Kingfisher Pension Scheme

Implementation Statement for the year ending 31 March 2023

28 June 2023

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 implemented the SIP during the year ending 31 March 2023. 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 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.

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.

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	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. The Trustees will be publish their first TCFD report in 2023.

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 derisked 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. 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 derisk 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.

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.

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.

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 Multi-Asset Fund	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.

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.

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.