

**Kingfisher plc 2022 Annual General Meeting**

**Shareholder Questions**

**Q: The real living wage is the minimum hourly rate necessary to ensure that workers earn a wage that truly meets the cost of living. It is currently £11.05 in London and £9.90 throughout the rest of the UK. Whilst the Company’s announcement earlier this year that saw employees’ pay increase to £9.80 per hour for B&Q colleagues and £9.70 per hour for Screwfix colleagues is a step in the right direction, they fall short of the real living wage. At the same time, the pay ratio between the CEO and median worker increased to 127:1. Furthermore, the living wage accredited employers commit to also ensuring any third-party sub contracted workers, such as security guards, also receive a real living wage. I understand the challenges retail businesses, such as Kingfisher, face in terms of the current living wage of accredited employers but other retailers in the same sector, such as IKEA, have shown this is possible. As the cost of living soars, now more than ever, it is fundamental for workers to receive at least the real living wage. Please could the Board provide an overview of Kingfisher’s position in regards to working towards accrediting as a living wage employer and could the Board also give details of your current approach to the pay of third-party staff?**

* As a company of 80,000 people, it is vital that our colleagues are motivated, happy and engaged for our company to succeed and we work very hard on making that possible through a number of incentives. We are committed to ensuring all our colleagues are fairly rewarded and benchmark our pay rates to ensure they are competitive.
* At a time where market conditions are tough, our vacancy rate in B&Q is currently less than 1%, which suggests our conditions are appealing and attractive.
* We take a holistic view, and unusually for retail organisations we choose to offer paid breaks to colleagues working longer shifts in store. This means that the majority of our colleagues are in practice paid more than the Real Living Wage when you combine the value of their base pay with the paid break.
* We have increased pay four times since 2019 (+17.4% of the overall take home pay).
* On top of this, we believe that the best approach for our store colleagues is to provide a competitive base combined with a number of other elements including, for example, the award-winning Kingfisher pension scheme with up to 14% of salary employer contribution and launch of a new 1+1 all-colleague share plan, building on the strong take-up the plan that we launched in 2020/21.
* We conduct regular surveys to understand how colleagues are feeling about working for us and our current engagement scores put us in the top 10% of retailers.
* We are confident that we have the right balance between ensuring we reward colleagues appropriately and ensuring we can provide affordable products for our customers etc. We keep both pay levels & our total benefits package under regular review as well as monitor our recruitment and retention rates to ensure we attract and retain the colleagues we need.
* In addition for third parties, our distribution centres are managed by third parties. We require our key logistics vendors to adhere to our standards as well as relevant laws including labour, but we have limited influence on pay levels compared to our own employees. However, we remain aware and informed on the rates of pay that are negotiated and applied.

**Q: Kingfisher has announced a further share repurchase programme. What are the reasons behind this, particularly given that there are no benefits for private shareholders?**

* We completed £300m share buyback programme in April 2022 and recently announced the commencement of a further commitment of £300m – first tranche (£75m). The programme will likely run throughout the course of this financial year.
* We are required to have a capital allocation policy and we have a clear framework:
	1. First priority is to reinvest in the business – this year 3-3.5% sales – and resilience of the business.
	2. Pay the dividend - This year’s performance has been very strong and that’s been reflected in the total dividend being 50% higher year-on-year.
	3. Maintain an appropriate liquidity buffer – and then return excess capital to shareholders (via share buyback or special dividend).
* The Board has to satisfy itself that it has prudent liquidity buffer, while also ensuring we have the capacity to continue to invest in our business.
* It is a judgement that the Board makes - the share buybacks are intended to work in a way that reduces the number of shares in the market and, over time, see a benefit in the share price from that activity (subject to macroeconomic events).
* The earnings per share inflation is taken fully into account when calculating pay and bonus structures.

**Q: We are told by government and local authorities that we have to drive less, use our cars less, use less fuel, use less energy, park less. Major food providers, such as Sainsbury, Tesco, LIDL and Waitrose have local shops. Is there any likelihood of launching a B&Q local to provide the everyday hardware needs?**

* We agree with your point of view that the trend toward smaller format is critical for the reasons you mention and we are working hard to test and trial smaller formats to ensure it works for us commercially.
* We have launched multiple compact store tests (28), largely for B&Q in the UK, but we are also working hard in France and Poland to set up smaller formats.
* Smaller formats include high street concepts, as well as grocery B&Q concessions in 8 ASDA stores in the UK, with latest tests extending into regions outside of London.
* We believe it is important to provide smaller formats for all brands, including Screwfix, which has London Victoria ‘Collect’ format store.
* This is clearly an important trend for us which we will continue to work hard on.
* We are mindful that for products that food retailers don’t offer, such as kitchens and bathrooms, people need to view these in store.

**Q: On pages 30 and 31 of Kingfisher’s Annual Report are the regional sector comparisons. As far as I can see, the rate of return appears to be better in the UK than in France and there are a few disclaimers on page 31 about difficult local circumstances in Britain, as well as in France, so can you enlighten me as to whether there is an underlying reason why profitability appears to be much better here than in France?**

* There are two banners in France, Castorama and Brico Dépôt.
* Historically Castorama’s performance has been slower, especially between 2015-2019 (linked to the Group strategy), while Brico Dépôt has delivered strong performance. Castorama’s business model is similar to B&Q however there isn’t an equivalent of Brico Dépôt in the UK - a hard discounter of DIY which delivers great sales, profit and return on investment.
* However we have been working hard to improve the situation and the Castorama business has made significant financial and operational progress over the last 2 and a half years and is gaining market share. While there is still work to do, profit is improving in France.
* H1 2021 in the UK delivered outstanding sales and profit, especially B&Q which was impacted by lockdown and retail store closures, resulting in operating deleverage.
* France is a focus for us, especially Castorama France, but if you consider the Full Year 2021/22 retail profit margin growth in the UK was +30 basis points and in France +70 basis points, we are confident our approach will drive sustainable profit growth and margin expansion over time.

**Q: When is the share buyback expected to complete?**

* We have commenced the first tranche of the latest share buyback programme. We have not announced when it will complete. It will be over the next period but there is no closing date.