Homestyle 2007 Pension Scheme

Scheme Financial Update

The purpose of this update is to give you some important financial information about the funding position of the Homestyle 2007 Pension Scheme

We are the Trustee Directors of the Homestyle 2007 Pension Scheme (referred to as the "Scheme" from now on) and we are responsible for looking after your benefits in the Scheme. The reason we are writing to you is to give you some important financial information about the Scheme. We hope you can find a few spare minutes to read this statement as we think that you will find it informative.

You may work or have worked for various companies which were associated with Steinhoff UK Retail Limited "SUKR", the Scheme's previous Principal Employer.

As you may recall, we wrote to you in July 2019 to inform you of the agreement reached as part of the Scheme's 31 December 2016 Actuarial Valuation. As part of the agreement, the Principal Employer changed from SUKR to Homestyle Pension Company Limited ("PensionCo"). PensionCo is now responsible for making sure there is enough money in the Scheme to pay everyone's benefits.

We have appointed a qualified, independent professional, known as an Actuary, to help us regularly review whether the Scheme has enough money and whether the Scheme's Principal Employer, PensionCo, needs to pay more. This detailed review is called an Actuarial Valuation and is carried out at least every three years.

Our Actuary also reviews the financial position of the Scheme every year so that we can understand how changes in financial market conditions are affecting the Scheme.

This statement explains the results of the Scheme's latest Actuarial Valuation which took place as at 31 December 2019. The results shown are before PensionCo paid £25.3m into the Scheme to secure the buy-in with Aviva (please see Page 4 for more details). We have also included the results of the 31 December 2016 Actuarial Valuation to show how the Scheme's financial position has changed over the last three years.

The Scheme's funding position

The Scheme is a "defined benefit" or "final salary" pension scheme. This means that your benefits are based on the period of time you were earning benefits in the Scheme and your salary in the years prior to you ceasing to earn benefits.

The Scheme holds a pot of assets (or investments) that will be used to pay all members' benefits. It does not hold individual accounts for each member. If additional funds are required to pay for members' benefits, these must be provided by the Employer.

The Actuarial Valuation of the Scheme as at 31 December 2019 showed that we needed an extra £10.5m of assets to be able to pay everyone their benefits in the future. The results of the 31 December 2019 valuation are as follows, alongside the results of the 31 December 2016 for comparison:

Results (£'m)	31 December 2016 Formal valuation	31 December 2019 Formal Valuation
Scheme Assets (A)	64.1	72.7
Value of Scheme Benefits (B)	90.4	83.2
Shortfall in the Assets (B-A)	**26.3**	**10.5**
Funding level (A ÷ B)	71%	87%

The Scheme's asset shortfall had decreased from £26.3m as at 31 December 2016 to £10.5m as at 31 December 2019.

One of the main reasons for this improvement are the contributions paid by the Employer over the period since the 31 December 2016 valuation.

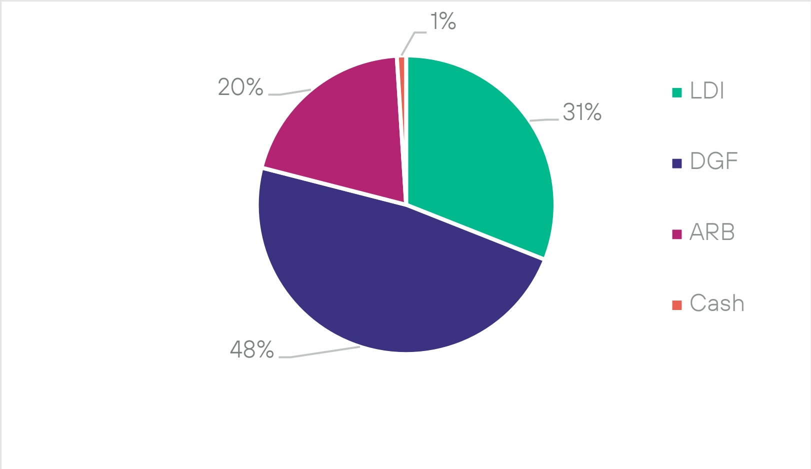
- The Employer made contributions of £1.7m per year over the period 31 December 2016 to 31 December 2018
- The Employer then agreed to increase these contributions to £2.5m per year and backdate this increase to 31 December 2016
- From 1 June 2019 the contributions were increased further to £3.2m per year
- In total, the Employer made contributions of just over £7.9m in the period since the 31 December 2016 valuation

Another reason for the improvement in funding position is that the Scheme's investment returns were higher than assumed over the three-year period.

The next formal actuarial valuation is due as at 31 December 2022.

The Scheme's assets

At the 31 December 2019 valuation date, the Scheme's assets were invested in a mixture of diversified growth funds (DGFs), liability driven investments (LDI), absolute return bonds (ARBs) and cash. Please see below for descriptions of these asset classes and the allocation as at 31 December 2019.



Asset Type	Descriptions
DGF	A diversified growth fund is a fund which invests in a wide range of assets to reduce risk within the Scheme whilst also generating returns.
LDI	Liability driven investments are assets designed to behave in a similar way as the Scheme's liabilities.
ARBs	Absolute return bonds invest in a wide range of bonds and therefore provide a similar but more stable level of returns than traditional bonds.

Source: Trustee Report and Accounts as at 31 December 2019

Developments since 31 December 2019

There has been a significant positive event for the Scheme since 31 December 2019. The Trustee secured an insurance policy (known as a buy-in policy) for all members of the Scheme with the well-known insurance company Aviva on 28 August 2020.

The purchase of this buy-in policy was made possible following a one-off contribution of around £25.3m paid by the Employer to the Scheme. This one-off contribution was paid in addition to the contributions of £3.2m a year, paid in equal monthly instalments, that the Employer agreed to pay from 1 June 2019 following the completion of the 31 December 2016 actuarial valuation.

Further information on this policy, and what it means for you, can be found in the letter dated 23 November 2020 which was issued alongside this statement.

The Scheme's solvency estimate

The Trustee is required to consider what would happen if the Employer was unable or unwilling to support the Scheme in the future.

As at 31 December 2019, our Actuary estimated that we would have needed an additional £23.1m on top of our assets to buy all our benefits with an insurance company. This is called a solvency estimate.

As noted above, a buy-in policy for all Scheme members was secured with Aviva on 28 August 2020, following a one-off contribution of around £25.3m paid by the Employer to the Scheme. This has significantly improved the solvency position of the Scheme.

The Pension Protection Fund

The Pension Protection Fund (known as the PPF) is a government body which provides a safety net for members of pension schemes whose principal employers have become insolvent.

Although members of the Scheme may be protected by the PPF if the Employer were to become insolvent, the benefits covered by the buy-in policy purchased with Aviva are significantly higher than those that would be available to members in the PPF.

If the Employer were to become insolvent, we would therefore expect members to receive the higher level of benefits covered by the buy-in policy, rather than enter the PPF.

For more information on how and why a pension scheme enters the PPF, and the benefits that members would be entitled to, please visit the PPF's website at www.ppf.co.uk.

Your benefits in the Scheme

If you are considering leaving the Scheme by transferring your benefits to another pension arrangement, we recommend that you obtain advice from an independent financial adviser.

You can find information about advisers local to you by visiting www.unbiased.co.uk

You can also contact the Pensions Advisory Service at any time for free and impartial guidance. You can find their contact details at www.pensionsadvisoryservice.org.uk

If you have any questions, have changed your address or wish to change your nominated beneficiary then please let us know by either writing, emailing or calling us:

By letter: **c/o Homestyle Pensions, Isio, SPS, PO Box 721, Salford, M5 0QT**

By email: Homestyle.pensions@isio.com

By phone: 0161 518 4655

Other information

By law, we are required to confirm whether any payment has been made to the Employer out of the Scheme's assets since the last Scheme financial update. We must also tell you if the Scheme has been modified by the Pensions Regulator or whether the Pensions Regulator has made any directions regarding the Schedule of Contributions or how Scheme benefits are valued.

We can confirm that none of these events has occurred.

Finally, there are a number of documents about the Scheme which are available for you to read. Please contact us if you would like to receive a copy of any of the following documents (a charge for copying and distribution may apply which we will confirm when we receive your request):

Annual Scheme Report and Accounts – this summarises the Scheme's financial position over the financial year between 1 January and 31 December.

Actuarial Valuation Reports – this shows the Scheme's latest financial position. The most recent valuation is as at 31 December 2019.

Recovery Plan – this sets out how the Employer has agreed to pay contributions to the Scheme so that it has enough money to pay everyone's benefits

Schedule of Contributions – this shows the total amount of money the Employer has agreed to pay into the Scheme for the duration of the Recovery Plan

Statement of Funding Principles – this sets out how the Trustee and the Employer have agreed to assess the financial position of the Scheme

Statement of Investment Principles – this sets out our policy on investing the Scheme's assets

Scheme Rules – These are the legal documents which set out how the Scheme is run

You can find a copy of the Scheme's Statement of Investment Principles, this Summary Funding Statement, and other useful information at the following website:

https://members.pensionpal.co.uk/Homestyle2007Pensions