

## KINGFISHER PLC

More information regarding the Remuneration paid to Auditors and the full Corporate Governance report can be found in the Annual Report and Accounts 2007/8 at [www.kingfisher.com](http://www.kingfisher.com).

### Remuneration paid to Auditors - Extract

#### **Auditors' remuneration**

£ millions	2008	2007
<b>Audit services</b>		
Fees payable to Company's auditor for the audit of Company and consolidated financial statements	0.6	0.6
<b>Non-audit services</b>		
The auditing of accounts of associates of the Company pursuant to legislation	1.3	1.2
Other services supplied pursuant to such legislation	0.2	0.2
Tax advisory services	0.5	1.3
All other services	0.4	0.3
	2.4	3.0
	3.0	3.6

### Corporate Governance report 2006/7 - Extract

#### **Accountability, risk management and internal control**

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving Kingfisher's strategic corporate objectives.

This system of internal control is:

- The Board's overall responsibility;
- Regularly, and at least annually, reviewed for its effectiveness by both the Board and the Audit Committee;
- In compliance with the Turnbull guidance 2005; and
- Supported by Kingfisher's policies in such areas as code of conduct, legal and secretarial, finance and treasury.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key elements of the internal control process are summarised below:

The Board, which:

- Has approved a set of policies, procedures and frameworks for effective internal control, including, the provision of quality internal and external reporting and compliance with applicable laws and regulations, which are periodically reviewed and updated;
- Regularly reviews and updates the Group's strategy and those of its operating companies;
- Reviews and assesses Kingfisher's key risks at least annually;
- Reviews performance through a comprehensive system of reporting, based on an annual budget with monthly business reviews against actual results, analysis of variances, key performance indicators and regular forecasting;
- Has well defined policies governing appraisal and approval of capital expenditure and treasury operations;
- Seeks assurance that effective control is being maintained through regular reports from the Audit Committee and various independent monitoring functions.

The Audit Committee which, in respect of the Group:

- Monitors the integrity of the financial statements and any formal announcements relating to financial performance;
- Reviews and evaluates the internal financial risk, and other internal controls and their associated systems;
- Monitors and reviews the effectiveness of the internal audit function; and
- Considers and reviews the reports from the external auditors on the principal reporting issues faced by the Group.

The Executive Committee which, in respect of the Group:

- Reviews and makes recommendations to the Board, where appropriate, regarding:
  - The strategic and business plans of individual businesses and the strategic choices of the Group;
  - The annual budget and capital expenditure proposals for the Group;
  - Management development and senior executive succession plans.
- Oversees and reviews the Group's corporate responsibility programme and operating companies' individual progress; with the Group Chief Executive reporting to the Board at least annually on issues, progress and recommendations for change.
- Approves or, where appropriate, recommends to the Board any acquisitions or disposals of companies, businesses or significant assets;
- Reviews periodically as necessary the communications messages to the investor community for effectiveness and relevance. It also ensures any issues regarding strategy and performance that the investor community are expressing are fully understood, that these are communicated appropriately to the Board and actions are taken to address any legitimate concerns;
- Oversees the work of the Treasury Committee and reviews and approves on behalf of the Board any significant or unusual treasury transactions within the limits set out in the Treasury Policy and

exercises all powers of execution and delivery of the Board in relation to the approval and authorisation for signature of financing documents within the Committee's terms of reference and authority limits; and

- Allots new shares in the Company to employees following the exercise of share options in schemes approved by the Board and shareholders.

The business head of each operating company/business area who:

- Maintains systems that continually identify and evaluate significant risks affecting their strategies and that apply to their areas of the business;
- Has responsibility for identification and evaluation of significant risks to their business area, together with the design of mitigating controls;
- Reviews and monitors the effectiveness of internal control systems through an operating company audit committee and reports from internal and external audit functions;
- Has responsibility for and ensures the effective functioning of their operating company audit committee;
- Self-certifies that internal control processes are in place and that they comply with Group policies; and
- Supported by their operating company audit committee, reports on any control weaknesses or breakdowns that could be material to the Group.

The Internal Audit and Risk Management function which:

- Works with the operating companies to develop, improve and embed risk management tools and processes into their business operations;
- Oversees the operation of the individual operating businesses' audit committees;
- Ensures that business risks are identified, managed and regularly reviewed at all levels of the Group and that directors are periodically appraised of the key risks in accordance with the Turnbull guidance;
- Provides the Board with objective assurance on the control environment across the Group;
- Monitors adherence to the Group's key policies and principles; and
- Provides the Group Audit Committee with necessary assurances on the control environment.

Whilst management at each operating business has responsibility for the identification and evaluation of significant risks applicable to their business and any mitigating actions to be taken through the Executive Committee, Group executive management reviews, identifies and evaluates the risks which are significant at a Group level as well as the mitigating actions against those risks. These are then considered by the Board after review by the Audit Committee. The type of risks identified include strategic risk, external factors (such as competition, environment and regulation), change management programmes, health and safety, retention of key management and macro market risks. The Internal Audit plans are designed to address the controls and actions in relation to each business's significant identified risks.

The directors confirm they have reviewed the effectiveness of this system of internal control, that any necessary action has been or is being taken to remedy any significant failings or weaknesses identified from the review and that it accords with the guidance of the Turnbull Committee on internal control.