

## **Kingfisher Pension Scheme**

### **Implementation Statement for the year ending 31 March 2025**

18 June 2025

#### **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/knowledge-centre/scheme-documentation/>

This statement, which is required by legislation, explains how the Trustee has followed the SIP during the year ending 31 March 2025. The statement will be included in the Scheme's Report and Accounts and published on the Scheme's website.

#### **Changes to the SIP**

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

The 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, the default strategy review and as otherwise as a matter of good practice. Information was added about:

- Changes to the default strategy
- 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

There were no changes to the SIP during the year ending 31 March 2025.

#### **Giving effect to the SIP**

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

##### *Governance*

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

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

In December 2024 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 Trustees appointed LCP as an adviser to further support the DC Investment and Retirement Committee and the default strategy review that will take place in 2025.

During the year, the Trustee Board held a series of designated training days and received training in the following areas;

Date	Topic	Presenters
16.01.2025	Actuarial valuation training, run on frameworks risks and surplus usage	Lisa Deas, Hymans Robertson
16.01.2025	A macroeconomic update	Jill Hirzel and Hannah Ni Riain, Insight Investment
16.01.2025	Cybersecurity and introduction to 'Cyturion' a cyber response tool	Charlotte Moss and Stuart Davey, Pinsent Masons
09.10.2024	Valuation training – Pension Scheme endgames, run-on and buy-out	Lisa Deas and Helen Wells, Hymans Robertson
09.10.2024	Legal training focussing on death and incapacity benefits	Andrew Block and Esther White, Mayer Brown International
09.10.2024	Defined Contribution benchmarking study 2024	Yassin Isman and Joe Betts, Aon
11.07.2024	Impact investing – Trends in sustainability and the transition to a low carbon economy	David Hickey, BlackRock
11.07.2024	The Secondary Funding Objective and the 2025 actuarial valuation	Lisa Deas, Hymans Robertson
11.07.2024	Defence and scenario planning in the event of corporate activity	Daniel Lappage, Penfida
04.07.2024	Actuarial valuation refresher training	Lisa Deas, Hymans Robertson

Additionally, training is provided at Trustee Board and Sub-Committee meetings to support the Trustee's decision making. This included sessions on Money Purchase beliefs; the fixed income opportunity set; Long-Term Asset Funds (LTAFs) and Task Force on Climate-Related Financial Disclosures (TCFD) training. The Trustees completed and published their second TCFD report in 2024.

#### *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 is 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, such as bonds. 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 2025, the proportions of matching and return seeking assets were approximately 93% and 7% respectively.

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. During the year ended 31<sup>st</sup> March 2025 the Trustee continued to monitor and review the hedging

programme against the latest Pensions Regulator, and other regulatory, guidance. The Trustees perform an annual 'deep dive' into the LDI portfolio, assessing the benchmark, the leverage within the portfolio and their collateral management framework. The Trustees also perform stress testing to help understand how the collateral position may be impacted by different market shocks. The Trustee believes the hedging programme to be in a robust and resilient position.

The target level of hedging remains at 96% of the Scheme's interest and inflation exposure. The Trustee monitors the level of collateral and leverage within the LDI programme on an ongoing basis.

The Trustee believes the current investment strategy is supportive of the 2030 secondary funding objective.

### *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 into 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 the 0.75% p.a. charge cap. 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.

There were no changes to the Default Arrangement or Self-Select Funds made during the year. The Trustees will be reviewing the default strategy during the 2025/26 financial year.

### *Fund managers and performance*

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

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

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.

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 BlackRock, Insight Investment Management, PIMCO and LGT Capital Partners.

The Trustee also receives quarterly reporting from their investment advisers, this includes the advisers' views on the managers and funds that the Scheme employs.

### *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 is 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 their 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 has also been a member of the Institutional Investors Group on Climate Change ('IIGCC') since 2011; a collaborative initiative for European investors, the IIGCC brings together over 400 members in its aim of driving progress towards net zero and a sustainable future, in line with the Paris Agreement. Initiatives co-founded by the IIGCC include the CA100+, Nature Action 100 and the Net Zero Asset Managers Initiative. The IIGCC also engages with policymakers on successful implementation of the Paris Agreement and on how to decarbonise the real economy.

LGIM 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 2024, under their Climate Impact Pledge, 455 companies out of a universe of 5,000+ were identified by their quantitative assessment as subject to voting sanctions, due to not meeting their minimum standards.

In 2024, LGIM published their Nature Framework, which outlines their approach to aligning with the direct drivers of nature change that have the largest global impact: natural capital management; deforestation; circular economy and water. LGIM also updated their Deforestation Policy and 119 companies were identified for vote sanctions in 2024, due to not meeting their minimum deforestation expectations.

LGIM is part of the steering committee 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. 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.

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 activities. 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 Money Purchase Section and the Final Salary 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.

LGIM's investment Stewardship team uses ISS's "ProxyExchange" electronic voting platform in order to vote. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision-making process, their use of ISS is purely to augment their own research and proprietary ESG assessment tools. To ensure that ISS votes in accordance with those strategic decisions, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider to be minimum best practice standards which all companies should observe. LGIM retains power to override any proposed voting decisions of ISS.

### *Voting behaviour*

The LGIM Investment Stewardship team comprises 24 professionals with an average of 11.5 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment, and public policy. The team includes sector specialists and experts on themes, such as nature and climate change, diversity, and governance.

During 2024 LGIM cast 142,000 votes across all their assets under management and their investment stewardship team engaged with 3,447 companies.

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 2025.

	Future World Fund	Future World Multi-Asset Fund
How many meetings were you eligible to vote at over the year to 31/03/2025?	1,696	9,545
How many resolutions were you eligible to vote on over the year to 31/03/2025?	21,789	96,018
What % of resolutions did you vote on for which you were eligible?	99.6%	99.8%
Of the resolutions on which you voted, what % did you vote with management?	80.4%	76.8%
Of the resolutions on which you voted, what % did you vote against management?	19.3%	22.4%
Of the resolutions on which you voted, what % did you abstain from?	0.3%	0.8%
In what % of meetings, for which you did vote, did you vote at least once against management?	70.6%	70.7%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	14.9%	14.0%

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

## Key votes

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

<b>Company name :</b> Microsoft Corp <b>Sector :</b> Information technology: software and services	
<b>Issue identified:</b>	LGIM believe that the governance of risks and opportunities relating to the development and use of artificial intelligence ('AI') is financially material for companies. They believe AI should drive long-term innovation, productivity and value creation. To secure these gains, LGIM believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency.
<b>Position size at date of vote (as a percentage of portfolio):</b>	1.91%
<b>Summary of the resolution:</b>	Resolution 7: Report on risks of using artificial intelligence and machine learning tools for oil and gas development and production Resolution 8: Report on risks related to AI generated misinformation and disinformation Resolution 9: Report on AI data sourcing accountability AGM date: 10 December 2024
<b>How LGIM voted:</b>	Against Resolutions 7 and 8 (in line with management recommendation) For Resolution 9 (against management recommendation).
<b>If the vote was against management, was the intention to vote conveyed to the Company prior to the vote taking place?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
<b>Rationale for the vote decision:</b>	<p>LGIM's previous engagement with Microsoft specifically about the governance of artificial intelligence and the steps Microsoft are taking regarding risk management and opportunities has further informed their voting decisions.</p> <p>Regarding Resolution 7, after careful consideration, LGIM believed that the concerns the proposal raised did not present significant material risks. The company provides sufficient disclosure on its approach to providing services to energy sector customers. LGIM therefore voted against this resolution.</p> <p>Regarding Resolution 8, LGIM considered at the present time that the company is a leader in its disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI. LGIM therefore voted against this resolution.</p> <p>Regarding Resolution 9, the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, LGIM believe shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models. LGIM therefore voted in favour of this resolution.</p>
<b>Outcome:</b>	Resolution 7: 9.7% voted "for" Resolution 8: 18.7% voted "for" Resolution 9: 36.2% voted "for"
<b>Why is this vote significant?</b>	These three votes are significant due to their relevance to LGIM's Investment Stewardship theme of 'Digitisation', relating to the governance of artificial intelligence and the expectations that they have published of companies: LGIM Blog: How we'll press for safe AI

<b>Company name:</b> BHP Group Ltd	
<b>Sector:</b> Basic materials: mining	
<b>Issue identified:</b>	The mining and diversified metals sector produces minerals that are essential to the energy transition. As such, LGIM believe that long-term, responsible investors, can support these companies as they decarbonise. Earlier this year, LGIM published their updated assessment framework for mining companies' climate transition plans.
<b>Position size at date of vote (as a percentage of portfolio):</b>	0.11%
<b>Summary of the resolution:</b>	Resolution 13: Approve Climate Transition Action Plan AGM, 30 October 2024.
<b>How LGIM voted:</b>	In favour of Resolution 13 (in line with management recommendation)
<b>Rationale for the vote decision:</b>	LGIM have been engaging with BHP for a number of years on the topic of climate change and, most recently, on their Climate Action Transition Plan. LGIM note that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with LGIM's framework for assessing mining company transition plans. Therefore, LGIM voted in favour of Resolution 13.
<b>Outcome:</b>	92.2% voted in favour of Resolution 13 Going forwards, LGIM will assess the disclosure of progress on BHP's plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. LGIM will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.
<b>Why is this vote significant?</b>	This vote is significant because the mining and diversified metals sector is an essential part of the energy transition. In order to support its transition plans, LGIM want companies within the sector to meet their minimum expectations.

<b>Company name :</b> Tesla, Inc	
<b>Sector :</b> Automobiles and components	
<b>Issue identified:</b>	LGIM believe executive compensation should be set at an appropriate level to drive positive corporate behaviour and performance. Their principles on executive compensation are based on 'pay for performance' and in assessing director remuneration, they will look at a number of factors, including structure, awards, transparency, shareholder alignment, discretion and quantum.
<b>Position size at date of vote (as a percentage of portfolio):</b>	0.04%
<b>Summary of the resolution:</b>	Resolution 4 - Ratify Performance Based Stock Options to Elon Musk AGM, 13 June 2024
<b>How LGIM voted:</b>	Against Resolution 4 (i.e. against management recommendation)
<b>If the vote was against management, was the intention to vote conveyed to the Company prior to the vote taking place?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
<b>Rationale for the vote decision:</b>	In re-ratifying the 2018 performance option grant, shareholders had been given a unique opportunity to opine on a granted pay package for a second time, with the full benefit of hindsight in determining if the award was closely aligned with shareholders' interests and if it accomplished the goals the board set out to achieve. Some investors may have found the board's argument compelling, that it would be unfair for CEO Elon Musk not to receive the full award, which was



	<p>previously approved by shareholders, and after achieving the high-performance hurdles. However, the concerns raised, both back in 2018 and in the interim, had not been sufficiently mitigated, particularly given that the board had effectively only offered shareholders an "all or nothing" option on this vote. Although the structure of the grant's performance hurdles arguably contributed to, as well as reflected, the company's significant financial growth during the performance period, the total award value remained excessive, even given the company's success. In addition, the grant appeared to have failed to achieve the board's other original objectives of focusing Musk on the interests of Tesla shareholders, as opposed to other business endeavours, and to aligning his financial interests more closely with those of Tesla stockholders. Lastly, there were forward-looking concerns that remained unaddressed, including a lack of clarity on the board's plan for Musk's future compensation programme and the potential for significant economic dilution.</p>
<b>Outcome:</b>	76.2% votes were in favour of the resolution.
<b>Why is this vote significant?</b>	This vote is considered to be significant as it pertains to one of LGIM's key stewardship 'sub-themes', executive pay.