

Kingfisher Pension Scheme

Implementation Statement for the year ending 31 March 2024

25 June 2024

Background

The Trustee maintains a Statement of Investment Principles (**SIP**) for the two sections of the Kingfisher Pension Scheme – the Final Salary Section and the Money Purchase Section. The SIP is available on the Scheme's website, <https://www.kingfisherpensions.com/knowledge-centre/scheme-documentation/>

This statement, which is required by legislation, explains how the Trustee has implemented the SIP during the year ending 31 March 2024. The statement will be included in the Scheme's Report and Accounts and published on the Scheme's website.

Changes to the SIP

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

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

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

There were no changes to the SIP during the year ending 31 March 2024.

Giving effect to the SIP

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

Governance

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

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

In December 2023 the Trustee reviewed the written objectives for its investment advisers, so as to meet the requirements of the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

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

| Date | Topic |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17.1.2024 | Cyber Security - Paul McGlone and Harija Sheikh, Aon |
| 17.1.2024 | The Mansion House Reforms – Defined Benefit (DB), Defined Contribution (DC), Collective Defined Contribution (CDC) - Lisa Deas and Ross McNeill Hymans Robertson |
| 17.1.2024 | Illiquid Assets - Long Term Assets Fund (“LTAF”) and how they can be used in Defined Contribution – Sam Cobley, LCP |
| 12.10.2023 | Longevity – Mark Sharkey, Hymans Robertson |
| 12.10.2023 | An interactive introduction to behavioural risks and groupthink – Zoë Burdo, LCP |
| 6.07.2023 | Macroeconomic update – Steven Bell, Columbia Threadneedle |
| 6.07.2023 | Legal & General – Stewardship and Environmental Social Governance (ESG) – Maria Ortino, LGIM |
| 6.07.2023 | Legal training focussing on death and incapacity benefits – Richard Evans, Mayer Brown International |

Additionally, Task Force on Climate-Related Financial Disclosures (TCFD) training was conducted at the Trustee Board meetings throughout the year. The Trustees completed and published their first TCFD report in 2023, their second TCFD report will be published in 2024.

Investment strategy – Final Salary Section

For the Final Salary Section, the SIP provides that the Trustee will invest with the aim of achieving the Scheme's secondary funding objective, i.e. to be fully-funded on a "gilts flat" basis by 2030. The bulk of the portfolio is to be invested in assets which broadly match the Scheme's liabilities (gilts, corporate bonds, swaps and buy-in policies). In addition, a substantial part of the interest rate and inflation risk to be hedged using suitable assets. A small proportion of the portfolio is to be invested in return-seeking assets (equities and alternative assets such as private equity, property and commodities). The portfolio is to be gradually de-risked so that by 2030 it consists entirely of matching assets, such as bonds. The timing of de-risking is determined by the Trustee in consultation with the Company. No change was made to this long-term strategy during the year.

During the year, the Trustee implemented the long-term strategy by continuing to invest predominantly in matching assets. The DB Investment Committee monitored the asset allocation on a quarterly basis and is satisfied that the allocation remained in accordance with the SIP. As at 31 March 2024, the proportions of matching and return seeking assets were approximately 92% and 8% respectively.

The Trustee further derisked the return seeking assets of the Scheme by disinvesting £100m from the LGT Capital Partners alternative asset portfolio and further reducing the size of the global equity portfolio.

On the matching asset side of the Scheme the Kingfisher Pension Scheme employs a Liability Driven Investment (LDI) strategy to hedge the majority of the Scheme's interest rate and inflation exposure. During the year ended 31st March 2024 the Trustee continued to monitor and review the hedging programme against the latest Pensions Regulator, and other regulatory, guidance. The Trustee believes the hedging programme to be in a robust and resilient position.

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

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

Investment strategy – Money Purchase Section

For the Money Purchase Section, the SIP provides that the Trustee will make available a Default Arrangement (for members who do not make their own investment choices) and Self-Select Options (for members who wish to choose). The aim as regards the Default Arrangement is to invest in growth assets for younger members but with de-risking into cash (or similar) over the ten years to selected retirement age; to achieve long-term returns, after charges, of CPI + 3%; and for charges to be well below 0.75% p.a. The aim as regards the Self-Select Options is to offer a simple range of white-labelled funds covering the major asset classes, with suitable diversification within each fund.

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

There were no changes to the Default Arrangement or Self-Select Funds made during the year.

Fund managers and performance

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

During the year, no fund managers were appointed or removed. There were no material changes to the arrangements with the existing fund managers, other than the reduction to the LGT alternative asset portfolio, outlined earlier in this statement.

The Investment Committees monitored the fund managers' performance against the applicable benchmarks on a quarterly basis, using the services of an independent performance measurer, in accordance with the SIP. Turnover costs (where available) were also monitored, along with ESG issues and voting behaviour as described below. In all cases the Committees were satisfied that the Trustee's objectives (taken together) were met.

In accordance with the SIP, the Investment Committees liaised with fund managers on a regular basis throughout the year.

The Investment Committees invite the investment managers to provide updates at their meetings. During the year the Committees held discussions and received updates from BlackRock, HayFin Capital Management, Insight Investment Management, LGT Capital Partners, Columbia Threadneedle and LGIM.

Financial matters including ESG

The Trustee believes that environmental, social and governance (**ESG**) issues may have a material impact on the long-term performance of investments. The SIP provides that the Trustee will have regard to ESG issues when investing, so far as consistent with the Trustee's duties as regards seeking returns and mitigating risk. Fund managers' approaches to ESG will be considered when making appointments. Thereafter, the Trustee will monitor and engage with fund managers as regards ESG issues as appropriate, and will take account of such issues when reviewing managers' performance. Subject to that it is left to managers to determine the extent to which ESG issues are taken into account when making underlying investments.

Further to the policy set out in the SIP, the Trustee has continued to apply a "climate" tilt to the core equity investments under both the Final Salary and Money Purchase Sections, managed by Legal & General Investment Management (LGIM). The approach gives a greater weighting to companies which are less carbon-intensive, relative to their sector, or which have greater engagement in the transition to a green economy. As part of Final Salary Section investments, the Trustee also invests in a global renewable energy fund. As part of the Money Purchase Section investments, the Trustee invests in a number of L&G 'Future World' funds, including the L&G Future World Equity Fund, the L&G Future

World Multi Asset Fund, the L&G Future World Annuity Aware Fund and the L&G Future World Inflation Linked Annuity Aware Fund.

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

LGIM also applies a "Climate Impact Pledge"— each year LGIM engages with the largest companies across the world identified as key to meeting global climate change goals and commits to disinvesting from companies that fail to demonstrate sufficient action.

During 2023, LGIM continued their deforestation engagement campaign. Having communicated initially with around 300 companies in deforestation-critical sectors, they then followed up with direct engagements to discuss their deforestation policies and approaches. As part of their deforestation policy they will sanction companies (normally a vote against the Chair) for not meeting their minimum expectations of having a deforestation policy or programme.

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

In accordance with the SIP, the Trustee has encouraged fund managers to vote and exercise other investor rights, and to engage with investee companies and other relevant persons on ESG issues.

The quarterly investment reports which the Investment Committees received from the Trustee's investment advisers included assessments as to the fund managers' integration of ESG considerations into their investment processes, and their stewardship practices. In addition, fund managers supplied information as to their own stewardship activities. The Committees were satisfied that the information received did not give rise to concerns which, in accordance with the SIP, should be raised with the fund managers.

Non-financial matters

The Trustee has regard to ESG issues when investing as described above. The Trustee recognises that members may have their own strong views on ethical, social and environmental issues (**non-financial matters**), but does not believe that there is any clear consensus as to non-financial matters across the membership. Against that background, in accordance with the SIP, the Trustee has continued to offer the Ethical Fund and the Shariah Fund as Self-Select Options under the Money Purchase Section.

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

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

Voting

Voting arrangements

The core equity manager for both the Final Salary and Money Purchase Section is LGIM. The Trustee does not exercise voting rights, as its investments are through pooled funds with many other participating investors. Instead voting rights are exercised by LGIM as described below.

LGIM's voting and engagement activities are driven by its Investment Stewardship team, made up of ESG professionals. The team determines how to vote and engage with investee companies in order to achieve the best outcome for LGIM's clients as a whole. For this purpose, the team has adopted formal policies (reviewed each year) on corporate governance, responsible investment and conflicts of interest. The team draws on its own research and ESG assessment tools, and on ISS recommendations and reports of the Institutional Voting Information Services.

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

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

Voting behaviour

The LGIM Investment Stewardship team comprises 26 professionals with an average of 12.5 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment, and public policy. The Head of Investment Stewardship and Responsible Investment Integration, Michael Marks, reports directly to LGIM's CEO, Michelle Scrimgeour, and is a member of LGIM's Executive Committee.

As part of the Trustee's training programme during 2023, the Trustee held a session with LGIM's Stewardship Team in order to discuss, and scrutinise, their latest stewardship activities and approach.

During 2023 LGIM cast 148,794 votes across all their assets under management and their investment stewardship team engaged with 2,050 companies.

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

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

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

The table below, sets out the further details relating to LGIM's voting record for stocks held within each fund for the year to 31 March 2024.

| | Future World Fund | Future World Multi-Asset Fund |
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| How many meetings were you eligible to vote at over the year to 31/03/2024? | 1,707 | 8,965 |
| How many resolutions were you eligible to vote on over the year to 31/03/2024? | 21,925 | 91,840 |
| What % of resolutions did you vote on for which you were eligible? | 99.82% | 99.81% |
| Of the resolutions on which you voted, what % did you vote with management? | 79.72% | 76.66% |
| Of the resolutions on which you voted, what % did you vote against management? | 20.11% | 23.13% |
| Of the resolutions on which you voted, what % did you abstain from? | 0.16% | 0.22% |
| In what % of meetings, for which you did vote, did you vote at least once against management? | 70.81% | 73.57% |
| What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) | 15.39% | 14.38% |

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

Key votes

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

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| Company name: | Fedex Corporation |
| Sector: | Industrial: transportation |
| Issue identified: | Paid sick leave. LGIM believe human capital issues represent risk to a company's operations, whether through heightened attrition or decreased productivity. |
| Position size at date of vote (as a percentage of portfolio): | 0.06% |
| Summary of the resolution: | Resolution 7: Adopt a paid sick leave policy AGM date: 21 September 2023 |
| How LGIM voted: | FOR Resolution 7 (i.e. against management recommendation) |
| If the vote was against management, was the intention to vote conveyed to the Company prior to the vote taking place? | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. |

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| Rationale for the vote decision: | A vote in favour was applied as LGIM supports the adoption of a paid sick leave policy for all employees as it is set to improve employee wellbeing which is critical to human capital management and gender equality. |
| Outcome: | 34.6% shareholders voted in favour of the proposal |
| Why is this vote significant? | This vote is significant because it relates to human capital management issues, which have been a focus of engagement for LGIM, and reflects their broader campaign in 2022 on paid sick leave at US railway companies. |

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| Company name : DR Horton Inc Sector : Consumer, cyclical: Home builders | |
| Issue identified: | A lack of gender diversity on the executive committee. LGIM's diversity policy for UK FTSE100 companies and US S&P500 companies includes gender diversity expectations for the executive committee, as well as the company board: LGIM's diversity approach and expectations - policy document – categorisation. |
| Position size at date of vote (as a percentage of portfolio): | 0.01% |
| Summary of the resolution: | Resolution 1f: Elect Director Benjamin S. Carson, Sr. AGM date: 17 January 2024 |
| How LGIM voted: | LGIM voted AGAINST resolution 1f (i.e. against management recommendation). |
| If the vote was against management, was the intention to vote conveyed to the Company prior to the vote taking place? | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. |
| Rationale for the vote decision: | As part of LGIM's campaign on gender diversity at executive leadership team level, they had written to DR Horton in 2023, setting out their expectations and the vote escalation they would apply against the chair of the board, should their expectations not be met. Since 2022, our policy has stated that they will vote against FTSE 100 and S&P 500 companies that have all-male executive leadership teams. Therefore, a vote against was applied due to the lack of gender diversity on the company's executive leadership team, which LGIM expects to include at least one woman. |
| Outcome: | 86% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue. |
| Why is this vote significant? | This vote is significant as it relates to the escalation of LGIM's activities on one of their core stewardship themes, gender diversity. |

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| Company name : Apple Inc Sector : Technology | |
| Issue identified: | In line with their published expectations, LGIM believe companies like Apple should be transparent in their uses of AI and their risk management processes. |
| Position size at date of vote (as a percentage of portfolio): | 2.93% |
| Summary of the resolution: | Resolution 7 – Report on Use of AI AGM date: 28 February 2024 |
| How LGIM voted: | For resolution 7 (against management recommendation) |
| If the vote was against management, was the | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their |

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| intention to vote conveyed to the Company prior to the vote taking place? | investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. |
| Rationale for the vote decision: | <p>LGIM met with the company to discuss AI, and it did not commit to increasing transparency and disclosures at this time. LGIM believe Apple is among several companies that have outsized influence on the integration of AI into our economy. LGIM pre-declared their vote intention in their 2024 pre-declaration blog. Their rationale for the vote decision was that a vote in favour of the proposal was warranted, as they believe investors would benefit from further disclosure and transparency on the company's use of and internal governance over artificial intelligence.</p> |
| Outcome: | 37.5% shareholders voted in favour of this proposal. |
| Why is this vote significant? | This vote is significant as it relates directly to one of LGIM's six global stewardship themes: Digitisation. LGIM published their expectations of companies regarding governance of AI last year. |