

Kingfisher International Products Limited

Strategic report

For the year ended 31 January 2020

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal Activities

Kingfisher International Products Limited (the "company") operates as an offer and procurement company on behalf of the Kingfisher plc group of companies (the "Group"). The company also holds Intellectual Property Rights relating to Kingfisher Group brands.

Business Review

The profit for the year ended 31 January 2020, after taxation, amounted to £11,073,000 (2019: profit of £6,044,000). The profit for this year was primarily due to the company's income increasing due to reaching a particular level of services provided and the relative stability of expenditure incurred.

Net Assets at year end were £107,238,000 (2019: £96,183,000). This is predominantly composed of intangible assets for £6,823,000 (2019: £10,870,000), tax assets of £7,721,000 (2019: tax liability of £964,000), net amounts owed by Group undertakings for £110,612,000 (2019: £94,978,000) and outstanding amounts owed to third parties of £15,263,000 (2019: £9,232,000).

Principal risks and uncertainties

The company is a wholly-owned subsidiary of Kingfisher plc. From the perspective of the Directors, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The review of the business of Kingfisher plc and its subsidiaries which provide a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the business, and a description of the principal risks and uncertainties facing the business can be found on pages 36 to 45 of the Kingfisher plc 2019/20 Annual Report and Accounts.

Following completion of the UK exit agreement, significant risks remain from the ongoing negotiation of the future trade agreement with the European Union and possible divergence of the UK regulatory framework. Failure to reach an adequate agreement within the currently agreed transition period may impact our purchase costs, the continuity of our supply chain and our ability to operate our European businesses as we do today. These conditions also present economic uncertainty impacting UK consumer confidence. The specific risks relating to Brexit are continuing to be reviewed in line with the Brexit timing developments, and plans have been made and are continuously updated to mitigate these.

Financial risk management

The company operates as an offer and procurement company within the Group, and as such is exposed to a variety of financial risks which include interest and foreign exchange risk, liquidity and credit risk.

As part of the Group, these risks are managed centrally by Group Treasury, which has in place a Board approved treasury policy and a risk management programme that ensures the impact of such risks are minimised. Further information on the Group's financial risk management policies can be found in note 24 of the Kingfisher plc 2019/20 Annual Report and Accounts.

Key performance indicators

The Directors of the company manage the company's operations on a Group basis and so the Directors of the company believe that analysis using key performance indicators (KPIs) for the company, other than the above as Profit Before Taxation and Net Assets disclosed as KPIs above, is not necessary for an understanding of the development, performance or position of the business of the company. The Group's development, performance and position is discussed in the Kingfisher plc Annual Report and Accounts which does not form part of this report.

Kingfisher International Products Limited

Strategic report (continued)

For the year ended 31 January 2020

S.172(1) and stakeholder engagement statement

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with Section 172 of the Act.

The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the company's purpose, vision, values together with its strategic priorities and having a process in place for decision-making, they do, however, aim to make sure that their decisions are consistent and predictable.

As is normal for large companies and particularly those that are part of a wider Group of entities, such as Kingfisher International Products Limited, that the day-to-day management of the company is delegated to executives who, in turn, engage management in setting, approving and overseeing execution of the business strategy and related policies. The Board of Kingfisher International Products Limited, at every Board meeting reviews financial and operational performance, progress against key sustainability and CSR performance indicators, product safety and performance metrics, key HR metrics and legal and regulatory compliance. We also review other areas over the course of the financial year including the reporting from the company's Compliance and Ethics Committee and its Internal Audit Director. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The company's key stakeholders are its workforce, its affiliates in the wider Kingfisher Group of companies in which it operates, its suppliers and national and international external regulators of product safety. The views of and the impact of the company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Kingfisher Group means that generally our stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the company's stakeholders so as to encourage the Directors to understand the issues to which they must have regard please see pages 18 to 19 and 56 to 57 of the Kingfisher plc 2019/20 Annual Report and Accounts.

During the year we received information to help us understand the interests and views of the company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG (environmental, social and governance) matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company. For examples of how that engagement has influenced decisions please see pages 56 and 57 of the Kingfisher plc 2019/20 Annual Report and Accounts.

We set out below some examples of how we have had regard to the matters set out in section 172(1) (a) - (f) when discharging our section 172 duty and the effect of that on decisions taken by us.

We have continuously evaluated how best to mitigate retention risk amongst our workforce, and in our evaluations have had regard to the social and economic context of our business as well as available levers to drive colleague engagement. We have reviewed reports on the overall level of questions directed to our "Ask HR" advice hub and considered key themes as they emerged. We have monitored labour turnover versus industry standard at regular intervals.

In the year, the company was statutorily required for the first time to report on its supplier payment practices and thus started to review statistics quarterly reflecting the proportion of invoices paid late according to agreed terms. We instigated functional reporting to identify bottlenecks and specific issues and we imposed a maximum tolerance to invoices paid outside agreed terms.

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Strategic report (continued)

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S.172(1) and stakeholder engagement statement (continued)

The company launched a mandatory online training module to all employees on its updated Code of Conduct, covering business ethics and integrity. Completion rates were monitored and reported by function and persistent non-completion escalated to functional management.

Supply chain transparency has been a key focus for the company, covering where our products are made and under what conditions, including raw materials e.g. wood and paper. By the end of this year, we had onboarded 75% of our goods for resale supplier base to our transparency platform, meaning that we were on target to achieve 100% of suppliers having been onboarded by the end of 2020.

Future developments

In early September 2020 we announced to our colleagues a new commercial operating model which will allow us to better leverage our Group scale and capabilities to serve our local banners. Under the proposed changes we will establish clear roles and accountabilities for the banners and Kingfisher Group:

Our retail banners are closest to our customers and will be responsible for category strategies, overall product range, non-OEB buying, pricing and promotions, marketing, and merchandising.

The Group Offer & Sourcing (O&S) team will drive the development and sourcing of our market leading OEBs (Own Exclusive Brands), leveraging strong sourcing, design, and engineering capabilities to drive differentiation and higher OEB participation across our business. They will collaborate with the retail banners on OEB ranges and will manage global relationships with select international suppliers (e.g. the top 20-30).

In addition, the Group Supply Chain & Logistics (S&L) team will provide S&L expertise in the development and execution of new OEB ranges, including the selection of new OEB vendors, the optimisation of buying conditions and the selection of the most appropriate routes to market. The retail banners will be responsible and accountable for making their own decisions relating to local supply, availability, inventory, and logistics performance.

The winning proposition for customers will therefore be delivered through the commercial choices that the retail banners make, as well as the choices that our Group O&S and Group S&L teams make in conjunction with our retail banners to ensure that we use our OEB expertise as a source of differentiation and growth.

As a result of these proposals, some roles within the company are expected to change, and we are currently in consultation with those colleagues impacted.

Approved by the Board and signed on its behalf by:

JJ Smith

Director

09 November 2020