

The Kingfisher logo is positioned in the upper right corner of the cover. It consists of the word "Kingfisher" in a sans-serif font, with a stylized fish icon integrated into the letter "i". The logo is set against a white circular background that has a slightly distressed, hand-drawn edge. The background of the entire cover is a close-up photograph of several silver metal bolts and hexagonal nuts, some in sharp focus and others blurred, creating a sense of depth and industrial precision.

Kingfisher

KINGFISHER
PENSION SCHEME

Report &
Financial
Statements

Year ended 31 March 2019

**Kingfisher Pension Scheme annual report
and financial statements**

Registered number 100797763

Year ended 31 March 2019

Kingfisher Pension Scheme

Year ended 31 March 2019

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Kingfisher Pension Scheme

Year ended 31 March 2019

Trustee and advisers

Participating Companies

Kingfisher plc
B&Q plc
B&Q (Retail Guernsey) Ltd
B&Q (Retail) Jersey Ltd
Screwfix Direct Ltd
Kingfisher Information Technology Service (UK) Ltd
Kingfisher International Products Limited (from 1 May 2017)

Trustee

Kingfisher Pension Trustee Limited

Board of Directors

BESTrustees Limited (Chairman) represented by Clive Gilchrist*
Lee Aspin +
Sally Clifton#
Mark Fawcett#
Yolanda Jackson +
Helen Jones#
Elizabeth Messud#
Debbie Plumbly + (resigned 18 December 2018)
Kerrin Qualters + (retired 31 May 2018)
Paul Shearer#
David Lumsdon +
Jane Winsbrow + (appointed 18 December 2018)
**independent #employer nominated +member nominated*

Secretary to the Trustee

Dermot Courtier

Actuary

Crawford Taylor FIA, Hymans Robertson LLP

Auditors

Grant Thornton UK LLP

Administrator

- Final Salary Section:
Kingfisher plc- Group Pensions Department (until 3 March 2019)
Hymans Robertson –(from 4 March 2019.)

- Money Purchase Section:
Legal & General Assurance Society Limited

System Provider

Profund Solutions Limited (until 3 March 2019)

Solicitors

Mayer Brown International LLP

Group Life

Unum

Investment Managers

Final Salary Section:

Aberdeen Asset Managers Limited
LaSalle Investment Management (acquired Aviva Investors Real Estate Multi-Manager business effective 6 November 2018)
BlackRock Global Renewable Fund II LLP
BlackRock Investment Management (appointed 17 September 2018)
GAM Fund Management 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 & General Assurance Society Limited

Annuity providers

Legal & General Assurance Society Limited
Pension Insurance Corporation

Custodian

State Street Bank & Trust Company

Investment Advisers

Aon Hewitt
Barnett Waddingham (appointed 1 June 2018)

AVC providers

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

Bankers

Barclays Bank plc

Enquiries

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

Kingfisher Pension Scheme

Year ended 31 March 2019

Introduction by the Chair of Trustee

I am pleased to present my review of the Kingfisher Pension Scheme (the Scheme) for the year ended 31 March 2019. The twelve months up to March 2019 saw a period of consolidation for the Kingfisher Pension Scheme from both a Final Salary (FS) and Money Purchase (MP) perspective.

FS Section

As the FS section of the Scheme continues to de-risk it provides many challenges and new opportunities. Over the last few years, we have conducted a root and branch review of both the return seeking assets and matching liability driven assets (LDI). In September 2018 the Scheme met another derisking trigger, switching £100m from return seeking assets to matching assets and increasing the interest and inflation hedge to 90%.

The estimated funding level of the secondary funding objective as at 31 March 2019 (but before the 2019 valuation assumptions have been applied), was 89.3% (2018 85.4%), and the technical provisions funding level was 102.8% (2018 100.4%).

The employer has paid contributions of £37m per annum from April 2017, as per the Schedule of Contributions.

The investment performance of the final salary section of the Scheme during the year ended 31 March 2019 saw a positive return of 6.7%

MP Section

During the year ended 31 March 2019, the Trustee reassessed the passive equity fund which forms 50% of the default strategy growth phase and is also available for members to invest in on a self-select basis. The Trustee decided to change the strategy to a multifactor equity approach that applies a 'climate change tilt'.

The fund offers investors the opportunity to gain exposure to a diversified portfolio of global equities that exhibit 'factor' characteristics. Research has shown that these can improve investment outcomes over the long term. The climate change tilt results in the fund having a greater exposure to companies generating revenue from low carbon opportunities, and a lower exposure to companies with higher carbon emissions and fossil fuel assets relative to their sector

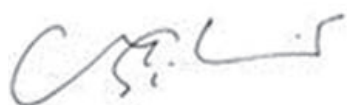
Regular performance reviews of the default fund continue, and a full default strategy review is planned for 2019.

Full Scheme

During the year, and following a detailed review and selection process, the decision was taken to outsource the administration of the Final Salary section of the Scheme to Hymans Robertson. This resulted in the transferring of the administration staff to Hymans, on a TUPE basis.

The Trustees would like to take this opportunity to thank the team for all their work in supporting the members, and to wish them the very best with their new opportunities. We would also like to thank the Group Pensions Department for their ongoing contribution in supporting the Trustee Directors, the Scheme, and most importantly, of all the membership.

On a personal basis, I would also like to welcome Jane Winsbrow to the Trustee Board and look forward to working with her.



**BESTrustees Limited, represented by Clive Gilchrist, Chair
Kingfisher Pension Trustee Ltd
29 July 2019**

Trustee's annual report

Introduction

Constitution of the Scheme

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

The Financial Statements of the Scheme for the year ended 31 March 2019, as set out on pages 11 to 28 have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995. The accounts comply with the Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes (2015)'.

Management of the Scheme

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

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

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

Financial development of the Scheme

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

	FS	FS	MP	MP	Total	Total
	2019	2018	2019	2018	2019	2018
	£ m	£ m	£ m	£ m	£ m	£ m
Income	24.4	24.2	51.2	41.8	75.6	66.0
Payments	(184.6)	(158.1)	(14.1)	(11.0)	(198.7)	(169.1)
Net (withdrawals)/additions	(160.2)	(133.9)	37.1	30.8	(123.1)	(103.1)
Net returns on investments	187.4	97.7	23.4	6.6	210.8	104.3
Net increase / (decrease) in fund	27.2	(36.2)	60.5	37.4	87.7	1.2
Transfers between sections	-	-	-	-	-	-
Net assets at start of year	3,568.0	3,604.1	286.5	249.1	3,854.5	3,853.3
Net assets at end of year	3,595.2	3,567.9	347.0	286.5	3,942.2	3,854.5

Kingfisher Pension Scheme

Year ended 31 March 2019

Final Salary Section developments

During the year income into the Scheme remained at £24million (£24 million for the prior year). Payments were £184 million compared with £158 million for the prior year.

The net returns on investments comprised change in market value of investments of £138 million (prior year: £52 million) and investment income of £55 million (prior year: £51 million) offset by investment management expenses of £6 million (prior year: £5 million).

The net assets of the FS amounted to £3,595 million at 31 March 2019 (2018: £3,568 million).

Money Purchase Section developments

Income amounted to £51 million compared with £42 million for the prior year. Payments increased in 2019 to £14 million from £11 million for the prior year. The MP does not pay pensions as annuities are purchased to fund pension benefits; they are bought in the name of the member. Post the April 2015, 'Freedom and Choice' legislation changes members also now have the voluntary option to take cash and / or transfer monies to an income drawdown solution.

Assets of the MP are invested in pooled investment vehicles which reported a net positive return of £23 million for the year compared to a return of £7million for the prior year.

The net assets of the MP amounted to £347 million at 31 March 2019 (2018: £286 million).

Actuarial Review

The Financial Statements set out on pages 11 to 28 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Final Salary Section these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years, the latest valuation being at 31 March 2016. This valuation considered the funding position of the Final Salary Section and the level of contributions payable.

In accordance with the Statement of Funding Principles the Trustee and Kingfisher have agreed that the employers should pay contributions to the FS section of £37 million a year (less SPV income) with effect from 1 April 2018. This has been paid monthly to the FS section of the Scheme from April 2017, increasing with RPI after each three-year period. This rate includes allowance for expenses and death/incapacity benefit costs, but excludes PPF levies, which will be reimbursed separately by the Company. These contributions are set out in the Schedule of Contributions dated 29 July 2016. The March 2019 valuation discussions have commenced, and a new Schedule of Contributions will be agreed as part of that process.

The Schedule of Contributions has been derived with reference to the Secondary Funding Objective (the Secondary funding objective targets a strong funding level which is in excess of the minimum Statutory Funding requirements), and is expected to improve the coverage of technical provisions beyond the recovery period for the current deficit. The Secondary Funding Objective target is for the Scheme to be 100% funded on a gilts flat basis by 2030.

The formal actuarial certificate required by statute to be included in the Annual Report from the Scheme Actuary. The Actuarial Certificate of the calculation of the technical provisions is on page 33.

Note: The Technical provisions funding level as at 31 March 2018 was 103% (2016: 99%).

Kingfisher Pension Scheme

Year ended 31 March 2019

Membership

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

	Final Salary Section			Money Purchase Section		
	Deferred	Pensioners & Dependants	Total	Active	Deferred	Total
At 1 April 2018	17,993	15,579	33,572	24,507	21,519	46,026
Opening balance adjustment	-	-	-	287	150	437
New		969	969	5,214	7,009	12,223
Deaths	(89)	(576)	(665)	-	(3)	(3)
Retirements	(851)	-	(851)	(4)	(479)	(483)
Adjustment due to the transition of MP provider	(2)	2	-	-	-	-
Leavers	(261)	(337)	(598)	(7,001)	(518)	(7,519)
Reinstatements	16	7	23	7	(7)	-
At 31 March 2019	16,806	15,644	32,450	23,010	27,671	50,681

*included in the pensioner numbers are 643 (2018:672) which are secured by an annuity contract.

The number of life insurance only members at the year-end is 12,767, (2018: 12,998)

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

Final Salary Section Pension increases

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

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

Year	Pension Increase (%)	RPI (%)
2019	2.7	2.7
2018	4.1	4.1
2017	2.5	2.5

Both Jersey and Guernsey have their own Retail Prices Index (3.9% and 2.4%) respectively at December 2018 and increases for Channel Islands pensioners are calculated in accordance with these.

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

Kingfisher Pension Scheme

Year ended 31 March 2019

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 most of the segregated assets is carried out independently of the managers by State Street Bank and Trust Company Limited. The underlying assets of pooled investment vehicles are held under the custody of separate custodians appointed by the manager of the respective pooled fund. The Scheme's investment in the Special Purpose Vehicle and the annuity contracts are held directly by the Trustee.

Investment management

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

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

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

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

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

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

Final Salary Section – Objectives

Kingfisher plc (the Company) and Kingfisher Pension Trustee Limited (the Trustee) have agreed:

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

Following completion of the 2016 valuation the employer contribution, effective from 1 April 2017 was agreed at £37m + RPI (this includes income from the Special Purpose Vehicle but excludes the Pension Protection Fund levy which the Company has agreed to reimburse the Scheme for). The employer contribution will be reviewed again as part of the 2019 valuation and thereafter at each formal valuation through to 2030;

Matching assets constituted over 88% of Scheme assets at March 2019 and will constitute 100% of Scheme Assets by March 2030. The Scheme is targeting hedging of the interest rate (90%) and inflation (90%) 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 Company and the Trustee have agreed the above planned high-level asset allocation changes in order to achieve an appropriate level of long-term return with an acceptable degree of risk. In practice, the Trustee wishes to move to the target asset allocation in a cost-efficient manner, so the timing and magnitude of switches from

Kingfisher Pension Scheme

Year ended 31 March 2019

return-seeking assets to matching assets will be decided upon by the Trustee based on monitoring of the Scheme's progress in reaching the 2FO and with input from the Company.

The objective is subject to regular monitoring by the Defined Benefit Investment Committee with a triennial review as part of the actuarial valuation exercise. The objective forms the basis from which the Defined Benefit Investment Committee develops a more detailed strategy approved by the Trustee Board, which is discussed with the Company. It is then for the Defined Benefit Investment Committee to implement that strategy in terms of asset allocation and the appointment and monitoring of the appropriate managers.

Final Salary Section Investment Performance

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 2019 was 6.7%, compared to the Scheme specific benchmark of 6.9%.

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives. Over three and five-year periods, the annualised returns were 12.2% and 13.2% compared to the benchmark of 11.3% and 12.8% respectively.

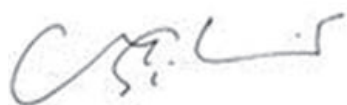
Money Purchase Section – Objectives and performance

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

Over the year to 31 March 2019 the return of the default strategy was 7.0% compared to CPI +3% which returned 4.9%. Over the five-year period to 31 March 2019, the annualised return was 8.0% per annum compared to CPI + 3% which returned 4.4% per annum.

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

The Trustee's Annual Report, which includes the Statement of Trustee's Responsibility on page 8 and the Compliance Statement on pages 34-35, were approved by the board and signed on its behalf by:



BESTrustees Limited,
Represented by Clive Gilchrist, Chairman

29 July 2019

Statement of Trustee's responsibilities for the Financial Statements

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

Kingfisher Pension Scheme

Year ended 31 March 2019

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

Opinion

We have audited the financial statements of The Kingfisher Pension Scheme (the 'scheme') for the year ended 31 March 2019 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 2019 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Kingfisher Pension Scheme

Year ended 31 March 2019

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee for the financial statements

As explained more fully in the Trustee's responsibilities statement set out on page 8, the Trustee is responsible for the preparation of financial statements which show a true and fair view, and for such internal control as the Trustee determine 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 pension 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 intend to liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to 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 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
London
29 July 2019

Kingfisher Pension Scheme

Year ended 31 March 2019

Fund account

for the year ended 31 March 2019							
	Notes	FS	MP	Total	FS	MP	Total
		2019	2019	2019	2018	2018	2018
		£m	£ m	£ m	£ m	£m	£ m
Contributions and benefits							
Employer Contributions	2	22.7	45.1	67.8	22.8	38.0	60.8
Employee contributions	2	-	4.8	4.8	-	2.8	2.8
Individual transfers in		-	1.3	1.3	-	1.0	1.0
Other income	3	1.7	-	1.7	1.4	-	1.4
		24.4	51.2	75.6	24.2	41.8	66.0
Benefits paid/payable	4	(77.0)	(6.0)	(83.0)	(73.3)	(4.6)	(77.9)
Payments to and on account of leavers	6	(101.2)	(7.4)	(108.6)	(79.0)	(6.4)	(85.4)
Other payments	5	(2.3)	-	(2.3)	(1.8)	-	(1.8)
Administrative expenses	7	(4.1)	(0.7)	(4.8)	(4.0)	-	(4.0)
		(184.6)	(14.1)	(198.7)	(158.1)	(11.0)	(169.1)
Net (withdrawals)/additions from dealings with members		(160.2)	37.1	(123.1)	(133.9)	30.8	(103.1)
Returns on investments							
Investment income	8	55.3	-	55.3	51.0	-	51.0
Change in market value of investments	16	138.6	23.4	162.0	52.2	6.6	58.8
Investment management expenses	9	(6.5)	-	(6.5)	(5.5)	-	(5.5)
Taxation	10	-	-	-	-	-	-
Net returns on investments		187.4	23.4	210.8	97.7	6.6	104.3
Net increase/(decrease) in the fund during the year		27.2	60.5	87.7	(36.2)	37.4	1.2
Net assets of the Scheme at 1 April		3,568.0	286.5	3,854.5	3,604.1	249.2	3,853.3
Net assets of the Scheme at 31 March		3,595.2	347.0	3,942.2	3,568.0	286.5	3,854.5

The notes on pages 13 to 27 form part of these Financial Statements.

Kingfisher Pension Scheme

Year ended 31 March 2019

Statement of Net Assets (available for benefits)

At 31 March 2019			
	Notes	2019	2018
		£ m	£ m
Final Salary Section			
Investment assets:	16		
Bonds		2,938.5	2,880.0
Pooled investment vehicles	11	1,273.9	1,342.5
Derivatives	12	889.6	863.1
Special Purpose Vehicle	13	181.1	188.0
Insurance Policies	14	469.2	475.2
AVC investments	15	11.2	13.5
Cash & cash equivalents		25.1	13.7
Other investment balances	18	8.9	9.0
		5,797.5	5784.9
Investment liabilities:			
Derivatives	12	(907.1)	(944.0)
Other investment balances	18	(1,326.7)	(1,288.7)
Total net investments		3,563.7	3,552.2
Current assets	21	36.3	17.5
Current liabilities	22	(4.8)	(1.7)
Total net assets of FS		3,595.2	3,568.0
Money Purchase Section			
Investment assets:	16		
Pooled investment vehicles	11	341.8	285.4
Current assets	21	5.3	1.3
Current liabilities	22	(0.1)	(0.2)
Total net assets of MP		347.0	286.5
Total net assets of the Scheme at 31 March		3,942.2	3,854.5

The notes on pages 13 to 27 form part of these Financial Statements.

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

Signed for and on behalf of the Trustee of the Kingfisher Pension Scheme on 29 July 2019.


BESTrustees Limited,
represented by Clive Gilchrist, Chairman


S Clifton

Notes (forming part of the Financial Statements)

1. Basis of preparation

- 1) The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” 2018 (“the SORP”). This is the first year that the revised SORP has been applied to the Scheme’s financial statements. Updated disclosure has been included in relation to Fund account comparatives, but there have been no changes to balances as a result.

Accounting policies

The principal accounting policies of the Scheme are as follows:

a) Investments

- i. Investments are included at fair value.
- ii. All listed investments are stated at the bid price at the date of the Statement of Net Assets.
- iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- iv. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager. Non-daily priced funds are valued at the latest available price prior to the year-end date.
- v. Derivatives are stated at fair value.
 - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year-end date
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reported within ‘Change in Market Value’.

vi. Repurchase and Reverse Repurchase arrangements

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

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

- vii. The Special Purpose Vehicles (SPV) is valued on a discounted cash flow basis by an in-house treasury team. A discount rate, based on property asset backed bonds and adjusted for Kingfisher plc’s credit rating, is applied to the projected future cash flows. The discount rate changes to a risk free rate when the vacant possession value of the properties exceeds the value of the future income streams.
- viii. Annuities purchased in the name of the Trustee unless immaterial, are included in the Financial Statements at the amount of the related obligation, determined using the most recent Scheme

Kingfisher Pension Scheme

Year ended 31 March 2019

Funding valuation assumptions and methodology. Annuity valuations are provided by the Scheme Actuary as at the year-end date.

b) Investment Income

- i. Interest is accrued on a daily basis.
- ii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- iii. Investment income arising and distributed from pooled investment vehicles is recognised on an accruals basis. Income arising from underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles accumulation fund. This is reflected in the unit price and reported within 'Change in Market Value'.
- iv. Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis to match benefits payable.
- v. Income from the SPV investment is recognised on a paid basis. Accrued income due for the period to 31 March but paid post year end is reflected in the year end valuation of the SPV asset.

c) Foreign Currencies

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

d) Contributions

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

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

e) 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 his 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 paid or received which is normally when member liability is accepted/discharged.

f) Expenses

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

Kingfisher Pension Scheme

Year ended 31 March 2019

2. Contributions receivable

	FS	2019 MP	Total
	£ m	£ m	£ m
Employer:			
Normal	-	45.1	45.1
Deficit Funding	22.6	-	22.6
PPF Levy	0.1	-	0.1
	22.7	45.1	67.8
Employees:			
Normal	-	4.8	4.8
Additional Voluntary Contributions	-	-	-
	22.7	49.9	72.6

	FS	2018 MP	Total
	£ m	£ m	£ m
Employer:			
Normal	-	38.0	38.0
Deficit funding	22.7	-	22.7
PPF Levy	0.2	0.2	0.2
Augmentation	-	0.1	0.1
	22.9	38.3	60.8
Employees:			
Normal	-	2.8	2.8
Additional Voluntary Contributions	-	-	-
	22.9	41.2	63.6

The employers are required to pay deficit funding contributions to the FS sections of £37 m (less SPV investment income) per annum under the Schedule of Contributions dated 29 July 2016 for the period 1 August 2016 to 31 July 2021. Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the employer.

3. Other Income

	2019	2018
	£ m	£ m
Final Salary Section		
Claims on term insurance	1.7	1.4

4. Benefits paid/payable

	FS	2019 MP	Total
	£ m	£ m	£ m
Pensions	58.1	-	58.1
Commutations of pensions and lump sum retirement benefits	17.5	5.6	23.1
Lump sum death benefits	1.4	0.2	1.6
Purchase of annuities	-	0.2	0.2
	77.0	6.0	83.0

Kingfisher Pension Scheme

Year ended 31 March 2019

	FS	2018 MP	Total
	£ m	£ m	£ m
Pensions	54.6	-	54.6
Commutations of pensions and lump sum retirement benefits	17.1	4.2	21.0
Lump sum death benefits	1.7	0.2	1.9
Purchase of annuities	-	0.2	0.2
	73.4	4.6	77.9

5. Other payments

	2019	2018
Final Salary Section	£ m	£ m
Premiums on term insurance paid to the insurer	2.3	1.8

6. Payments to and on account of leavers

	FS	2019 MP	Total
	£ m	£ m	£ m
Individual transfers to other Schemes	101.2	7.4	108.6
	101.2	7.4	108.6

	FS	2018 MP	Total
	£ m	£ m	£ m
Individual transfers to other Schemes	79.0	6.4	85.4
	79.0	6.4	85.4

7. Administration expenses

	2019			2018		
	FS	MP	TOTAL	FS	MP	TOTAL
	£ m	£ m	£ m	£ m	£ m	£ m
Administration and processing	3.1	0.7	3.8	3.3	-	3.3
Actuarial fees	0.3	-	0.3	0.2	-	0.2
Audit	0.1	-	0.1	0.1	-	0.1
Legal and professional fees	0.4	-	0.4	0.2	-	0.2
Trustee fees	0.1	-	0.1	0.1	-	0.1
PPF Levy	0.1	-	0.1	0.1	-	0.1
	4.1	0.7	4.8	4.0	-	4.0

Kingfisher Pension Scheme

Year ended 31 March 2019

8. Investment income

	2019			2018		
	FS	MP	TOTAL	FS	MP	TOTAL
	£ m	£ m	£ m	£ m	£ m	£ m
Income from Bonds	33.2	-	33.2	33.0	-	33.0
Income from pooled investment vehicles	3.2	-	3.2	4.0	-	4.0
Income from SPV	14.3	-	14.3	14.3	-	14.3
Annuity income	16.7	-	16.7	9.0	-	9.0
Interest on cash deposits and repos	(9.8)	-	(9.8)	(6.0)	-	(6.0)
Income from derivatives	(2.4)	-	(2.4)	(3.4)	-	(3.4)
Other	0.1	-	0.1	0.1	-	0.1
Total	55.3	-	55.3	51.0	-	51.0

Investment income reflects income earned by the investments within the FS, other than income from Pooled Investment Vehicles recognised within unit prices, which is shown in Change in Market Value. All income earned on pooled investment units held by the MP is accounted for within the value of those funds via Change in Market Value.

Receipts from the SPV are recognised as investment income.

Investment income on cash and cash instruments includes £9.9m (2018: £6m) of interest payments payable under repurchase agreements.

Overseas investment income is stated gross of withholding taxes. Irrecoverable withholding taxes are reported under 'Taxation' in the Fund Account.

Other income consists of income from class actions and stock lending. During the year the Scheme received income from stock lending of £0.1m (2018: £0.1m).

9. Investment Management Expenses

	2019	2018
	£ m	£ m
Final Salary Section		
Administration, management and custody	6.3	5.3
Performance measurement services	0.1	0.1
Other advisory fees	0.1	0.1
	6.5	5.5

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

10. Tax

The Kingfisher Pension Scheme is a registered pension Scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 1 (b) (iii)).

Kingfisher Pension Scheme

Year ended 31 March 2019

11. Pooled Investment Vehicles (PIVs)

Final Salary Section

The FS holdings of PIVs are analysed below:

	2019	2018
	£ m	£ m
Bond funds	891.1	897.0
Equity funds	184.5	227.5
Property and Farmland	23.1	24.7
Alternative asset funds	175.2	193.3
	1,273.9	1,342.5

Money Purchase Section

The Money Purchase Section holdings of PIVs are analysed below:

	2019	2018
	£ m	£ m
Equity funds	19.6	17.4
Bond funds	2.7	2.7
Cash funds	14.0	10.5
Diversified Growth funds	305.4	254.7
Property funds	0.1	0.1
	341.8	285.4

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

12. Derivatives

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

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:

Total derivatives	2019		2018	
	Assets £ m	Liabilities £ m	Assets £ m	Liabilities £ m
Swaps	889.4	(907.1)	862.9	(944.1)
Futures	0.2	-	0.2	-
	889.6	(907.1)	863.1	(944.1)

(i) Swaps

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

Kingfisher Pension Scheme

Year ended 31 March 2019

Nature of Contract	Number of Contracts	Notional Principal £ m	2019		
			Maturity	Asset £ m	Liability £ m
UK - Interest rate swap	36	931,410	0-5 Years	26.3	(69.9)
	26	495,254	5-10 Years	37.6	(37.9)
	55	983,907	10-20 Years	233.5	(201.9)
	85	1,835,148	20-30 Years	274.6	(230.4)
	51	927,781	30-40 Years	154.6	(154.4)
UK – RPI	34	314,494	40-50 Years	22.9	(88.9)
	26	652,883	0-5 Years	5.6	(4.5)
	10	210,273	5-10 Years	0.1	(10.7)
	39	780,667	10-20 Years	31.8	(24.2)
	30	256,102	20-30 Years	7.0	(27.1)
	40	338,589	30-40 Years	48.6	(49.3)
	16	114,052	40-50 Years	46.8	(7.9)
				889.4	(907.1)

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

	£m		£m
Barclays Bank	(41.4)	Lloyds Bank PLC	21.5
BNP Paribas	4.7	Merrill Lynch International	(14.6)
Citigroup	1.5	Morgan Stanley & Co International	(16.0)
Credit Suisse International	(0.9)	Natwest Markets PLC	19.0
Goldman Sachs International	2.3	UBS AG	(5.)9
HSBC Bank PLC	15.2		

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

(ii) Futures – These contracts are exchange traded

Nature	Notional Amount	Duration	Asset value at	Liability value at year
			year end	end
	£ m		£ m	£ m
UK fixed interest future		June 2019		
Total 2019	10.5		0.2	-
Total 2018	12.0		0.2	-

13.Special Purpose Vehicle (SPV)

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

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.

Kingfisher Pension Scheme

Year ended 31 March 2019

14. Insurance Policies

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

	2019	2018
Final Salary Section	£ m	£ m
Legal & General Assurance Society Limited	254.3	257.4
Pensions Insurance Corporation	214.9	217.8
	469.2	475.2

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

15. Additional Voluntary Contributions (AVCs)

Final Salary AVCs	2019	2018
	£ m	£ m
Prudential	8.9	11.1
Legal & General	1.2	1.2
BlackRock	1.1	1.1
Phoenix Life	-	-
	11.2	13.5

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

16. Investment reconciliation

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

	Value at 1 April 2018	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2019
Final Salary Section	£ m	£ m	£ m	£ m	£ m
Bonds	2,880.1	239.0	(300.4)	119.8	2,938.5
Pooled investment vehicles	1,342.5	290.5	(384.5)	25.4	1,273.9
Derivatives	(81.0)	63.2	(4.7)	5.0	(17.5)
Special Purpose Vehicle	188.0	-	-	(6.9)	181.1
Insurance Policies	475.2	(0.3)	(0.5)	(5.2)	469.2
AVC Investments	13.4	-	(2.7)	0.5	11.2
	4818.2	592.4	(692.8)	138.6	4,856.4
Cash deposits	13.6			0.0	25.1
Other investment balances	(1,279.6)			-	(1,317.8)
Net investment assets	3552.2			138.6	3,563.7
Money Purchase Section					
Pooled Investment Vehicles	285.4	47.1	(14.1)	23.4	341.8

*The assets are allocated to members of the Scheme.

Kingfisher Pension Scheme

Year ended 31 March 2019

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

Other investment balances include £1,324m of repurchase and reverse repurchase agreements (2018: £1288m).

17. Transaction costs

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

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

18. Repurchase and reverse repurchase agreements

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £1,326.7m (2018: £1,288m) and amounts receivable under reverse repurchase agreements amounted to £0.4m (2018: £0m). At the year-end £1,381m (2018: £1,322m) of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

The counterparties to the repurchase agreements are detailed below. At the year-end, the value of collateral posted from counterparties was:

	£m		£m
BNP Paribas	6.7	Lloyds TSB	13.1
Barclays Bank	1.6	Mizuho International	11.0
Insight Government Liquidity Fund	4.2	Toronto Dominion	2.0
Goldman Sachs International	30.4	UBS	1.3
Lloyds Bank Corporate Markets PLC	1.2		

19. Investment Fair Value Hierarchy

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

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.

Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

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

Kingfisher Pension Scheme

Year ended 31 March 2019

At 31 March 2019	Level 1	Level 2	Level 3	Total
	£ m	£ m	£ m	£ m
Final Salary Section				
Bonds	2,938.5	-	-	2,938.5
Pooled investment vehicles	-	1,075.6	198.3	1,273.9
Derivatives	0.2	-	(17.7)	(17.5)
Special Purpose Vehicle	-	-	181.01	181.1
Insurance Policies	-	-	469.2	469.2
AVC investments	-	1.8	9.4	11.2
Cash deposits	25.1	-	-	25.1
Other investment balances	6.4	(1,324.2)	-	(1,317.8)
	2,970.2	(246.8)	840.3	3,563.7

Money Purchase Section				
Pooled investment vehicles	-	341.8	-	341.8

At 31 March 2018	Level 1	Level 2	Level 3	Total
	£ m	£ m	£ m	£ m
Final Salary Section				
Bonds	2,880.0	-	-	2,880.0
Pooled investment vehicles	-	1,162.6	180.0	1,342.5
Derivatives	0.2	-	(81.2)	(81.0)
Special Purpose Vehicle	-	-	188.0	188.0
Insurance Policies	-	-	475.2	475.2
AVC investments	-	2.3	11.2	13.5
Cash deposits	13.6	-	-	13.6
Other investment balances	7.9	(1,287.6)	-	(1,279.7)
	2,901.6	(122.7)	773.2	3,552.1

Money Purchase Section				
Pooled investment vehicles	-	285.3	-	285.3

20. Investment risks

Investment risks

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

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

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

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

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report for the Final Salary and Money Purchase Sections. The Trustee manage 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

Kingfisher Pension Scheme

Year ended 31 March 2019

implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

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

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

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

Concentration risk

Excluding gilts, the Scheme's final salary investments that constitute more than 5% of total net assets of the Scheme are as follows: PIMCO Diversified Income Fund - 8% (2018: 8%), Insight Bond Plus Fund - 7% (2018 :7%), BlackRock Absolute Return Bond Fund 6% (2018: 0%), L&G insurance policy - 7% (2018: 7%), Pensions Insurance Corporation insurance policy - 6% (2018: 7%) – see note 14.

Final Salary Section

(i) Credit risk

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

Analysis of direct credit risk

At 31 March 2019				
	Investment grade	Non-investment grade	Unrated	Total
	£ m	£ m	£ m	£ m
Bonds	2,938.5	-	-	2,938.5
Special Purpose Vehicle	-	-	181.1	181.1
OTC Derivatives	(17.5)	-	-	(17.5)
Cash deposits	25.1	-	-	25.1
Repos	(1,324.1)	-	-	(1,324.1)
PIVs	-	-	1,273.9	1,273.9
	1,622.0	-	1,455.0	3,077.0

At 31 March 2018				
	Investment grade	Non-investment grade	Unrated	Total
	£ m	£ m	£ m	£ m
Bonds	2,880.0	-	-	2,880.0
Special Purpose Vehicle	-	-	188	188
OTC Derivatives	(81)	-	-	(81)
Cash deposits	13.6	-	-	13.6
Repos	(1,288.0)	-	-	(1,288.0)
PIVs	-	-	1,342.5	1,342.5
	1,524.6	-	1,530.5	3,055.1

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

Kingfisher Pension Scheme

Year ended 31 March 2019

is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 12 (i)). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts, but all counterparties are required to be at least investment grade.

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

The Scheme lends certain bonds and equity securities under a Trustee approved stock lending programme. At the year end the Scheme had lent £62million of bonds (2018: £182million). The Scheme held collateral delivered to secure obligations in respect of loaned securities consisting of cash, bonds and equities with a market value of not less than 102% of the market value of the transferred securities. If the transferred market value of the collateral falls below 100%, the Scheme will enforce prompt delivery of additional collateral.

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

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

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

	2019	2018
	£ m	£ m
Unit linked insurance contracts	147.4	174.2
Authorised unit trusts	240.2	-
Open ended investment companies	688.2	989.4
Limited liability companies	198.1	179.0
	1,273.9	1,342.6

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:

	2019	2018
	£ m	£ m
Currency		
US Dollar	74.2	98.7
Euro	9.6	24.7
Japanese Yen	9.0	5.9
Other	67.9	74.4

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

(iii) Interest rate and inflation risk

The Scheme is subject to interest rate risk on the LDI investments comprising bonds and interest rate and inflation swaps held either as segregated investments or through pooled vehicles and cash. The Scheme has hedged 88% of interest and inflation rate risk. At the year end the Scheme exposures comprised:

Kingfisher Pension Scheme

Year ended 31 March 2019

	2019	2018
	£ m	£ m
Direct		
Bonds	2,938.5	2879.9
Swaps	(17.5)	(81.2)
Indirect		
Bond PIVs	891.1	897.0
Alternative asset PIVs	198.1	193.3
Special Purpose Vehicle	181.1	188.0

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities and alternative assets held in pooled vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2019	2018
	£ m	£ m
Indirect		
Equity PIVs	184.5	227.5
Property & Farmland	23.1	24.7
Special Purpose Vehicle	181.1	188.0
Other alternative asset PIVs	198.0	193.3

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.

(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:

2019 and 2018				
	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Lifestyle Fund	✓	✓	✓	✓
Passive Equity Fund	-	✓	-	✓
Active Equity Fund	-	✓	-	✓
Emerging Markets Fund	-	✓	-	✓
Ethical Fund	-	✓	-	✓
Shariah Fund	-	✓	-	✓
Pre-Retirement Fund	✓	-	✓	-
Pre-Retirement Inflation Linked Fund	✓	-	✓	-
Money Market Fund	✓	-	✓	-
Diversified Return Fund	✓	✓	✓	✓
Property Fund	✓	-	-	✓

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.

Kingfisher Pension Scheme

Year ended 31 March 2019

21. Current Assets

	2019		
	FS	MP	Total
	£ m	£ m	£ m
Cash Balances	35.2	1.2	36.4
Contributions due	-	4.1	4.1
VAT recoverable	0.2	-	0.2
Other debtors	0.9	0.1	1.0
	36.3	5.4	41.7

	2018		
	FS	MP	Total
	£ m	£ m	£ m
Cash Balances	16.7	1.2	17.9
Vat recoverable	0.1	-	0.1
Other debtors	0.7	.0.1	0.8
	17.5	1.3	18.8

22. Current Liabilities

	2019		
	FS	MP	Total
	£ m	£ m	£ m
Expense accruals	2.3	-	2.3
Unpaid Benefits	2.5	-	2.5
Expenses due to Kingfisher plc	-	-	-
Tax payable	-	0.1	0.1
	4.8	0.1	4.9

	2018		
	FS	MP	Total
	£ m	£ m	£ m
Expense accruals	1.2	-	1.2
Unpaid Benefits	0.3	0.2	0.6
Expenses due to Kingfisher plc	0.1	-	.0.1
Tax payable	-	-	-
	1.6	0.2	1.9

Kingfisher Pension Scheme

Year ended 31 March 2019

23. Related party transactions

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

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

Pension payments to Helen Jones and Kerrin Qualters are included within gross pensions. The pensions are calculated in accordance with the rules of the Scheme.

Trustee Director Fees

	2019	2018
	£'000'	£'000'
BESTrustees Limited	64	57
Mark Fawcett	28	27
Helen Jones	9	9
Kerrin Qualters	1	6
Sally Clifton	6	9
	108	108

24. Self-investment

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

25. GMP Equalisation

In October 2018 a Court ruling determined that defined pension schemes must equalise the guaranteed minimum pension ('GMP') element of men and women which was earned between May 1990 and April 1997. The disparity arose because of government legislation which required the GMP element of mens' and womens' pensions to be calculated differently in the past. The Trustees expect that the Fund will therefore be liable for additional past service cost for members who did not receive equal GMPs in the past. The Trustees are working with the Scheme Actuary to determine the actual costs to the Fund of equalising GMPs, which at 31 December 2018 could not be determined with reasonable certainty.

Kingfisher Pension Scheme

Year ended 31 March 2019

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 2019 which is set out in the Trustee's report on page 30.

In our opinion, contributions for the scheme year ended 31 March 2019 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 29 July 2016.

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 schedule 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 schedule of contributions.

Respective responsibilities of Trustee and the auditor

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

It is our responsibility to provide a statement about contributions paid under the schedule 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
London

29 July 2019

Kingfisher Pension Scheme

Year ended 31 March 2019

Statement of Trustee's Responsibilities in respect of Contributions

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

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2019

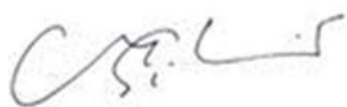
This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 29 July 2016 in respect of the Scheme year ended 31 March 2019. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Scheme year	£ m
Employer	
Normal contributions	45.1
Deficit contributions	22.6
Other contributions PPF levy	0.1
Employee	
Normal contributions	4.8
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	72.6

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

	£ m
Contributions payable under the Schedules (as above)	72.6
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme Auditor):	-
Employee additional voluntary contributions	-
Total contributions reported in the Financial Statements	72.6

Signed on behalf of the Trustee of the Kingfisher Pension Scheme on 29 July 2019



BESTrustees Limited,
represented by Clive Gilchrist, Chairman

29 July 2019

Kingfisher Pension Scheme

Year ended 31 March 2019

Actuary's Certification of Schedule of Contributions

Adequacy of rates of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated July 2016.

Consistency with Statement of Funding Principles

In my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated July 2016.

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

Signature



Crawford Taylor
Fellow of the Institute of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

21 July 2016

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

Name of Scheme: Kingfisher Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2016 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 July 2016.

Signature



Crawford Taylor

Fellow of the Institute of Actuaries

21 July 2016

Hymans Robertson

20 Waterloo Street
Glasgow
G2 6DB
Scotland

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

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

The most recent full actuarial valuation of the Scheme was carried out by Crawford Taylor as at 31 March 2016. This showed that on that date the value of the technical provisions was: £2,968 million. The value of the assets at that date was: £2,931 million. The technical provisions funding level was therefore 99%.

An estimate of the Scheme's financial position was carried out at 31 March 2017. This showed that on that date the value of the Technical Provisions was: £3,576 million. The value of the assets at that date was: £3,591 million. The technical provisions funding level was therefore 100%.

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

Method

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

Significant actuarial assumptions

Discount rate:

Pre-retirement The pre-retirement discount rate is the market implied fixed interest gilt yield curve plus 3% p.a.

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

Inflation: The market implied inflation yield curve.

Pension increases: The Scheme Rules include provision for increases in line with RPI price inflation up to a maximum of 5% and a minimum of 0% each year, to pensions in excess of GMP. For the actuarial valuation as at 31 March 2016 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 2013 model calibrated to Club VITA experience with a long-term rate of improvement of 1.5% p.a. for both males and females, assuming "peaked" short term improvements.

Signature



Crawford Taylor

Fellow of the Institute of Actuaries

Hymans Robertson

20 Waterloo Street
Glasgow
G2 6DB
Scotland

Kingfisher Pension Scheme

Year ended 31 March 2019

Compliance Statement

Enquiries about the Scheme

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

Transfer Values

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

Internal Disputes Resolution Procedure

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

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

Stage one

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

Stage two

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

Pensions Ombudsman

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

10 South Colonnade

Canary Wharf

E14 4PU

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

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

The Pensions Advisory Service (TPAS)

10 South Colonnade

Canary Wharf

E14 4PU

Other Pensions Organisations

The Pensions Regulator

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

The Pensions Regulator, Napier House, Trafalgar Place

Brighton BN1 4DW

Kingfisher Pension Scheme

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Tel: 0870 6063636 (Mon-Fri 9am-5.30pm)

Email: customersupport@thepensionsregulator.gov.uk

Web: www.thepensionsregulator.gov.uk

Pension Protection Fund (PPF)

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

Pension Protection Fund

Knollys House, 17 Addiscombe Road, Croydon

Surrey CR0 6SR

Tel: 0845 6002541 (Mon-Fri 9am-5.30pm)

Email: information@ppf-gsi.gov.uk

Web: www.pensionprotectionfund.org.uk

Pension Wise

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

Website Address: www.pensionwise.gov.uk

To book a phone or face to face appointment call:

Telephone Number: 0300 330 1001

(or +44 203 733 3495 if calling from outside the UK)

Telephone Lines are open from 8am until 10pm Monday to Sunday.

Tax Status with HM Revenue & Customs

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

Constitution

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

Member Information

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

Personal Benefit Statements, which give individual members information annually on the benefits they may receive.

'Member Guide', the explanatory booklets for the Money Purchase Section and Final Salary Section.

'AVC Fund Fact Sheets' for members of the Final Salary Section giving full details of the available AVC options.

All of these publications are online at our website www.kingfisherpensions.com; alternatively, they may be obtained from the relevant company contacts.

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

(Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996)

Introduction

I am pleased to present the Trustee's statement of governance, describing how the Trustee has governed the Scheme's Money Purchase (MP) section during the year end 31 March 2019 (the "Scheme year"). In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This statement covers the following areas:

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

1. The default investment strategy

The default strategy is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also positively choose to invest in the default strategy. At 31 March 2019, approximately 97% of members were invested in the default strategy.

Setting an appropriate investment strategy

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

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

In summary, the key points to note in respect of the default strategy are as follows:

- The default strategy involves what is known as a lifestyle arrangement. The aim of this arrangement is that members' funds are invested in appropriate types of assets at appropriate stages of lives, based on their age and the number of years until their selected retirement date.
- The objective for the default arrangement is to target investment returns of inflation (for which we use the Consumer Price Index) +3% per annum after all charges over the long term.

Reviewing the default strategy

The Trustee is expected to:

- review the investment strategy and performance of the default strategy at regular intervals, and at least once every 3 years; and
- take into account the needs of the Scheme's membership when designing the default strategy.

The Trustee's DC Investment and Retirement Committee reviewed the performance of the default strategy on a quarterly basis during the Scheme year and has taken external advice as and when required, and new funds are added, or funds

Kingfisher Pension Scheme

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are changed, as and when it is felt to be appropriate. The Committee found that performance was within the expected range and accordingly no change was made to the default strategy (except as mentioned below).

Consideration was given on a quarterly basis as to whether the default strategy remained appropriate, and that on the basis of the June 2018 review it was decided to make changes to the passive equity component, as outlined below.

During the Scheme year, the Trustee reassessed the passive equity fund which forms 50% of the default strategy growth phase and is also available for members to invest in on a self-select basis. The Trustee decided to change the strategy to a multifactor approach that applies a 'climate change tilt'. The fund offers investors the opportunity to gain exposure to a diversified portfolio of global equities that exhibit 'factor' characteristics. Research has shown that these can improve investment outcomes over the long term. The climate change tilt results in the fund having a greater exposure to companies generating revenue from low carbon opportunities, and a lower exposure to companies with higher carbon emissions and fossil fuel assets relative to their sector.

The Trustee is planning to complete an in-depth default strategy review in 2019 / 20.

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

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

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

- Charges: 0.40%. This is well under the legal charge cap of 0.75%.
- Transaction costs: 0.08%.

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

- Charges: 0.40% x £1,000 = £4.00.
- Transaction costs: 0.08% x £1,000 = 80p.

Efforts are made to reduce charges and costs whenever possible.

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.

The costs of the KPS Money Purchase Section Funds are:

Fund	Charges	Explicit transaction Costs	Implicit transaction costs	Total within the fund transaction costs
Lifestyle Fund (default strategy)	0.40%	0.03%	0.05%	0.08%
Passive Equity fund	0.46%	0.04%	0.10%	0.15%
Diversified Return Fund	0.34%	0.01%	0.00%	0.01%
Money Market Fund	0.31%	0.00%	0.00%	0.0%
Active Equity Fund	0.95%	0.22%	0.00%	0.22%
Emerging Markets Fund	1.25%	0.13%	0.00%	0.13%
Ethical Fund	1.08%	0.13%	0.00%	0.13%
Pre-Retirement Fund	0.30%	0.00%	0.02%	0.02%
Pre-Retirement Inflation Linked Fund	0.30%	0.00%	0.01%	0.01%
Property Fund	1.12%	0.27%	-0.34%	-0.07%
Shariah Fund	0.56%	0.03%	0.00%	0.03%

Kingfisher Pension Scheme

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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 for the year ending 31 December 2018. Anti-dilution offset costs are included within the implicit costs. Figures have been rounded to two decimal places.

For this reporting period, Legal and General have adopted the arrival price methodology outlined by the FCA. This methodology calculates the implicit transaction costs as the difference between a transaction's executing price and the price when the order to transact was sent to a third party (the arrival price). This reporting will use the existing standardised industry template, as developed by the Investment Association in conjunction with the Local Government Pension Scheme.

Indirect transaction costs have been calculated assuming a static fund structure as at 31 December 2018.

For any funds which hold an underlying investment managed by a third party, the transaction costs provided by the third-party manager are reported as an indirect external fund transaction cost. Where transaction cost information was not made available by the third party, proxies have been used where possible otherwise transaction costs incurred by the externally managed fund have not been included. Legal and General are proactively requesting fund data from all external managers on a quarterly basis.

The transition of the passive equity fund during the year was completed on an 'in-specie' basis as far as possible in order to reduce transaction cost.

Appendix 2 to this statement provides some illustrations of the cumulative effect of costs and charges on members' benefits over time. The Trustee has taken account of relevant statutory guidance in preparing the illustrations.

2. Good value for members

The Trustee has assessed the extent to which the charges and transaction costs set out above represent good value for members and has concluded that the Scheme offers good value for money relative to peers including other pension schemes of a similar size and nature (using data from TPR) and other public surveys and relative to options available to the Trustee with alternative investment managers and providers.

The Trustee included consideration of the following in reaching this conclusion:

- Charges
- Transaction costs
- Net of cost investment performance for members
- Investment risk measures
- The type and quality of administration service received by members
- Governance arrangements including investment and charges monitoring activity
- The design and range of investment options available to members
- Investment manager ratings where relevant
- Additional services available to members, including retirement support, services, communications and member tools.

As a starting point to assessing "good value", we have compared the level of charges in each fund with the levels of return they have delivered to members. The charges are reviewed by the DC Investment and Retirement Committee each quarter as is the performance of the funds.

Value for money is a key consideration and is one of the factors in the Trustee's decision to use passively managed funds as the building blocks for the default strategy.

We have also considered how the charges and transaction costs borne by members (the costs of membership) compare against the services and benefits provided by the Scheme (the benefits of membership). The Trustee benchmarks by comparing both the money purchase offering and the provider against what else is available.

Achieving value for money for members whilst offering good benefits and high level of customer service is a key consideration.

Kingfisher Pension Scheme

Year ended 31 March 2019

The benefits of membership include:

- A default strategy that is appropriate for the majority of members (members that are generally low earners, paying low contribution rates), whilst still offering a suitable range of investment funds for members that may wish to express their own investment views or have different circumstances and needs i.e. our self-select range of funds.
- the award winning 'Saving for Your Future' education programme which employs a range of communication media including the development of an educational pensions 'App'.

The effectiveness of the administration is reviewed by the DC Investment and Retirement Committee on a quarterly basis with administration results compared to the service level agreement levels for timeliness.

Based on our assessment we have concluded that the Scheme represents good value for members.

3 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 all core financial transactions. These SLAs are monitored on a quarterly basis by the Trustee, via the Accounts, Audit & Governance Administration Sub-Committee and the in-house group pensions team.
- L&G reports on the Service Standards specified below, on a quarterly basis:

TASK DESCRIPTION	WORK ITEM	SERVICE DAYS
Create Member Record	joiner files	24 hours
Process submitted contribution file	contribution files	24 hours
Allocate contribution payment	cash allocation	24 hours
Make retirement payment	retirement payment	5 working days
Make lump sum payment	lump sum payment	5 working days
Make death payment	death payment	5 working days
Make ill health payment	ill health payment	5 working days
Make serious ill health payment	serious ill health payment	5 working days
Make divorce payment	divorce payment	5 working days
Allocate transfer payment to member account	transfer payment	5 working days
Make short service refund payment	short service refunds	5 working days
Surrender member account	surrender	5 working days
Apply bulk transfer payments	transfers in (bulk)	Agreed individually with Trustees on a case by case basis
Apply individual transfer payment	transfers in (individual)	5 working days
Switch current investments / Redirect future contribution investment	investment management (switches)	24 hours

The 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)

Kingfisher Pension Scheme

Year ended 31 March 2019

- The Scheme has an agreed payroll timetable and escalation process in place with Legal & General which provides a further structured control to monitoring contribution processing.
- The Scheme is compliant with TPR's DC Code of Practice on reporting late payment of contributions and with the relevant legislation.
- Maintaining close working links between the in-house group pension team and the administrator.
- 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.
- 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.

I am pleased to report that in the last Scheme year there have been no material failure to process core financial transactions promptly and accurately. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

4 Knowledge and understanding of the Trustee

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

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

Reviews are carried out in the year and based on self-assessment by the Trustee with input from the group pensions team. A full Trustee self-assessment board evaluation review has already been completed in June 2019.

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

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

New Trustees complete an induction programme, which includes completing TPR's online trustee toolkit. New Trustees must complete this within six months of their appointment. All Trustees (excluding the newly appointed Trustee with less than six month's service) have completed the TPR's toolkit, including the new essential modules "How a DC scheme works" and "Investment in a DC scheme".

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

Trustees are regularly sent pensions bulletins to assist them in keeping up to date with current matters, including relevant information about changes to pensions law. When particular matters of strategic importance are being discussed at the Committee or Board, training is provided ahead of any decisions.

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

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Year ended 31 March 2019

As mentioned above this TKU training covers a wide range of both DB & DC topics and for 2018/19 included Trustee duties on:

- the role of the covenant adviser;
- Actuarial Valuation Training;
- Pension Scheme Investments II*
- The role of the Pension Medical Adviser and the use of trustee discretion
- GDPR
- Pension Scheme Investments I*
- A Trustee Training Day given by Eversheds Sutherland Pension Team covering:
 - Key elements of the UK Pension System
 - Governance of UK pension schemes
 - Investment & Insurance
 - The role of the Pension Regulator

* Given by the Professor of Asset Management, CASS Business School, Andrew Clare.

Where appropriate the training includes a cross reference to the appropriate provision in the Trust Deed or other document if relevant.

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

The Trustee board is also a member of the Pensions Management Institute's Trustee Group and is able to show CPD accreditation on an annual basis. All Trustee Directors are required to show evidence of at least 15 hours of CPD annually to keep the accreditation.

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

Other board members have substantial professional knowledge and expertise in (variously) commercial, investment, financial, legal pensions and governance matters. All board members have the requisite trustee knowledge and understanding as described above. Board members on the DC Investment and Retirement Committee have received specialist training in investment matters.

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

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

5. Trustee Statement of MP Governance

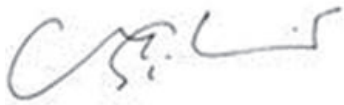
The Trustee undertakes ongoing assessments of the Scheme against TPR's DC Codes of Practice and related guidance and has implemented a structured plan for governance in this respect.

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

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

Kingfisher Pension Scheme

Year ended 31 March 2019



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

29 July 2019

Note: Members can contact the Scheme with queries/views by using the website or contacting Group Pensions at Kingfisher Pensions Trustee Ltd, 3 Sheldon Square, London W2 6PX.

Kingfisher Pension Scheme

Year ended 31 March 2019

Appendix I: Statement of Investment Principles (SIP)



KINGFISHER PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

September 2017

Kingfisher Pension Scheme

Year ended 31 March 2019

Section

Contents

1. Introduction
2. Financial Services & Markets Act 2000 & the Role of the Investment Committees
3. Role of Professional Advisers
4. Investment Beliefs
5. KPS Funding and Investment Objectives and Strategy – Final Salary Section
6. KPS Investment Objectives and Strategy – Money Purchase Section
7. Investment Management Monitoring and selection/deselection process
8. Risk Measurement and Management
9. Corporate Governance
10. Responsible Investment

Kingfisher Pension Scheme

Year ended 31 March 2019

1. INTRODUCTION

1.1 Pensions Acts

Under the Pensions Act 1995 and as amended by the Pensions Act 2004, the Trustee is required to prepare a statement of the principles governing investment decisions of the Kingfisher Pension Scheme (the Scheme). This document fulfils that requirement.

The ultimate responsibility for deciding investment policy lies solely with the Trustee. However, the Trustee will consult the Principal Employer on changes in investment policy as set out in this document.

In drawing up this document, the Trustee has sought written advice from the Scheme's professional advisers. The Trustee will review this document, in consultation with their advisers, at least once a year, or sooner following a significant change to the investment arrangements.

1.2 Scheme Details

This document describes the investment policy pursued by the Trustee of the Kingfisher Pension Scheme (KPS).

KPS operates for the exclusive purpose of providing retirement and death benefits for members and other beneficiaries.

Members of the Final Salary Section of the Scheme were contracted-out of the State second pension under the Pension Schemes Act 1993.

KPS is a registered pension scheme for the purpose of the Finance Act 2004.

2. FINANCIAL SERVICES AND MARKETS ACT 2000 AND THE ROLE OF THE INVESTMENT COMMITTEES

In accordance with the Financial Services and Markets Act 2000, the Trustee sets the general investment policy, but has delegated day-to-day responsibility for investing the Scheme's assets (other than Trustee bank accounts) to external investment management organisations. This is to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively.

The Trustee has also established a Defined Benefit Investment Committee and a Defined Contribution Investment and Retirement Committee. The responsibilities delegated to the Investment Committees are detailed in the Investment Committees' Terms of Reference.

3. ROLE OF PROFESSIONAL ADVISERS

Professional advisers in this context include investment managers, the Actuary and investment consultants. Their role is to:

- participate with the Group Pensions Department (GPD) in periodic reviews of KPS investment arrangements and the Statement of Investment Principles (SIP);
- advise the Trustee of significant changes in the investment environment that may have implications for the existing investment strategy; the Trustee may use more than one investment advisory service to provide advice to the Scheme, and will use an advisory service where they feel it is appropriate or legally required.
- in the case of investment managers, manage on a day-to-day basis the portfolios of assets delegated to them with a view to achieving the objectives mutually agreed with the Trustee and regularly report on progress.

4. INVESTMENT BELIEFS

Outlined below are a set of high-level investment beliefs that represent the views of the Trustee of the Kingfisher Pension Scheme given the Scheme's funding objective.

Kingfisher Pension Scheme

Year ended 31 March 2019

The beliefs provide a framework that help maintain the quality of the investment decisions taken. Furthermore, a clear set of investment beliefs can be used as a benchmark by which investment decisions can be judged.

Liabilities: A sound understanding of the Final Salary Section's liabilities is necessary in order to make investment decisions.

Investment Risk: The Trustee has agreed a secondary funding target with the employer, taking into account the strength of the employer covenant. In order for this to be reasonably affordable it is necessary to take investment risk. Appropriate risk measurement tools should be used to measure and monitor this risk. Investment decisions should be made with regard to an agreed risk budget.

The Trustee believes in concentrating on taking intended risks that they believe will be rewarded and seek to hedge unintended, unrewarded risks whenever practicable and at reasonable cost.

Asset Allocation: Asset allocation is a key decision in pension scheme investment with significant implications for long-term investment returns. The Trustee sets the overall strategy after consulting with the employer.

Diversification: Diversification of the Scheme's investment strategy with regard to both its 'growth' and 'matching' assets, should reduce the level of risk inherent in the Scheme's overall investment strategy.

Passive v Active Management: Passive investment management generally offers the best performance return after fees in a number of asset classes, particularly developed equity markets, but active management can add value and may be a more appropriate strategy when investing in some asset classes.

Responsible Ownership: All companies should be run in a responsible way because in the long run this should contribute to the success of those companies.

Money Purchase Beliefs: The fundamental investment beliefs outlined above (with the exception of the Final Salary related liabilities beliefs) are equally applicable to the Money Purchase Section.

5. KPS FUNDING AND INVESTMENT OBJECTIVES AND STRATEGY– FINAL SALARY SECTION

5.1 Objectives

Kingfisher plc (the 'Company') and Kingfisher Pension Trustee Limited (the 'Trustee') have agreed:

- A 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. From the 2010 valuation the ultimate 2FO target is for the Scheme to be sufficiently funded to be able to secure benefits with insured annuities by 2030;
- Following completion of the 2016 valuation the employer contribution, effective from 1 April 2017 was agreed at £37m + RPI (this includes income from the Special Purpose Vehicle but excludes the Pension Protection Fund levy which the Company has agreed to reimburse the Scheme for). The employer contribution will be reviewed again after the next 3 yearly valuation as at March 2019 and thereafter each formal valuation through to 2030;
- The 2FO funding target for 2030 will be the expected cost of securing benefits through insured annuities at that time. For the 2016 valuation the expected annuity terms in 2030 assume a discount rate for future benefit payments in line with yields on gilts of appropriate nature and duration;
- Planned investment de-risking switching from return seeking to matching assets. Matching assets constitute 79% of Scheme assets at April 2016 and will constitute 100% of Scheme Assets by April 2030. The Scheme is targeting hedging 87% of the interest rate and inflation risks through its liability hedging portfolio. The Company and the Trustee will agree circumstances under which this de-risking plan could be accelerated;
- That having extended the initial 2FO target date from 2024 to 2030, there is no intention to extend the target 2FO date beyond 2030.

Kingfisher Pension Scheme

Year ended 31 March 2019

Other details relating to the 2FO and the Statutory Funding Objective are set out in the Statement of Funding Principles and Group Pensions Policy Standard.

The Company and the Trustee have agreed the above planned high-level asset allocation changes in order to achieve an appropriate level of long-term return with an acceptable degree of risk. In practice, the Trustee wishes to move to the target asset allocation in a cost efficient manner, so the timing and magnitude of switches from return-seeking assets to matching assets will be decided upon by the Trustee based on monitoring of the Scheme's progress in reaching the 2FO and with input from the Company.

The objective is subject to regular monitoring by the Defined Benefit Investment Committee with a triennial review as part of the actuarial valuation exercise. The objective forms the basis from which the Defined Benefit Investment Committee develops a more detailed strategy approved by the Trustee Board, which is discussed with the Company. It is then for the Defined Benefit Investment Committee to implement that strategy in terms of asset allocation and the appointment and monitoring of the appropriate managers.

5.2 Asset Allocation

The Trustee's principles on asset allocation are as follows.

- Asset allocation is one of the key decisions of pension scheme investment with significant implications for long-term investment return.
- The Trustee will seek to achieve the investment objectives through investing in a suitable mixture of return-seeking (e.g. UK and overseas equities and alternative assets) and matching (e.g. bonds and derivatives) assets. The Trustee recognises that the returns on return-seeking assets, while expected to be greater over the long term than those on matching assets, are likely to be more volatile.

5.3 Investment Management

The Trustee believes that adopting a specialist management approach (where each individual manager has an objective related to a particular asset class) provides greater opportunity to benefit from specialist expertise compared to a balanced approach in the long-term. Furthermore, the Trustee believes they have the resources (including the Investment Committees and the Group Pensions Department) to allow them to monitor and control a specialist management structure. Details of the investment manager structure and their objectives are detailed in the Scheme's annual report and financial statements that can be found on the Scheme's website¹.

5.4 Additional Voluntary Contributions (AVCs)

The Trustee provided a facility for members to pay AVCs to enhance their benefits at retirement. To clearly distinguish AVC investments from other KPS assets, AVCs are invested separately in individually identified accounts with external investment managers. The Trustee monitors the AVC arrangements regularly to ensure that they remain appropriate. Details of the AVCs funds offered can be found on the Scheme's website¹.

In recognition of the wide diversity of individual members' circumstances and investment preferences, the Trustee's objective is to provide a range of funds which give members a choice in terms of varying degrees of risk, return and diversification, over the investment policy of their AVCs.

The Trustee considers that a With-Profits Fund providing diversification between real and monetary assets, as well as a smoothing approach to bonuses and some guarantees on the value of members' accounts, will meet some members' requirements. Alternatively, an appropriate option for other members may be one (or a combination) of the unit-linked funds, where returns are liable to fall as well as rise and which provide no guaranteed return.

5.5 Fees

In addition to base fees, the Trustee believes that performance fees are necessary in certain circumstances.

Kingfisher Pension Scheme

Year ended 31 March 2019

However, it is difficult to implement just one approach to fees, as managers may be inflexible on changing their standard basis. KPS may have to accept this if it believes a manager can add value and wishes to appoint them despite inflexibility on fees.

All Final Salary Section investment fees (excluding AVCs) are met by KPS.

5.6 Satisfactory Investments

As required by the Pensions Act, the Trustee obtains professional advice on whether these funds are satisfactory.

6. KPS INVESTMENT OBJECTIVES AND STRATEGY– MONEY PURCHASE SECTION

6.1 Objectives

A default strategy is provided which the Trustee believe 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 Lifestyle option. The objective for the default option is to target investment returns of CPI +3% after all charges over the long term. The Trustee believes this would provide a reasonable probability that an average member could achieve an income of 2/3rds of their final salary, including state pension, at retirement based on an average member paying auto-enrolment contribution rates.

The Trustee makes available to members of the Money Purchase Section an appropriate range of investment options to which members and the Company 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.

In determining which investment options to make available, the Trustee has considered the investment risk associated with money purchase pension investment. This risk can be expressed as the uncertainty of the ultimate amount of savings available on retirement, the majority of which will be used to provide retirement benefits. There are a number of factors which contribute to this uncertainty. Some of them (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members. The Trustee recognises, however, that some investment risks (such as inflation, capital and pension conversion) can be managed to some extent by the choice of investments.

6.2 Investment Funds

Details of the funds provided can be found on the Scheme's website¹. The funds offered through the Money Purchase Section were selected by the Trustee in consideration of the Money Purchase Section's objectives, expected returns, risks and other characteristics and the Trustee's view of the needs of the membership. The Trustee recognises that no single option will be sufficient to manage the various risks associated with money purchase investment; the range is designed to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each member's requirements.

In addition, the Money Purchase Section offers Lifestyle options. The aim of these options is to try to ensure that members' funds are invested in appropriate funds at the appropriate time, based on their age and the number of years until their selected retirement date. The Cash Lifestyle option is currently the default option for members who fail to choose an investment option.

The investment funds offered through the Money Purchase Section are unit linked arrangements, wrapped in insurance policies.

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Year ended 31 March 2019

6.3 Satisfactory Investments

As required by the Pensions Act, the Trustee obtains professional advice on whether these funds are satisfactory.

6.4 Fees

Money Purchase Section members pay an annual management charge. This charge is for administration provider services and investment management fees. The Trustee recognises that there may be additional investment associated administrative costs which will be reflected in the unit price of the fund.

7. INVESTMENT MANAGEMENT MONITORING

The Trustee uses the services of an independent performance measurement company to assess the managers' performance relative to the benchmark returns. The appointment of the investment managers is reviewed on a regular basis by the Investment Committees, based on its monitoring of performance, people, business and process.

7.1 Selection Criteria

The Investment Committees have identified the criteria by which investment managers should be selected or deselected. These include:

Business - supportive ownership from a parent company committed to investment management.
- evidence of clear strategic direction.

People - high calibre, experienced professionals.
- relatively low staff turnover.
- evidence of clear commitment to investment house culture.
- strong recruitment and training plans.

Process - effective approach to accessing/interpreting research.
- robust, repeatable process.
- Process consistent with the stated philosophy.

Performance - acceptable variability in relation to investment manager's style

7.2 Deselection Criteria

Investment managers may be replaced if:

- they fail to meet the performance objectives set
- the Investment Committees believe the investment manager is not capable of achieving the performance objectives in the future
- the Investment Committees believe that another investment manager is better placed to achieve the requisite level of investment performance

The Investment Committees hold meetings with the investment managers to satisfy themselves that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the Investments of the Scheme. An Investment Consultant is present at these meetings. Employees from the Group Pensions Department also regularly meet with the investment managers in between Investment Committee meetings.

8. RISK MEASUREMENT AND MANAGEMENT

The Trustee recognises the following investment risks that the Scheme is exposed to and has taken the following measures to continually monitor and manage these risks. These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target.

- **Solvency Risk and Mismatch Risk**

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Year ended 31 March 2019

The risk that the KPS assets fail to keep pace with the liabilities (due to investment factors) is measured and managed through qualitative and quantitative assessment of the expected development of the liabilities relative to the current and target investment policy. The results of this analysis are regularly discussed with the Actuary and the Scheme's investment advisers.

Mismatch risk can include inflation and interest rate risk. These risks are being managed through an actively managed liability driven investment programme.

- **Concentration Risk**

The KPS assets have been diversified across a range of asset classes, e.g. equities (UK and overseas), fixed interest (UK and overseas), Index-Linked Gilts and cash. Within each asset class there are further diversifying conditions placed on managers, e.g. a limit on the maximum holding in any one stock by each manager.

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.

- **Manager Risk**

The Trustee aims to minimise the impact of any appointed manager underperforming. So, where appropriate, KPS assets are allocated in varying amounts to a number of managers in each asset class, often employing different management approaches (e.g. passive and active).

In addition, each manager is given a specific objective and is subject to guidelines and restrictions on what is permitted in achieving those objectives as specified in the individual Investment Management Agreements.

There is no limit on the value of assets managed by any one manager, however the volatility of the asset class and the manager's investment approach are taken into account when determining the size of each portfolio,

- **Derivative Risk**

Restrictions are imposed on the use of derivatives. Derivatives will be used by KPS for risk management purposes, as part of the strategic asset allocation. Derivatives are also used on a tactical basis by the KPS investment managers to ensure that they are able to cover exposed positions (i.e. risk reduction) and to increase or decrease exposure to markets, other than by direct investment, following asset allocation decisions. Derivatives are not to be used for speculative purposes or to 'gear up' fund returns. There are different facets to derivative risk, namely:

Counterparty risk - addressed through the investment manager, banks and custodian guidelines with respect to cash management; in the use of derivatives this risk is mitigated through the exchange of collateral or margin.

Basis risk – the returns from the backing assets used to meet the payable leg of a derivative may not match exactly. This risk is addressed through the investment policy adopted by the Trustee for the backing assets and the investment managers' asset management capabilities.

Liability risk – pension liabilities can only be estimated and there is a risk of unanticipated changes in the assumptions used to value the KPS' liabilities, hence there may be a divergence between the performance of the derivatives and the actual value of the liabilities. This risk is managed by constructing a derivative strategy based on a best estimate of future KPS cashflows.

- **Performance Risk**

The risk of the returns on KPS being less than anticipated is monitored by regular review of both individual manager and total fund performance. This allows action to be taken to address persistent deviation from expected levels.

- **Custodian Risk**

Includes the risk that a custodian of the investments held in respect of the Final Salary Section or Money Purchase Section misplaces Scheme investments, that it is receiving, delivering or safekeeping and includes the further risk introduced by the Custodian's use of sub-custodians within some overseas countries

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Year ended 31 March 2019

The Trustee Board believes in separating custody of assets from fund management as far as is practical. This provides an element of extra protection for KPS assets as well as the opportunity for efficient consolidated reporting. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.

- **Liquidity Risk**

Sufficient liquidity is maintained to meet expected outflows with assets invested in appropriately realisable classes so as not to disrupt the Scheme's overall investment policy.

- **Currency Risk**

This risk is measured by the level of overseas investments and the translation effect of currencies leading to the risk of an adverse influence on investment values. It is managed by reducing translation risk of investing overseas by hedging a proportion of the overseas investments' currency translation risk for those overseas currencies that can be hedged efficiently.

- **ESG Risk**

Environmental, Social and Governance factors are a source of potential risk in investment portfolios that should be managed. On the Final Salary side of the scheme, the Trustee takes into account the impact of climate risk in the management of its global equity portfolio and has invested in a global renewable energy fund. The Trustees plan to address the Money Purchase Section investments in 2018.

- **Sponsor Risk**

Includes the risk that the sponsor (in the case of the Principal Employer) cannot, or will not, make good a current or future deficit of the Scheme.

Is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit;

Is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor.

- **Contribution Income**

The Schedule of Contributions payable, and their due dates, is maintained by the Trustee, allowing any late (or lower than expected) payment to be raised with the relevant operating company at an early date (delays in the payment of contributions could affect the Scheme's solvency position).

- **Cash Transactions**

The risk of cash being transferred out of KPS in unauthorised circumstances is controlled by the restrictions imposed by the Bank Mandate and controls agreed with the Custodian and investment managers. These measures generally define the circumstances in which cash payments can be made and who is able to authorise them.

9. CORPORATE GOVERNANCE

The Trustee Board believe it is desirable: -

- To have a consistent approach on corporate governance issues.
- To act as a responsible investor.
- To be able to manage the process in a practical way.

Consequently, all 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.

Kingfisher Pension Scheme

Year ended 31 March 2019

10. RESPONSIBLE INVESTMENT

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

The Trustee Board believes that all companies should be run in a responsible way as in the long run this should contribute to the success of those companies.

The Trustee Board, however, recognises that because of the need to closely track the index benchmarks, it is not appropriate for the Scheme's passive manager to take account of social, environmental and governance considerations in the construction of their portfolio. However, the Trustee Board also encourages its passive manager, and its other pooled fund managers, to pursue a policy of engagement with investee companies.

¹ www.kingfisherpensions.com

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 of a member's money purchase account in today's money at several times up to retirement for a selection of funds – firstly before and secondly after the deduction of costs and charges.

The tables are based on [hypothetical assumptions \(e.g. as to future investment returns\)](#). They are designed only to illustrate the effect of costs and charges – they are not an indication of what members might in fact receive on retirement. Please see the information about the assumptions, and the important warnings, at the end of this appendix.

Representative Member 1: Active Member, age 36, with a pension pot size of £1,250 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 £)
1	£72,283	£66,937
3	£69,419	£64,463
5	£64,510	£60,141
10	£49,359	£46,647
15	£35,992	£34,466
20	£24,198	£23,471
25	£13,793	£13,545
30	£4,612	£4,585
32	£1,250	£1,250

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

For a selection of the self-select funds:

Years to retirement	Equity Passive Fund		Money Market 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 £)
1	£83,634	£75,332	£42,009	£40,159
3	£75,820	£68,796	£39,838	£38,183
5	£68,444	£62,553	£37,611	£36,144
10	£51,764	£48,150	£31,787	£30,755
15	£37,324	£35,315	£25,580	£24,921
20	£24,824	£23,877	£18,964	£18,608
25	£14,002	£13,684	£11,911	£11,774
30	£4,635	£4,600	£4,394	£4,377
32	£1,250	£1,250	£1,250	£1,250

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

Kingfisher Pension Scheme

Year ended 31 March 2019

Representative Member 2: Deferred Member, age 36, with a pension pot size of £1,250 making no further 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 £)
1	£2,509	£2,187
3	£2,522	£2,212
5	£2,458	£2,173
10	£2,169	£1,961
15	£1,914	£1,770
20	£1,688	£1,598
25	£1,490	£1,443
30	£1,314	£1,302
32	£1,250	£1,250

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

For a selection of the self-select funds:

Years to retirement	Equity Passive Fund		Money Market 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 £)
1	£3,057	£2,554	£842	£765
3	£2,886	£2,439	£863	£790
5	£2,724	£2,329	£886	£815
10	£2,358	£2,076	£944	£882
15	£2,041	£1,850	£1,006	£955
20	£1,767	£1,648	£1,072	£1,034
25	£1,530	£1,469	£1,143	£1,119
30	£1,324	£1,309	£1,211	£1,218
32	£1,250	£1,250	£1,250	£1,250

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

The assumptions used in these calculations are detailed below.

Representative Member 3: Active Member who has just joined the scheme, age 22, 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 in (today's £)	After costs and charges are taken in (today's £)
1	£123,900	£110,362
3	£121,290	£108,377
5	£115,081	£103,277
10	£93,977	£85,587
15	£75,357	£69,618
20	£58,929	£55,202
25	£44,435	£42,189
30	£31,647	£30,442
35	£20,365	£19,838
40	£10,411	£10,266
45	£1,628	£1,625

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

The assumptions used in these calculations are detailed below.

Assumptions:

Kingfisher Pension Scheme

Year ended 31 March 2019

- For members 1 and 2 - opening DC pot size is £1,250, which was the average pot size for members at 31 March 2019;
- For members 1 and 3 - contribution 10% p.a. (5% employee and 5% employer), which was the most popular contribution choice for members in the Scheme as at 31 March 2019; salary (in current day terms) £16,280; it is assumed that the member remains in service, with contributions and salary as just described, until retirement at age 68.
- The investment return assumed for each fund above is as follows:

Fund	Return % p.a.
Equity Passive Fund	5.5
Diversified Return Fund	4.7
Money Market Fund	1.2

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

Fund	Total Expense Ratio %	Fund Transaction Costs %
Equity Passive Fund	0.46	0.15
Diversified Return Fund	0.34	0.01
Money Market Fund	0.31	0.0

- The investment transaction costs and total expenses assumed for each fund above mean that for every £1,000 invested, a member would be charged the following amounts in a year:

Fund	Total Expenses (£)	Fund Transaction Costs (£)
Equity Passive Fund	4.60	1.50
Diversified Return Fund	3.40	0.10
Money Market Fund	3.10	0.0

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

Please note that these illustrated values:

- are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- 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 your own savings might grow;
- comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

The assumptions used may be different in the future to reflect changes in regulatory requirements or investment conditions.

The transaction cost information and charges information as at 31 December 2018. It is noted that this is prior to the Scheme year end of 31 March 2019 but that this is the best information available to the Trustee at the time;