,296.0 |
| | 796.5 | - | 1,439.7 | 2,236.2 |

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.

Notes to the financial statements (continued)

The Scheme has the facility to lend certain bonds under a Trustee approved stock lending programme. At the year end the Scheme had lent £46m of fixed interest bonds (2022: £81m). 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 as disclosed in note 19.

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.

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

| £m | 2023 Total | 2022 Total |
|---------------------------------|---------------|----------------|
| Unit linked insurance contracts | 35.8 | 108.0 |
| Authorised unit trusts | 102.0 | 286.6 |
| Open ended investment companies | 209.7 | 664.7 |
| Limited liability companies | 235.2 | 236.8 |
| | 582.7 | 1,296.0 |

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:

| £m | 2023 Total | 2022 Total |
|-----------------|---------------|---------------|
| Currency | | |
| US Dollar | 19.4 | 36.9 |
| Euro | 2.4 | 3.2 |
| Japanese Yen | 4.3 | 9.0 |
| Other | 13.9 | 61.5 |

Currencies included in 'Other' are predominantly emerging market currency exposures.

Notes to the financial statements (continued)

(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 96% of interest and inflation rate risk. At the year end the Scheme exposures comprised:

| £m | 2023 Total | 2022 Total |
|-------------------------|---------------|---------------|
| Direct | | |
| Bonds | 1,234.9 | 2,001.4 |
| Derivatives | (19.5) | (21.4) |
| Indirect | | |
| Bond PIVs | 311.7 | 932.9 |
| Alternative asset PIVs | 234.6 | 233.9 |
| Special Purpose Vehicle | 121.4 | 143.7 |

(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:

| £m | 2023 Total | 2022 Total |
|------------------------------|---------------|---------------|
| Indirect | | |
| Equity PIVs | 35.8 | 126.3 |
| Property & Farmland | 0.6 | 2.9 |
| Special Purpose Vehicle | 121.4 | 143.7 |
| Other alternative asset PIVs | 234.6 | 233.9 |

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.

Notes to the financial statements (continued)

(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:

| 2023 and 2022 | | | | |
|--------------------------------------|-------------|-----------------------|--------------------|------------------|
| Money Purchase Section | Credit risk | Foreign exchange risk | Interest rate risk | Other price risk |
| Lifestyle fund | ✓ | ✓ | ✓ | ✓ |
| Passive Equity Fund | x | ✓ | x | ✓ |
| Emerging Markets Fund | x | ✓ | x | ✓ |
| Ethical Fund | x | ✓ | x | ✓ |
| Shariah Fund | x | ✓ | x | ✓ |
| Pre-Retirement Fund | ✓ | x | ✓ | x |
| Pre-Retirement Inflation Linked Fund | ✓ | x | ✓ | x |
| Money Market Fund | ✓ | x | ✓ | x |
| Diversified Return Fund | ✓ | ✓ | ✓ | ✓ |
| Property Fund | ✓ | x | x | ✓ |

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.

22. Current Assets

| £m | 2023 | | | 2022 | | |
|---------------------|------|-----|-------|------|-----|-------|
| | FS | MP | Total | FS | MP | Total |
| Cash balances | 35.1 | 1.3 | 36.4 | 14.0 | 1.6 | 15.6 |
| Contributions due * | - | 6.8 | 6.8 | 0.1 | 6.3 | 6.4 |
| VAT recoverable | 0.4 | - | 0.4 | 0.2 | - | 0.2 |
| Other debtors | 2.4 | 0.2 | 2.6 | 2.4 | 0.1 | 2.5 |
| | 37.9 | 8.3 | 46.2 | 16.7 | 8.0 | 24.7 |

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

Cash balances held in the MP Section includes £0.7m unallocated to Scheme members. All remaining current assets are allocated to Scheme members.

23. Current Liabilities

| £m | 2023 | | | 2022 | | |
|------------------|------|-----|-------|------|-----|-------|
| | FS | MP | Total | FS | MP | Total |
| Expense accruals | 1.1 | - | 1.1 | 1.3 | - | 1.3 |
| Unpaid benefits | 4.7 | - | 4.7 | 4.6 | - | 4.6 |
| Other creditors | 0.8 | 0.6 | 1.4 | 1.2 | 0.9 | 2.1 |
| | 6.6 | 0.6 | 7.2 | 7.1 | 0.9 | 8.0 |

Current liabilities due from the MP Section are payable to the FS Section on behalf of Scheme members.

24. 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 eight of the directors of the Trustee Board who are or were contributing members of the Scheme. These were paid in accordance with the Schedule of Contributions and the Rules of the Scheme.

Notes to the financial statements (continued)

The costs incurred by Kingfisher plc in providing Scheme administration services are rechargeable to the Scheme. Amounts charged during the year were £858k (2022: £849k). Kingfisher plc also recovers VAT on administration services paid by the Scheme. The VAT paid back to the Scheme during the year was £380k (2022: £727k). The balance owed by Kingfisher plc at year end is £19k (2022: £152k).

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 are analysed in the table below:

| £ 000' | 2023 Total | 2022 Total |
|---------------------|---------------|---------------|
| BESTrustees Limited | 79.4 | 39.3 |
| Helen Jones | 11.1 | 11.0 |
| Sally Clifton | 7.3 | 6.7 |
| | 97.8 | 57.0 |

The amount owed to Trustee Directors at the year-end was £17k (2022: £16k).

25. 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.

26. Contingencies and commitments

At 31 March 2022 the Scheme had the following outstanding undrawn capital commitments:

| £m | 2023 | 2022 |
|---------------------------|------------|------------|
| HayFin Fund III | 2.4 | 5.4 |
| BlackRock renewables fund | 1.4 | 1.9 |
| | 3.8 | 7.3 |

As at 31 March 2023, a final premium or repayment is due under the Aviva buy-in policy. The final premium or repayment cannot be determined until data cleansing has been finalised; and the Trustee has signed the final benefit specification, indicating that the benefit specification (including the data) includes the correct beneficiaries and the benefits have been correctly specified.

Data cleansing is required due to the shift in membership from when the data was originally supplied to the Insurer and the following twelve-month period. The completion of this exercise ensures that the Scheme and the Insurer are not adversely affected. Due to the complexities of the data and ongoing GMP equalisation project, the Trustee has agreed an extension with Aviva to January 2024 to complete this work.

Should further changes be notified after the final premium has been calculated, additional charges may be incurred.

In addition to the expected contingent liability for a potential premium adjustment once data validation is complete, there is a further potential liability in relation to annuity income once the final reconciliation has been completed of actual amounts due versus lump sum monthly amounts received to date.

High court case regarding section 37 of the Pension Schemes Act 1993

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. It is not known at this stage whether the case will be appealed but, as matters stand, the case has the potential to cause significant issues in the pensions industry. The Trustee will investigate the possible implications with their advisers but, it is not possible at present to estimate the potential impact, if any, on the Scheme.

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 2023 which is set out in the Trustee's report on page 39.

In our opinion, contributions for the scheme year ended 31 March 2023 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 6 April 2020, 30 August 2022 and 27 September 2022.

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 16 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 schedules 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
Cardiff

5 October 2023

Summary 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 2023

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 6 April 2020, 30 August 2022 and 27 September 2022 in respect of the Scheme year ended 31 March 2023. The Scheme Auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

Deficit funding contributions less SPV income were due to the Scheme in accordance with the Schedule of Contribution dated 6 April 2020. This was superseded by the Schedule of Contributions signed on 30 August 2022 where deficit funding contributions cease. Further information on the composition of the contribution amounts can be found in note 2 and in the actuarial update in the Trustee Report on page 4.

| Contributions payable under the Schedules in respect of the Scheme year | £m |
|--|-------------|
| Employer | |
| Normal contributions | 75.1 |
| Deficit contributions | 9.0 |
| Employee | |
| Normal contributions | 8.9 |
| Contributions received | 93.0 |
| SPV income | (16.2) |
| Contributions payable under the Schedules and as per Fund Account | 76.8 |

Signed on behalf of the Trustee of the Kingfisher Pension Scheme on 5 October 2023.

Rachel Croft

ITS Limited,
represented by Rachel Croft, Chairperson

Actuary's calculation of technical provisions

Appendix C: Technical provisions certificate

My certification of the calculation of the technical provisions is included below. I am also required to certify the adequacy of the contribution rates set out in the schedule of contributions. That certificate is appended to the contribution schedule.

Actuarial certification of the calculation of technical provisions as required by 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 2022 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 September 2022.

| | |
|------------------|--|
| Date | 27 September 2022 |
| Name | Lisa Deas |
| Qualification | Fellow of the Institute and Faculty of Actuaries |
| Name of Employer | Hymans Robertson LLP |
| Address | 20 Waterloo Street Glasgow G2 6DB |

Actuary's Certification of the Schedule of Contributions

Kingfisher Pension Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to continue 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 September 2022.

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.

| | | |
|------------------|----|--|
| Date | 27 | September 2022 |
| Name | | Lisa Deas |
| Qualification | | Fellow of the Institute and Faculty of Actuaries |
| Name of Employer | | Hymans Robertson LLP |
| Address | | 20 Waterloo Street Glasgow G2 6DB |

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

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 Lisa Deas as at 31 March 2022. This showed that on that date the value of the technical provisions was: £3,323m (2019: £3,416m). The value of the assets at that date was £3,506m (2019: £3,573m). The technical provisions funding level was 106% (2019: 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 Lisa Deas 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-2030: The pre-retirement discount rate is the market implied fixed interest gilt yield curve plus 1% p.a.

Post-2030: The post-retirement discount rate is market implied fixed interest gilt yield curve.

Inflation: Implied inflation from swaps market curves.

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 2022 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 2021 model with no weighting on 2020 or 2021 data, initial addition to improvements of +0.3% p.a. and long term rate of improvement of 1.5% p.a. tapering to 0% p.a. over ages 85 to 110.

GMP equalisation: An estimate of 0.2% of liabilities has been allowed for to reflect the expected impact of GMP equalisation

Lisa Deas

Fellow of the Institute and Faculty of Actuaries

Hymans Robertson LLP

27 September 2022

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 Scheme Secretary 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 Scheme Secretary, and you will normally receive a response within 2 months. 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 Scheme Secretary, 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 one month 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

Tel : 0800 917 4487

Email : enquiries@pensions-ombudsman.org.uk

Web : www.pensions-ombudsman.org.uk

Compliance statement (continued)

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:

Customer Support, The Pensions Regulator, Telecom House, 125-135 Preston Road, Brighton BN1 6AF

Tel: 0345 600 0707

Email: customersupport@tpr.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.

The PPF can be contacted at: PO Box 254, Wymondham, NR18 8DN

Tel : 0345 600 2541

Email : information@ppf.co.uk

Web : www.ppf.co.uk

The Pension Service

Contact the Pension Service about State Pension eligibility, claims, payments and complaints, and to update your details. Their address is: The Pension Service, Post Handling Site A, Wolverhampton, WV98 1AF

Tel: 0800 731 0469

MoneyHelper

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 MoneyHelper. (MoneyHelper will not recommend any products or tell you what to do with your money).

Website Address: www.moneyhelper.org.uk

Phone: 0800 011 3797

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.

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

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 2023.

Money Purchase Section investments: £645m (2022: £612m)
Total membership: 69,336 (2022: 65,646)

Introduction

I am pleased to present the Trustee's statement of governance, describing how the Trustee has governed the defined contribution (DC) Money Purchase (MP) section of the Kingfisher Pension Scheme during the year ending 31 March 2023 (the "Scheme year"). In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended).

This statement covers the following areas:

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

The Money Purchase Section of the Kingfisher Pension Scheme has received external recognition, with the Scheme being awarded the Pensions Age 'Defined Contribution 2022 Scheme of the Year award'.

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 MND 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 with four standing subcommittees to help fulfil its governance functions;

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

Annual governance statement (continued)

There were a number of activities completed during the year.

- The Trustee completed an in-depth review of the Scheme's default arrangement. They carried out an in-depth demographic analysis of the membership and assessed projected member outcomes against different measures, including the Pensions and Lifetime Savings Association (PLSA) Retirement Living Standards, of which Kingfisher Pension Scheme is a supporter. The Trustee considered the likely needs of members in retirement along with other likely sources of income, in particular the State pension, which for most members will be their main source of income in retirement. Having regard to these factors, the Trustee implemented some changes that are summarised in the next section of this Statement.
- The Trustee negotiated a 2bp reduction on the administration fee element of the Annual Management Charge (AMC). This represents a saving of over 10% on the administration fee element for members.
- The Trustee Board held a number of discussions, and received training, on the Task Force on Climate-Related Financial Disclosures (TCFD) throughout the year. The Trustee Board considered the impact of climate change on both Final Salary and Money Purchase Sections of the Scheme. Further details about the Trustee's approach to climate change and the impact on the Scheme can be found in the Scheme's TCFD report.
- A range of Pension Benefits webinars were held during the year to help support and increase member pension education and engagement, including a Mid-Life MOT course offered to members via L&G and the Open university.
- The Trustee also completed a review of the security of DC assets, taking into consideration legal advice. The Trustee was 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 under review.
- The Trustee completed a member nominated Trustee exercise during the year and jointly worked with the Employer on an external Professional Trustee tender exercise for a new Chair of the Trustee Board. In addition, a recruitment search was completed to identify and appoint a new Scheme Secretary.

1. The default arrangement

A "default arrangement" 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 arrangement. As at 31 March 2023, approximately 97% of members were invested in the default arrangement.

Setting an appropriate investment strategy

The Trustee is responsible for investment governance. This includes deciding on the aims, objectives and policies for the default arrangement (the "default strategy") and ensuring that the default strategy is in the interests of members.

We have chosen the 'Lifestyle cash target' as the default arrangement. Details 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 ten 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.

Annual governance statement (continued)

- Growth assets (e.g. stocks & shares) 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.

Reviewing the default arrangement

The Trustee's DC Investment and Retirement Committee reviews the performance of the default arrangement 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, and that the funds forming the default arrangement continued to perform in line with their benchmarks.

At least once every three years, the Trustee conducts a comprehensive review of the default strategy and default arrangement with the assistance of its external professional advisers. The latest review process took place during the Scheme year. The Trustee's advisers carried out an in-depth demographic analysis of the membership and supplied projections of member outcomes, including the Pensions and Lifetime Savings Association (PLSA) Retirement Living Standards, of which Kingfisher Pension Scheme is a supporter. 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 their main source of income in retirement. Having regard to these factors, the Trustee approved the following changes at their meeting on 23 September 2022.

1. An increase in the equity allocation of the default strategy at younger ages
2. An increase in the length of the de-risking period from 5 to 10 years
3. A decrease in the length of time that cash is introduced from 5 to 3 years

The growth phase of the default arrangement was amended from 50% Passive Equity Fund and 50% Diversified Return Fund to 70% Passive Equity Fund and 30% Diversified Return Fund. The underlying funds are part of the Legal and General Investment Management (LGIM) Future World Fund range. These funds aim to reduce the impact of climate change risk by prioritising companies which are less carbon-intensive or earn green revenues; the manager has discretion to reduce investment in certain companies which do not, in the manager's view, demonstrate adequate strategies and governance standards to transition to a low carbon economy. The changes to the default arrangement were implemented by LGIM during March 2023.

The Trustee also offers a range of white-labelled self-select funds covering the major asset classes. The Funds within the range are chosen having regard to members' likely needs, attitude to risk, and value-for-money. These funds are regularly monitored and reviewed by the Trustee.

2. Investment returns

Regulations introduced in 2021 require the Trustee to report on the net investment returns for the Scheme's default arrangement(s) and for each fund which Scheme members are, or have been able to, select, and in which members have been invested during the Scheme year.

The table below sets out annualised net fund performance to 31st March 2023 for the 1, 3 and 5 year periods for the lifestyle fund (for all ages up to the de-risking phase) and for the self-select fund range.

| | 1 year (%) | 3 years (%) | 5 years (%) |
|--------------------------------------|------------|-------------|-------------|
| Lifestyle Fund (default arrangement) | -4.7 | 10.4 | 6.0 |
| Passive Equity Fund | -4.4 | 14.9 | 7.9 |
| Diversified Return Fund | -5.4 | 6.0 | 3.8 |
| Money Market Fund | 2.2 | 0.8 | 0.7 |
| Emerging Markets Fund | -5.2 | 8.1 | 1.8 |
| Ethical Fund | -5.4 | 13.4 | 10.9 |
| Pre-Retirement Fund | -19.7 | -8.5 | -3.2 |
| Pre-Retirement Inflation Linked Fund | -25.4 | -9.1 | -3.6 |
| Property Fund | -14.2 | 2.2 | 1.9 |
| Shariah Fund | -5.9 | 15.7 | 14.8 |

Source: Legal and General

Annual governance statement (continued)

3. 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 borne 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 for the Scheme's services are:

| Service | By members | Shared | By the Scheme |
|-------------------------|------------|--------|---------------|
| Investment management | ✓ | | |
| Investment transactions | ✓ | | |
| Administration | ✓ | | |
| Governance | | | ✓ |
| Communications | | ✓ | |
| Retirement | ✓ | | |

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

- Charges: 0.41%. This is well under the legal charge cap of 0.75%.
- Transaction costs: 0.10%.

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 arrangement, then per year the member bears the following:

- Charges: $0.41\% \times £1,000 = £4.10$.
- Transaction costs: $0.10\% \times £1,000 = £1.00p$.

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 | TER Charges | Total transaction costs |
|--------------------------------------|-------------|-------------------------|
| Lifestyle Fund (default arrangement) | 0.41% | 0.10% |
| Passive Equity fund | 0.43% | 0.14% |
| Diversified Return Fund | 0.35% | 0.07% |
| Money Market Fund | 0.29% | 0.06% |
| Emerging Markets Fund | 1.18% | 0.23% |
| Ethical Fund | 0.93% | 0.16% |
| Pre-Retirement Fund | 0.28% | 0.08% |
| Pre-Retirement Inflation Linked Fund | 0.28% | 0.20% |
| Property Fund | 1.60% | 0.00% |
| Shariah Fund | 0.54% | 0.00% |

Source: Legal and General

Annual governance statement (continued)

The Total Expense Ratios (TERs) are as at 31 March 2023 and transaction cost information is based on information available for the 12 months to 31 December 2022 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.

In accordance with the Financial Conduct Authority's Conduct of business sourcebook (COBS) 19.8, where aggregated transaction costs result in a negative value these costs have been adjusted by L&G to zero for reporting purposes.

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 18, 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 £234,154 to £201,837.

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

4. Good value for members

Each year, with the help of their external professional advisers, the Trustee conducts an assessment of whether the charges and transaction costs for the default arrangement and other investment self-select options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – as part of the assessment the Trustee and their advisers also consider the quality and scope of provision compared against similar pension 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 retirement outcomes for members;
- 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.

Annual governance statement (continued)

Results for the Year ending 31 March 2023

The Scheme gave **EXCELLENT** Value for Members in the year ending 31 March 2023 for investment, communication and administration where members pay part or all the costs.

The Trustee also assess all the services members use (not just those for which they pay part or all the costs for). The Scheme gave **EXCELLENT** overall value for money in the year ending 31 March 2023.

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 excellent 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% | GOOD | <p>The Trustee notes that 97.1% 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 0.29% 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. However, the Scheme's strategy uses a multi-factor equity approach which is 50% currency hedged (rather than a simple market cap approach), which can be more expensive than the strategies employed by peer schemes.</p> <p>The last full review of the investment strategy and fund range was in September 2022. Following the review, the Trustee made the following changes to the default Lifestyle Cash Target strategy, as well as the other lifestyle strategies, Lifestyle Annuity Target and Lifestyle Drawdown Target:</p> <ul style="list-style-type: none"> Updated the allocation of the Kingfisher Lifestyle Fund from 50% Kingfisher Passive Equity Fund and 50% Diversified Assets Fund to 70% Kingfisher Passive Equity Fund and 30% Kingfisher Diversified Return Fund; Increased the de-risking period of the strategy from 5 years to 10 years before retirement; and Decreased the length of time that cash is introduced from 5 to 3 years before retirement. <p>The Trustee also provides 9 funds for the membership to self-select from including property, emerging markets, ethical and Shariah 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</p> |

| | | |
|-----------------------|-----------|--|
| | | 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 is regularly updated by L&G and the Scheme’s advisers on ESG developments and has introduced Tumelo to gain feedback from members on ESG matters. |
| Administration 20% | EXCELLENT | The Trustee receives regular reports on performance against the agreed service levels. These show that, over the 12-month period, L&G achieved 99.9%; above the target service levels of 95%. Core financial transactions have, generally, been processed promptly and accurately. Member complaints remain very low as a % of total membership, with 41 complaints in the year to 31 March 2023. L&G are rated AA- by Standard & Poor’s, Aa3 by Moody’s and AA- by Fitch 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 in-house administration and help-line team. |
| Communication 20% | EXCELLENT | 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 and 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 PLSA’s Pension Quality Mark, 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 32.9% as of 31 March 2022 to 37.9% members as of 31 March 2023 – a 5% 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 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 significant Pension’s experience. A Trustee effectiveness review was conducted and the Board is confident that it has established and maintained procedures and controls to ensure the effectiveness and performance of the Scheme and its service providers. The Board have collectively, and individually, maintained and developed their knowledge over the year with 3 dedicated training days. The Trustee Board is also a member of the Pensions Management Institute’s Trustee Group. |
| Retirement 5% | EXCELLENT | The Trustee, through both L&G and Hargreaves Lansdown, 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. Members are also being appropriately signposted to Pension Wise and Money Helper. |

Annual governance statement (continued)

5. 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. An in-depth annual administration update was held by the DC Investment and Retirement Committee during the year with another planned to be held during 2023/24.

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 Trustee 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 2023, the percentage completed within SLA was 99.9%. The Trustee monitors the SLAs on a quarterly basis.

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 Trustee 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 Trustee’s quarterly monitoring and reviews did not identify any material issues for the scheme year.
- 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.

Annual governance statement (continued)

- The Scheme is compliant with The Pension Regulator's Defined Contribution 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 01/20 Type 2 internal controls report of Legal and General, a report audited by independent auditors. The report covered the period 1 October 2021 to 30 September 2022.
- 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; and
- There have been no material administration errors in relation to processing core financial transactions.

Security of Assets:

The Trustee periodically assesses the level of security of the assets, taking legal advice where appropriate. The latest review took place in December 2022 and 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.

6. Trustee Knowledge and Understanding (TKU)

The law requires the Trustee Board to possess sufficient knowledge and understanding ("TKU") to run the Scheme effectively, including knowledge and understanding of 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 external professional 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.

Annual governance statement (continued)

As part of the Trustee's training, on appointment all Trustee Directors familiarise themselves, 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.

During the year, three new Trustee Directors were appointed and provided with access to the above documentation in order for them to familiarise themselves with it.

New Trustee Directors complete an induction programme, which includes completing The Pensions Regulator's online trustee toolkit. The Trustee toolkit is an online learning programme 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 Trustee Directors must complete this within six months of their appointment. All Trustees (excluding the newly appointed Trustee with less than six months' service) have completed the Pensions Regulator's toolkit, including the modules "How a Defined Contribution scheme works" and "Investment in a Defined Contribution scheme".

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

During the Scheme year, Trustee Directors were provided with pensions bulletins to assist them in keeping up to date with current matters, including relevant information about changes to pensions law and regulations. When particular matters of strategic importance are being discussed at the Committees or Board, TKU 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 Defined Benefit (DB) and an active Defined Contribution (DC) money purchase section, therefore the TKU agenda's cover both benefit structures. The days are open to all Trustee Directors, potential future Trustee Directors, Company delegates and group pensions team members.

As mentioned above, this TKU training covers a wide range of both DB & DC topics and for 2022/23 included Trustee duties on:

| Date | Topic |
|------------|---|
| 18.1.2023 | Cyber Security - Steve Hiscock, Legal and General |
| 18.1.2023 | Liability Driven Investment - Sugan Pillay, Hannah Ni Riain, David Jamieson and Emily Halliday- Insight Investment Management |
| 19.10.2022 | Merger and Acquisitions scenario training – Leonard Bowman and Lisa Deas, Hymans Robertson, Francois Barker and Simon Daniel, Eversheds Sutherland |
| 20.07.2022 | Latest views on ESG updates and engagement, stewardship with client companies – Kurt Morriesen, Catherine Ogden and Cristy Rodriguez, Legal and General |
| 20.07.2022 | What's beyond TCFD and ESG - Francois Barker, Mark Latimour and Simon Daniel, Eversheds Sutherland |
| 20.07.2022 | The global macro-economic environment in uncertain times - Steven Bell, Colombia Threadneedle Investments |

Additionally, Task Force on Climate- Related Financial Disclosures (TCFD) training was conducted at the Trustee Board meetings throughout the year.

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

Annual governance statement (continued)

All of the presentations used on these in-house TKU days are stored in a TKU section of our diligent board packs service, for future Trustee reference.

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).

Further Trustee training days are planned to be held during 2023/24.

Trustee effectiveness

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.

Other board members have substantial professional knowledge and expertise in 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 Money Purchase 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.

During the Scheme year a Trustee Effectiveness review was completed. The review was facilitated by Hymans Robertson. The results were reviewed by the Trustee Board and there were no areas of concern. Another review is planned for 2023/24.

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 both sections of the hybrid Kingfisher Pension Scheme.

7. Trustee Statement of MP Governance

The Trustee undertakes ongoing assessments of the Scheme against The Pension Regulator's Defined Contribution 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 The Pensions Regulator's Code of Practice.

Rachel Croft

ITS Limited,
represented by Rachel Croft, Chairperson
On behalf of the Trustee

31 August 2023

Appendix I: Statement of investment principles

GENERAL

Introduction

1. 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.
2. 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.
3. 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.
4. 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))

5. 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.
6. 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.
7. 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.

Statement of investment principles (continued)

8. 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

9. The Trustee has the following general beliefs which will guide its investment decisions:
 - (a) **DB liabilities:** A sound understanding of the Scheme's DB liabilities is necessary in order to make appropriate DB investment decisions.
 - (b) **Asset allocation:** Asset allocation is a key decision as regards investment, with significant implications for long-term returns.
 - (c) **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.
 - (d) **Diversification:** Diversification of investments is likely to reduce the level of risk inherent in the overall investment strategy.
 - (e) **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.
 - (f) **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.
 - (g) **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.

Statement of investment principles (continued)

Fund managers

10. 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.
11. The criteria considered when appointing or removing fund managers include the following:
 - (a) **Business:** evidence of clear strategic direction; supportive ownership from a parent committed to fund management.
 - (b) **People:** high-calibre, experienced professionals; relatively low turnover; clear commitment to fund management culture; strong recruitment and training process.
 - (c) **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,
 - (d) **Performance:** variability within acceptable range relative to fund manager's style.
12. 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.

Statement of investment principles (continued)

DB INVESTMENT

Background

13. 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 2022 valuation, the Scheme was fully-funded on the SFO basis.
14. 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 and maintain the 2FO through a combination of investment returns and employer contributions, if required.

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

15. The Trustee has the following policies as regards DB investment:
 - (a) **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 2022, 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 96% 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 2022, 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.

Statement of investment principles (continued)

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.

- (b) **Risks, including measurement and management:** The Trustee considers the key risk as regards the DB investments to be as follows:
- (i) **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)
 - (ii) **Collateral Adequacy risk** – The Scheme is invested in leveraged Liability Driven Investment (“LDI”) arrangements to provide protection against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Scheme may not be able to post additional cash to the LDI portfolio within the required timeframe. A potential consequence of this risk is that the Scheme’s interest rate and inflation hedging could be reduced, and that the Scheme’s funding level could suffer as a result. In order to manage this risk, the Trustee has a collateral monitoring and collateral waterfall framework in place to ensure that the Scheme has a reasonable liquidity buffer should cash need to be posted to the LDI manager at short notice.
 - (iii) **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.
 - (iv) **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.

Statement of investment principles (continued)

- (v) **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.
- (vi) **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).
- (vii) **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.
- (viii) **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-realizable assets.
- (ix) **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.
- (c) **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.
- (d) **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.

Statement of investment principles (continued)

- (e) **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-related risks and opportunities in the management of the DB global equity portfolio, the Trustee's view being that climate change and the expected transition to a low-carbon economy give rise to long-term financial risks for the Scheme and for member outcomes. The Trustee has 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).
- (f) **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.
- (g) **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.

- (h) **Arrangements with fund managers:** The Trustee's policy as regards arrangements with any fund manager is as follows:
- (i) 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;

Statement of investment principles (continued)

- remuneration; performance measurement and reporting; and termination of the arrangement.
- (ii) The Trustee will ensure that the policies set out in this SIP (so far as relevant) are clearly communicated to the fund manager.
- (iii) The Trustee will proactively monitor and liaise with the fund manager on a regular basis.
- (iv) 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.
- (v) 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.
- (vi) 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

Statement of investment principles (continued)

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.

Statement of investment principles (continued)

DC INVESTMENT, INCLUDING THE DEFAULT ARRANGEMENT

Background

16. 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**).
17. 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.
18. 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.
19. 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))

20. 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 ten years to selected retirement age (**SRA**), investments should be de-risked, 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), (d))

21. The Trustee has the following policies as regards DC investments including the Default Arrangement:
 - (a) **Kinds of investment, and the balance between them:**
 - **Default Arrangement:** During the growth phase investment is split between the Passive Equity Fund i.e. the L&G Future World Fund and the

Statement of investment principles (continued)

Diversified Return Fund i.e. the L&G Future World 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, while reflecting significant ESG issues into the fund's investment strategy; 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 things) members' likely needs, attitude to risk, and value-for-money.
- (b) **Risks, including measurement and management:** The Trustee considers the key risks to be as follows:
- (i) **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 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.
 - (ii) **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 over the ten 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.
 - (iii) **Currency risk** – The risk that, where Funds' underlying investments are overseas, returns are adversely affected by currency movements.

Statement of investment principles (continued)

- **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.
- (iv) **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.
- (v) **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 during the ten 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.
- (vi) **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.
- (vii) **Environmental Social and Governance Issues** – Risk of the extent to which ESG factors including climate change are not appropriately

Statement of investment principles (continued)

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.

(c) **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.

- (d) **Realisation of investments and liquidity:** 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 believes that for members it is important that holdings are suitably liquid, so that any decision which members make to switch investments, take benefits or transfer can be implemented without delay. Accordingly, the Trustee's policy is not to invest in Funds which are illiquid or under which a material proportion of the underlying assets are illiquid, and the Trustee does not currently have plans to invest in any such Funds in the future. The Diversified Return Fund, which comprises part of the Default Arrangement during the growth phase, has some exposure to illiquid asset classes (e.g. property and infrastructure) for reasons of diversification, but this exposure is achieved through liquid instruments. Accordingly, the Trustee expects that all 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.

- (e) **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. In particular, the Trustee takes account of climate-related risks and opportunities, the Trustee's view being that climate change and the expected transition to a low-carbon economy give rise to long-term financial risks for member outcomes. 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

Statement of investment principles (continued)

fossil fuel assets relative to their sector. The Trustee also selected the L&G Future World Multi-Asset Fund as the underlying fund of the Diversified Return Fund which reflects significant ESG considerations into the fund's investment strategy. 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).

- (f) **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.
- (g) **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.

- (h) **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:
 - (i) 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.
 - (ii) 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.

Statement of investment principles (continued)

- (iii) The Trustee will proactively monitor Funds and liaise with the insurer and/or fund managers from time to time.
- (iv) 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.
- (v) 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.
- (vi) 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.

Statement of investment principles (continued)

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

22. 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 is also conscious that members may want to take or transfer their benefits at short notice and without delay. 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; by ensuring that holdings are suitably liquid; and by delivering real value for members.

14 December 2022

Appendix II: Tables illustrating the impact of charges and costs

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 42, with a pension pot size of £16,042, on a salary of £23,000 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 £) |
|---------------------|--------------------------------------|---|
| 26 | £16,042 | £16,042 |
| 25 | £19,037 | £18,953 |
| 20 | £36,017 | £35,219 |
| 15 | £56,890 | £54,749 |
| 10 | £82,547 | £78,197 |
| 5 | £113,777 | £106,137 |
| 3 | £127,811 | £118,567 |
| 1 | £140,549 | £129,767 |
| 0 | £145,115 | £133,732 |

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 £) |
| 26 | £16,042 | £16,042 | £16,042 | £16,042 | £16,042 | £16,042 | £16,042 | £16,042 |
| 25 | £19,067 | £18,975 | £18,431 | £18,379 | £19,352 | £19,126 | £18,984 | £18,716 |
| 20 | £36,307 | £35,427 | £30,623 | £30,199 | £39,157 | £36,878 | £35,507 | £33,054 |
| 15 | £57,679 | £55,303 | £43,238 | £42,245 | £65,723 | £59,246 | £55,515 | £49,151 |
| 10 | £84,172 | £79,316 | £56,289 | £54,522 | £101,355 | £87,431 | £79,744 | £67,223 |
| 5 | £117,014 | £108,326 | £69,792 | £67,035 | £149,149 | £122,947 | £109,085 | £87,513 |
| 3 | £132,258 | £121,555 | £75,323 | £72,107 | £172,559 | £139,617 | £122,487 | £96,309 |
| 1 | £148,870 | £135,824 | £80,930 | £77,218 | £198,886 | £157,902 | £136,955 | £105,522 |
| 0 | £157,727 | £143,373 | £83,762 | £79,787 | £213,256 | £167,698 | £144,615 | £110,291 |

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 £5,295, 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 | £5,295 | £5,295 |
| 25 | £6,509 | £6,357 |
| 20 | £8,001 | £7,633 |
| 15 | £9,836 | £9,165 |
| 10 | £12,090 | £11,003 |
| 5 | £14,821 | £13,184 |
| 3 | £16,033 | £14,143 |
| 1 | £17,045 | £14,924 |
| 0 | £17,321 | £15,118 |

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

Tables illustrating the impact of charges and costs (continued)

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 | £5,295 | £5,295 | £5,295 | £5,295 | £5,295 | £5,295 | £5,295 | £5,295 |
| 25 | £6,564 | £6,397 | £5,478 | £5,397 | £7,102 | £6,672 | £6,412 | £5,945 |
| 20 | £8,137 | £7,728 | £5,668 | £5,500 | £9,526 | £8,407 | £7,765 | £6,674 |
| 15 | £10,087 | £9,337 | £5,864 | £5,605 | £12,778 | £10,593 | £9,403 | £7,493 |
| 10 | £12,504 | £11,280 | £6,067 | £5,713 | £17,139 | £13,348 | £11,386 | £8,412 |
| 5 | £15,501 | £13,627 | £6,277 | £5,822 | £22,988 | £16,820 | £13,788 | £9,444 |
| 3 | £16,892 | £14,698 | £6,363 | £5,867 | £25,853 | £18,449 | £14,885 | £9,891 |
| 1 | £18,408 | £15,853 | £6,450 | £5,911 | £29,076 | £20,236 | £16,070 | £10,360 |
| 0 | £19,216 | £16,463 | £6,494 | £5,934 | £30,834 | £21,194 | £16,697 | £10,603 |

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 18, on a salary of £15,000 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 £) |
|---------------------|--------------------------------------|---|
| 50 | £0 | £0 |
| 45 | £8,227 | £8,128 |
| 40 | £18,341 | £17,887 |
| 35 | £30,773 | £29,604 |
| 30 | £46,056 | £43,672 |
| 25 | £64,842 | £60,563 |
| 20 | £87,934 | £80,842 |
| 15 | £116,322 | £105,191 |
| 10 | £151,217 | £134,425 |
| 5 | £193,574 | £169,179 |
| 3 | £212,491 | £184,560 |
| 1 | £228,953 | £197,787 |
| 0 | £234,154 | £201,837 |

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

Tables illustrating the impact of charges and costs (continued)

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 £) |
| 50 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| 45 | £8,263 | £8,154 | £7,535 | £7,479 | £8,609 | £8,333 | £8,164 | £7,853 |
| 40 | £18,507 | £18,005 | £15,332 | £15,101 | £20,157 | £18,834 | £18,050 | £16,670 |
| 35 | £31,205 | £29,906 | £23,398 | £22,869 | £35,645 | £32,065 | £30,022 | £26,569 |
| 30 | £46,947 | £44,285 | £31,743 | £30,786 | £56,421 | £48,738 | £44,519 | £37,682 |
| 25 | £66,461 | £61,655 | £40,378 | £38,855 | £84,287 | £69,746 | £62,075 | £50,159 |
| 20 | £90,652 | £82,640 | £49,311 | £47,079 | £121,663 | £96,217 | £83,334 | £64,166 |
| 15 | £120,640 | £107,993 | £58,553 | £55,460 | £171,797 | £129,573 | £109,078 | £79,892 |
| 10 | £157,814 | £138,623 | £68,115 | £64,002 | £239,042 | £171,603 | £140,252 | £97,547 |
| 5 | £203,898 | £175,627 | £78,009 | £72,708 | £329,238 | £224,563 | £178,003 | £117,368 |
| 3 | £225,288 | £192,501 | £82,061 | £76,236 | £373,416 | £249,421 | £195,247 | £125,961 |
| 1 | £248,598 | £210,702 | £86,169 | £79,792 | £423,101 | £276,688 | £213,862 | £134,961 |
| 0 | £261,026 | £220,332 | £88,245 | £81,580 | £450,219 | £291,296 | £223,718 | £139,620 |

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

The assumptions used in these calculations are detailed below.

Assumptions:

- The opening pension pot size of £16,042 for an active member and £5,295 for a deferred member, which was the average pension pot size for members on 31 March 2023.
- 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 of 31 March 2023.
- The investment return assumed for each fund above is as follows:

| Fund | SMPI Growth Rate % p.a. (supplied by L&G) |
|-------------------------|---|
| Passive Equity Fund | 7.0 |
| Diversified Return Fund | 6.4 |
| Money Market Fund | 3.2 |
| Emerging Markets Fund | 8.7 |
| Property Fund | 6.5 |

- 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 | 0.43 | 0.12 |
| Diversified Return Fund | 0.35 | 0.04 |
| Money Market Fund | 0.29 | 0.02 |
| Emerging Markets Fund | 1.18 | 0.17 |
| Property Fund | 1.60 | 0.00 |

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

Tables illustrating the impact of charges and costs (continued)

Please note that these illustrated values:

- Use TER supplied for the year to 31 March 2023.
- Use transaction costs supplied for the past 3 years to 31 December 2022 being the best information available to the Trustee at the time.
- For information purposes only and using the same effective date of 31 December 2022, the 12-month transaction costs for all available funds are noted below:

| Fund | Fund Transaction Costs % |
|--------------------------------------|---------------------------------|
| Passive Equity Fund | 0.14 |
| Diversified Return Fund | 0.07 |
| Money Market Fund | 0.06 |
| Emerging Markets Fund | 0.23 |
| Ethical Fund | 0.16 |
| Pre-Retirement Fund | 0.08 |
| Pre-Retirement Inflation Linked Fund | 0.20 |
| Property Fund | 0.00 |
| Shariah Fund | 0.00 |
| Lifestyle Fund | 0.10 |

- 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.