NET POSITIVE IS A NEW APPROACH TO DOING BUSINESS
HELPING TO CREATE HOMES THAT ARE ZERO CARBON OR GENERATORS OF THEIR OWN ENERGY
INNOVATING PRODUCTS AND SERVICES THAT ARE RESTORATIVE BY DESIGN
FOUR NET POSITIVE PRIORITIES: TIMBER, ENERGY, INNOVATION AND COMMUNITIES
INSPIRING AND MOTIVATING OUR PEOPLE AND OUR PARTNERS
50
CHALLENGING TARGETS
AGAINST FIFTY
MEASURING PROGRESS
NEW APPROACHES, PARTNERSHIPS AND BUSINESS MODELS
CREATING A MORE VALUABLE AND SUSTAINABLE BUSINESS FOR OUR STAKEHOLDERS
GOING BEYOND ZERO IMPACT TO MAKE A POSITIVE CONTRIBUTION
COLLABORATING TO CREATE CHANGE IN OUR OWN BUSINESS AND BEYOND
ACHIEVING OUR TARGETS WILL CREATE MEASURABLE BUSINESS BENEFITS
np
NET POSITIVE IS AN INTEGRAL PART OF OUR CREATING THE LEADER CORPORATE STRATEGY
NOT JUST PREVENTING DEFORESTATION BUT WORKING TOWARDS NET REFORESTATION BY 2020
INVOLVING OTHERS, LEARNING FROM THEIR IDEAS AND EXPERIENCES, AND EXPANDING OUR PLAN WITH THEIR THINKING
WORKING IN COMMUNITIES TO CONNECT PEOPLE AND EQUIP THEM WITH PRACTICAL SKILLS

CONTENTS

Navigate through the report using the tabs found at the bottom of each page.

ABOUT NET POSITIVE 3

Introduction 3

From our Group Chief Executive 4

Why Net Positive? 5

Our four priorities 6

Our Net Positive journey 7

Measuring progress 8

TIMBER 9

Responsible sourcing 11

Forest projects 12

Working with others 12

Compliance with our timber policies 13

Progress against targets 14

ENERGY 15

Customer energy saving 17

Customer communication 17

Reducing our property energy use 18

Our carbon footprint 19

Progress against targets 21

INNOVATION 22

Closed loop 24

New business models 24

Eco-products 25

Learning stores 26

Progress against targets 27

COMMUNITIES 28

Our community projects 30

Performance in 2012/13 33

Progress against targets 33

FOUNDATIONS 34

EMPLOYEES

Part of our day 35

Diversity 36

Health and safety 37

Employee engagement 38

SUPPLIERS AND PARTNERS

Supplier standards 39

Performance in 2012/13 40

ENVIRONMENT

Waste 41

Transport 42

Water & Chemicals 43

Packaging 44

Sustainable property and construction 44

Peat 45

PROGRESS AGAINST TARGETS 46

HOW WE MANAGE NET POSITIVE 49

Governance 49

Stakeholder engagement 49

Audit, assurance and risk 51

Public policy 51

Business ethics 52

Operating Company performance summary 53

About our reporting 54

Assurance statement 55

Kingfisher

INTRODUCTION

WELCOME TO OUR NET POSITIVE REPORT – THE START OF OUR JOURNEY.

Kingfisher launched Net Positive in October 2012, with an ambition to contribute positively to some of the big challenges facing the world, while creating a more valuable and sustainable business for our stakeholders.

This report explores our progress in the financial year February 2012–January 2013. This year has been one of transition, as we concluded our previous 'Future Homes' strategy and developed Net Positive. We are proud of the progress we have already made and in launching Net Positive we know we are building on strong foundations.

We will publish our first report against our Net Positive targets in 2014.

This report contains our key performance data for 2012/13. More detailed data is available in our Net Positive Report Appendix – Detailed Performance Data.

About Kingfisher

Kingfisher plc is Europe's largest home improvement retail group and the third largest in the world, with 1,025 stores in eight countries in Europe and Asia, and sales of over £10.6 billion.

B&Q China

B&Q is the market leader in China with 39 stores, around 4,500 employees and 19,000 products.

B&Q UK & Ireland

B&Q is the UK's leading home improvement retailer with 358 stores across the UK and Ireland. B&Q UK has over 21,000 employees, and more than 40,000 products in some of its larger stores.

Throughout the report we use the name 'B&Q UK' to refer to B&Q UK & Ireland.

Brico Dépôt France

Brico Dépôt France has 104 stores in France and over 6,800 employees. It has over 11,000 products in store aimed at serious DIY-ers and professional builders.

Brico Dépôt Spain

Brico Dépôt first opened in Spain in 2003 for tradespeople and the professional DIY-er. It now has 20 stores throughout the country, employing nearly 1,000 people and stocking 12,500 products.

Castorama France

Castorama is the market leader in France, enabling the mainstream consumer to make a better home and garden. It has over 11,000 employees and stocks up to 50,000 products in its 103 stores.

Castorama Poland

Castorama is the market-leading DIY retailer in Poland, with 70 stores, with almost 11,000 employees and 34,000 products in store.

Castorama Russia

Aimed at the mainstream consumer, Castorama expanded into Russia in 2006 and now operates 19 stores in the country and employs almost 2,500 people.

Koçtaş

Koçtaş is the number one home improvement retailer in Turkey, with 37 stores nationwide. It is a Kingfisher joint venture and has over 3,000 employees.

Screwfix

Screwfix is the UK's largest omnichannel supplier of trade tools, accessories and hardware products. It operates 275 stores throughout the UK and dispatches thousands of parcels for next day and weekend delivery to tradesmen, handymen and serious DIY-ers all over the UK.

Note: Operating Company employee numbers are for full-time equivalent employees as at 2 February 2013. The total Group headcount figure is 78,000.

FROM OUR GROUP CHIEF EXECUTIVE

AT KINGFISHER WE ARE PROUD OF OUR STRONG HERITAGE ON SUSTAINABILITY ISSUES. WE HAVE ALREADY GONE A LONG WAY TO MAKE OUR BUSINESS BETTER FOR PEOPLE AND THE ENVIRONMENT, TACKLING ISSUES LIKE RESPONSIBLE TIMBER SOURCING. BUT MORE IS NEEDED.

This year we launched Net Positive, with ambitious targets to go beyond zero impact to make a positive difference in four areas – timber, energy, innovation and communities. Our aspiration is to change how we work and to become a catalyst for wider change beyond our business.

Net Positive is fundamental to how we will run and develop Kingfisher. It is one of the eight elements of our Creating the Leader Corporate Strategy as we believe the businesses that will succeed in the future are those that today show leadership on the sustainability challenges facing the world.

Our Net Positive vision and aspirations will inspire and motivate our people and our partners, and achieving our targets will enable us to attract investment and talent, access new markets and reduce our costs.

It is early days for Net Positive, but this report shows that exciting progress is already happening. We have launched new projects that will see us improve woodlands and forests, benefiting communities and biodiversity while creating new sources of sustainable timber for our business. We've also helped our customers reduce their energy use by over 5TWh and cut our own energy intensity by 10%.

We've started to review our product ranges and identified some closed-loop potential that we can build on to start designing out waste, working with our partners like the Ellen MacArthur Foundation. Our community projects are improving practical skills and connecting people within communities to help each other.

We don't have all the answers for how we'll reach our goals. We need to find different approaches and business models, and to collaborate both internally and externally. By asking ourselves 'How can we have a Net Positive impact?' we will find new answers and ideas that will change our business for the better.

Net Positive is a long journey for Kingfisher and for each of us that works here. I believe it is the only way to do business in the future and truly deliver better homes and better lives.

Ian Cheshire
Group Chief Executive

IT IS EARLY DAYS FOR NET POSITIVE, BUT THIS REPORT SHOWS THAT EXCITING PROGRESS IS ALREADY HAPPENING.

WHAT IS NET POSITIVE?

Net Positive is a new approach to doing business for Kingfisher that means committing to make a positive contribution across four priority areas: timber, energy, innovation and communities.

In practice it means: not just preventing deforestation but working towards net reforestation; helping to create homes that are zero carbon or generators of their own energy; innovating products and services that are restorative by design; and working in communities to connect people and equip them with practical skills.

Why Net Positive?

Net Positive is a big ambition. For many years we have worked to become more sustainable but with Net Positive we are setting our sights even higher. We need to. Today, natural resources are under pressure. Already it would require three planets' worth of resources if everyone in the world consumed resources at the rate people are used to in the Western world, and with a rising global population, that pressure will only increase.

Kingfisher is Europe's largest home improvement retailer, where, every week, we help millions of people make their homes better. Our purpose is to help create 'Better Homes, Better Lives'. Homes use substantial amounts of energy and raw materials to keep them warm and comfortable, so increasingly, 'better homes' must mean homes that are more efficient and more sustainable.

Leadership for the future means having the resolve to envisage new approaches and take people with you. This is why Net Positive is an integral part of our Creating the Leader corporate strategy.

Net Positive will be good for the planet and for our business. It will enable us to secure the resources that we use, unlock new opportunities and drive growth. It will inspire people within our business and be a catalyst for collaboration and change in our industry and beyond.

Each of our priority areas is tightly linked with business goals, and achieving our targets will create measurable business benefits including new markets, new sources of raw materials and financial savings.

Our Corporate Strategy:

CREATING THE LEADER

EASIER

1 Making it easier for customers to improve their home

2 Giving our customers more ways to shop

COMMON

3 Building innovative common brands

4 Driving efficiency and effectiveness everywhere

EXPAND

5 Growing our presence in existing markets

6 Expanding in new and developing markets

ONE TEAM

7 Developing leaders and connecting people

8 Sustainability: becoming 'Net Positive'

OUR FOUR PRIORITIES

We have identified four priorities that are central to achieving our ambition to become Net Positive:

TIMBER

ENERGY

INNOVATION

COMMUNITIES

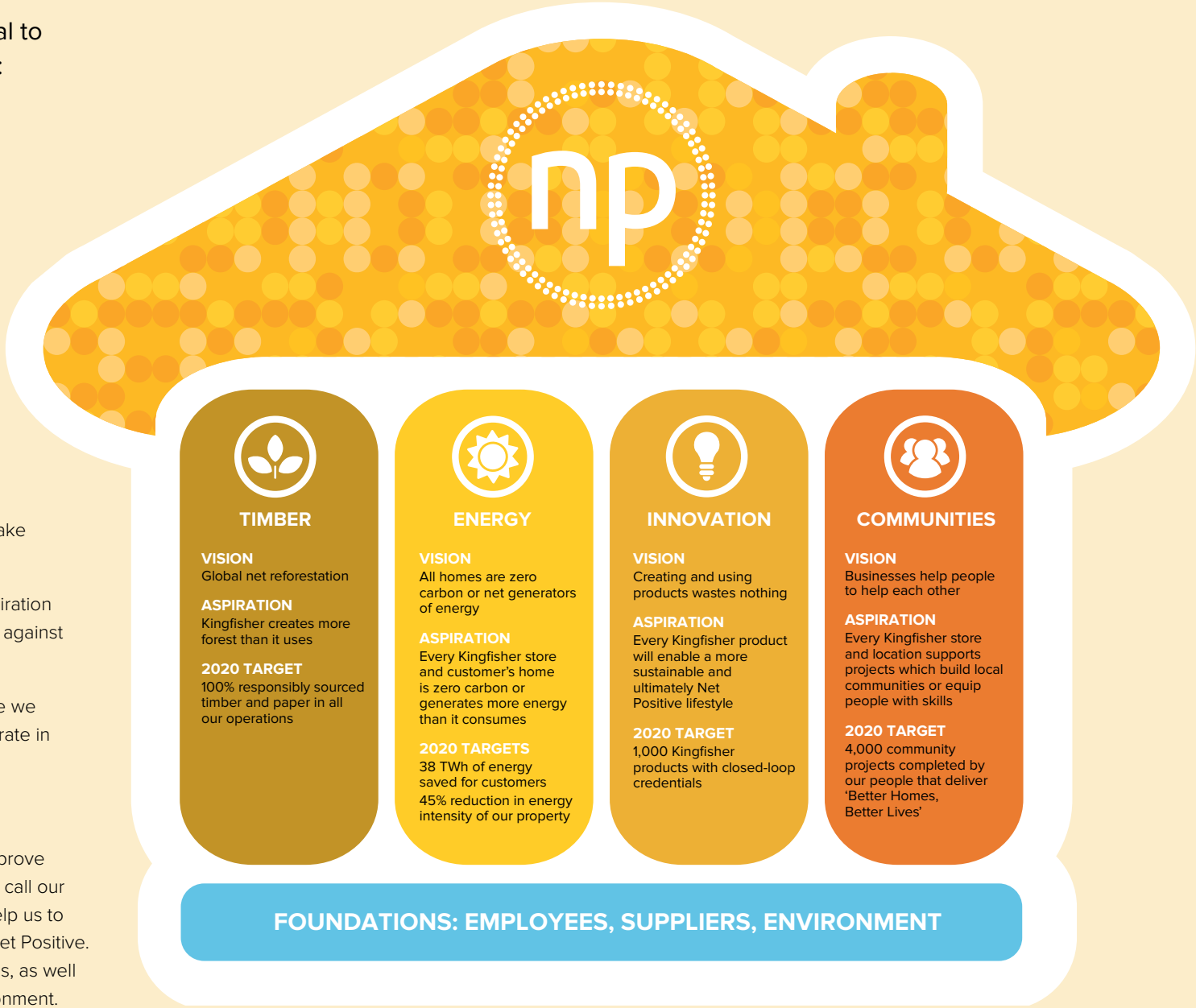
These are areas where we have a significant impact and can make a positive contribution.

For each pillar we have articulated a vision for the world, an aspiration for Kingfisher's positive impact by 2050 and targets up to 2020 against which we will measure and report progress.

By choosing four priorities we can concentrate our efforts where we can make the greatest difference, transforming the way we operate in those areas to become Net Positive by 2050.

Our Foundations

In addition to the four pillars we will continue to manage and improve our impacts across our business. We have 50 targets, which we call our 'Foundations'. Managing performance in our Foundations will help us to identify gaps and problem areas in our progress to becoming Net Positive. There are Foundations targets within each of the four pillar areas, as well as in the following three areas: employees, suppliers and environment.

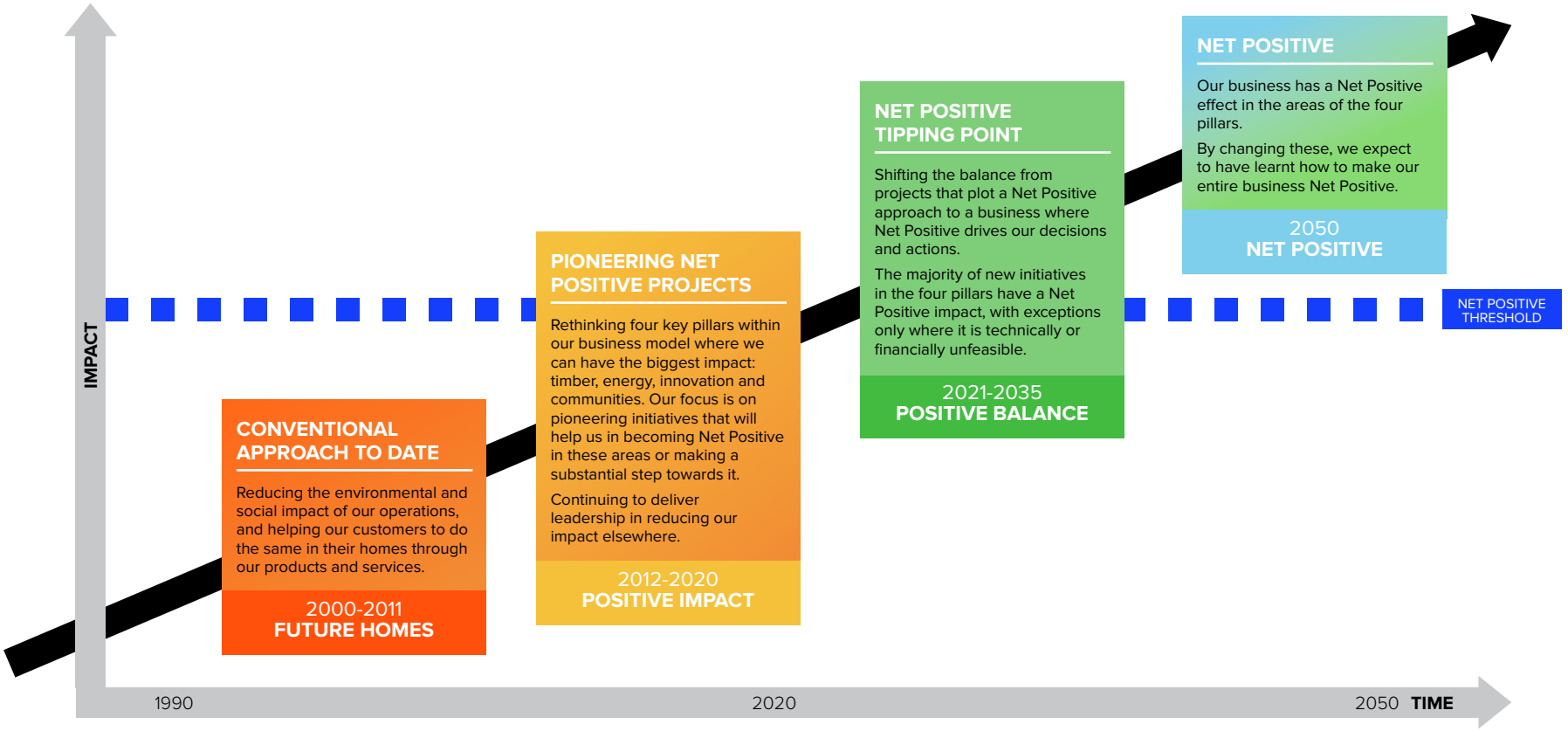


OUR NET POSITIVE JOURNEY

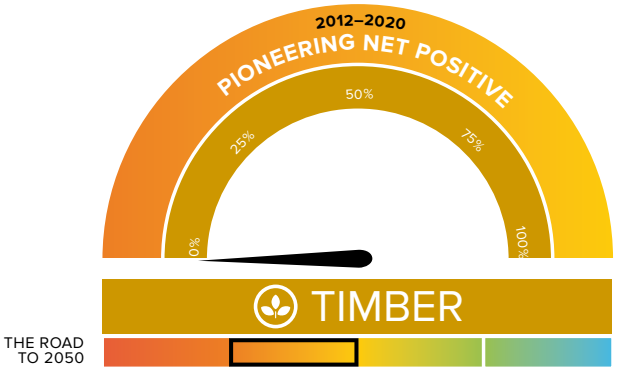
BECOMING NET POSITIVE IS A LONG JOURNEY. WE SEE DISTINCT PHASES AHEAD OF US IN THE YEARS UP TO 2050. THIS PHASED APPROACH WILL ALLOW US TO ENSURE PROGRESS AND TO SET REALISTIC, ACHIEVABLE TARGETS OVER SHORTER TIMEFRAMES.

We have a clear plan in place for the first phase, working towards our 2020 targets, but we do not yet have all the answers for how we will achieve our 2050 aspirations. We are confident that as we learn and progress in our four priority areas we will understand how to expand this approach and will eventually know how to make our entire organisation Net Positive.

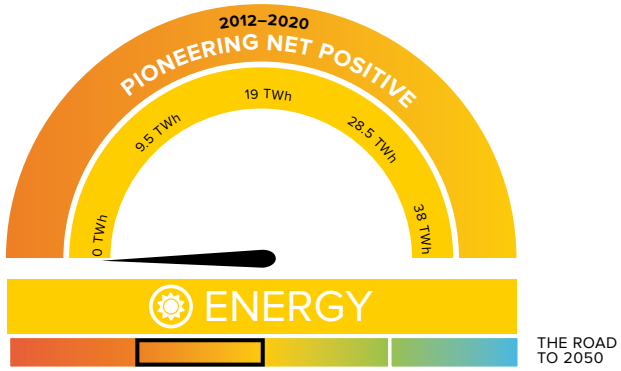
This journey requires us to pioneer new approaches and business models. Collaboration is essential because many of the challenges we face are too big to be resolved by one company. We will work in partnership with others across our supply chain, the business world, the public sector and wider society. We know the benefits of this approach, because we have already established many successful partnerships with organisations like the Forest Stewardship Council (FSC), Forum for the Future, Business in the Community (BITC), the Ellen MacArthur Foundation, BioRegional, Futerra and the UK government's Department of Energy and Climate Change.



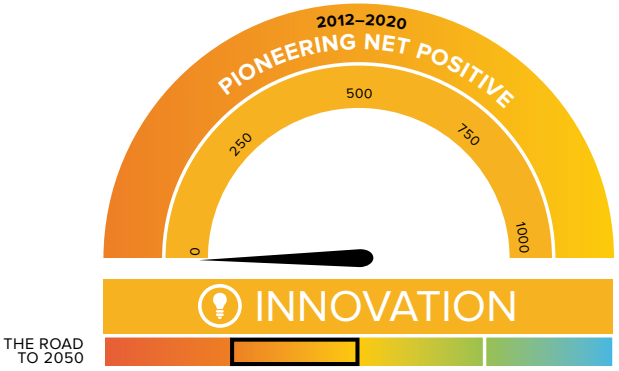
MEASURING PROGRESS



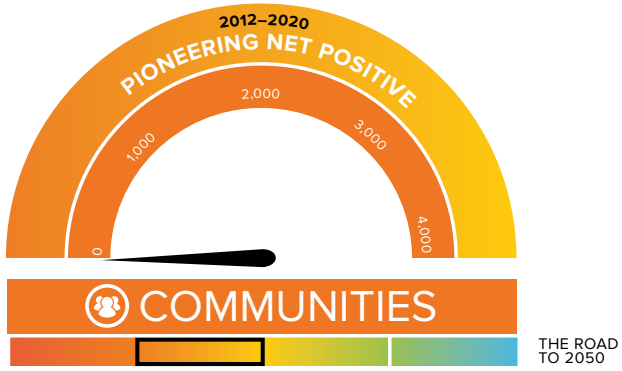
100% responsibly sourced timber and paper in all our operations by 2020



38 TWh of energy saved for customers
45% reduction in energy intensity of our property



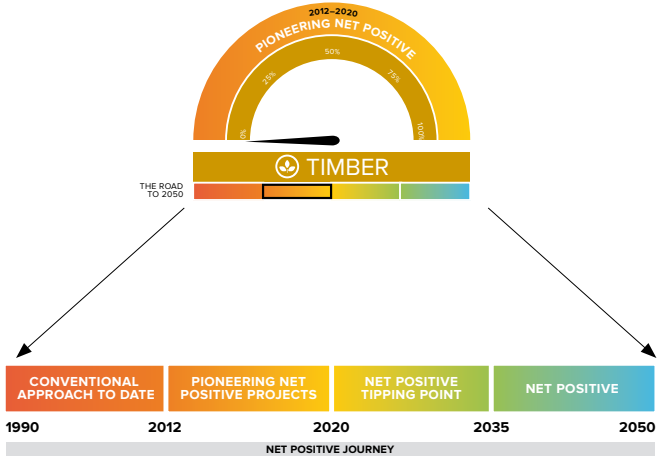
1,000 Kingfisher products with closed-loop credentials



4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'

To enable us to track progress against our 2020 targets, during 2012/13 we began work to extend our data collection processes where needed and to establish baseline data. This work will continue in 2013/14. We will use a dial for each pillar to show progress against these 2020 targets. We will begin reporting against these in June 2014.

The sliding scale underneath each dial tracks our position on our longer-term journey to our 2050 aspirations. We are establishing impact measures to help us assess progress towards our aspiration for each pillar.



TIMBER

TIMBER IS AN ESSENTIAL RAW MATERIAL FOR OUR BUSINESS. IT'S IN UP TO ONE-THIRD OF THE PRODUCTS WE SELL, AND WE DEPEND ON A FOREST AREA ABOUT THE SIZE OF SWITZERLAND EACH YEAR*. FORESTS ARE CRUCIAL FOR GLOBAL HEALTH AND WELLBEING, AND FOR OUR BUSINESS. WE WANT TO PLAY OUR PART IN PROTECTING AND IMPROVING FORESTS AND WOODLAND, WORKING TOWARDS GLOBAL NET REFORESTATION.

VISION

Global net reforestation

ASPIRATION

Kingfisher creates more forests than it uses

2020 TARGET

100% responsibly sourced timber and paper in all our operations

Our aspiration is that by 2050 we will be helping to create more forest than we need. This will require new approaches, and for our businesses to get more involved in local forests to improve forest management. Early projects have already begun and we are working with stakeholders to develop an impact measure that will help us to track our progress.

By 2020, our target is 100% responsibly sourced timber and paper in all our operations, from our products to the paper and timber we use in our offices and stores. We are making good progress, but this is just the first step.

On its own, a responsible sourcing policy will not ensure continued availability of sustainable timber for our business, given the current rate of global deforestation and the potential for increased competition for certified timber supplies.

We need to work with others to tackle the causes of deforestation and take a strategic approach to timber sourcing, committing to specific timber sources for longer periods. This can be challenging, as the retail sector typically works on short buying cycles, but longer supply agreements would enable forest managers to invest in good forest management and should improve security of supply. By changing how we work, we hope to catalyse further change across the industry.

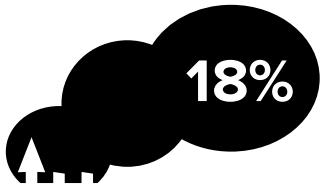
* Based on the calculation methods provided by the Timber Section of the United Nations Economic Commission for Europe/Food and Agriculture Organization. UNECE/FAO.

TOWARDS NET POSITIVE TIMBER

FIND OUT MORE ABOUT

- **Responsible sourcing** — HOW WE ARE INCREASING THE VOLUMES OF WOOD AND PAPER FROM PROVEN WELL-MANAGED SOURCES.
- **Forest projects** — HOW OUR OPERATING COMPANIES ARE GETTING INVOLVED IN LOCAL FORESTS AND WOODLANDS
- **Working with others** — OUR PARTNERSHIPS TO CREATE WIDER CHANGE BEYOND OUR BUSINESS AND TACKLE SOME OF THE ROOT CAUSES OF DEFORESTATION
- **Compliance** — OUR WORK WITH SUPPLIERS TO ENSURE COMPLIANCE WITH OUR POLICIES AND TO IMPROVE TRACEABILITY

CHALLENGES TO SUSTAINABLE TIMBER



Around 18% of greenhouse gas emissions are from deforestation

The equivalent of 36 football fields of forest lost every minute

89%
of timber products sold were responsibly sourced in 2012/13

+75%
Price rises for some timber of up to 75% by 2020

–30%
Possible global timber shortages of up to 30% by 2020

100%

2020 TARGET
100% responsibly sourced timber and paper in all our operations

ASPIRATION
Kingfisher creates more forests than it uses

WHAT WE ARE DOING TO MEET OUR 2020 TARGET

- Working in forests to create change
- Working with suppliers and partners such as the FSC
- Responsible sourcing of other products linked to deforestation like palm oil

£ millions potential savings from strategic and responsible sourcing by 2020

We depend on a forest the size of Switzerland each year to supply our timber needs

References see page 57

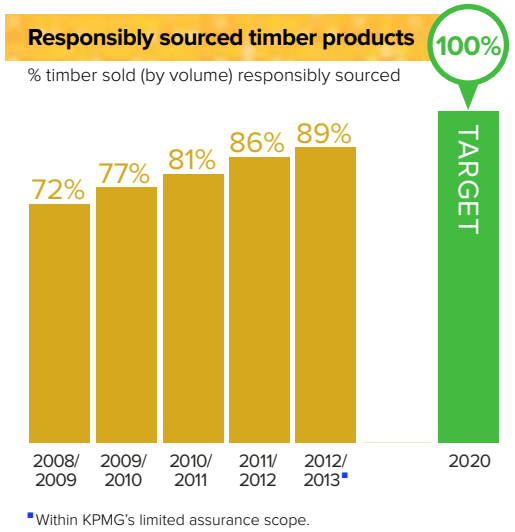
TIMBER: RESPONSIBLE SOURCING

Responsible sourcing

Our goal is 100% responsibly sourced timber and paper. This includes all products and any other timber and paper used in our day-to-day operations, from packaging to office paper and timber used in construction.

In 2012/13, 89% of timber products sold (by volume) were responsibly sourced (from proven well-managed forests or recycled sources) compared with 86% in 2011/12. This equates to over 36,000 product lines. Our definition of timber includes solid wood, paper and other wood-fibre and wood-derived products such as plywood, chipboard, wallpaper.

Our Operating Companies work with certification organisations and suppliers to increase the supply of responsibly sourced wood. During 2012, B&Q UK and Screwfix maintained 100% responsible sourcing for all timber and paper products excluding sandpaper. B&Q UK and Screwfix have been working with their suppliers to address this gap and hope to launch a sandpaper from FSC-certified sources during 2013. Other Operating Companies have also made significant progress, for example Brico Dépôt Spain achieved 98% across its highest volume lines and Brico Dépôt France achieved 87% across all timber and paper products.



▪Within KPMG's limited assurance scope.

We are putting in place data collection systems to track responsibly sourced timber and paper in non-product uses including packaging and construction, which will enable us to report progress against our 2020 target. Initial data on paper used in catalogues and direct marketing leaflets by our UK and French Operating Companies shows that 99% of paper by volume was certified by either the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

Our companies are also working to reduce the overall volume of paper they use. Across our UK operations (B&Q UK, Screwfix and Kingfisher corporate centre), we have reduced the amount of office paper used by 144 tonnes (over 22.8 million A4 sheets) compared to 2009. This reduction has been driven by a programme led by Kingfisher IT Services (KITS) to reduce paper use through initiatives such as changing default settings on printers to double-sided printing. KITS plans to roll out key features from the programme to several other Operating Companies over the next four years.

Working with the FSC

Certification schemes, such as FSC, help to raise standards, make it easier to identify timber from well-managed forests and support consumer confidence. We also buy timber independently assessed and certified by other schemes, in markets where FSC-certified timber is not available in sufficient quantities.

B&Q UK was a founding partner of the FSC, and Kingfisher's timber adviser is an elected member on the FSC's International Board. We work closely with the FSC to support and strengthen its work and to help ensure continued consumer confidence. For example, in 2012 we began collaborating with the FSC in a wood fibre testing programme. As the FSC grows and the number of certificates increases, there is a need for enhanced monitoring. Wood fibre testing will enable the FSC to confirm the species of logged wood, inform retailers of any anomalies and monitor compliance throughout the system.

ADDRESSING CHALLENGES TO RESPONSIBLE SOURCING

Transforming our supply chains to certified sustainable timber can be a long process. In many markets supplies are limited and consumer awareness and demand for certified timber is very low. Our Operating Companies need to find different approaches, as they work towards our responsible sourcing goal.

In China, consumer demand for certified timber is low, and most certified timber manufactured in China is destined for the export market. Products carrying an FSC logo are often only available as imports, which can increase prices for customers. As it works with partners such as WWF to help tackle this challenge, B&Q China is also taking steps to reduce its overall forest footprint. To improve control and oversight of suppliers, it has halved the number of timber vendors it works with and reduced the number of timber species used in its products. Its timber policy is integrated into its Vendor Buying Agreements with suppliers, and it has introduced a supply-chain management system to track the origin of timber and prevent illegal wood from entering its supply chain.

By reviewing and updating its product ranges, it has identified opportunities to replace solid wood products with alternatives made from engineered wood and board, reducing overall wood volumes. It is training employees on the importance of certification and promotes its FSC-certified flooring ranges to customers through information in-store.

B&Q China was the first retailer in the country to join WWF China's Global Forest and Trade Network (GFTN), and is working with the GFTN to increase the availability of responsibly sourced timber in China.

TIMBER: FOREST PROJECTS

Tropical forests

Deforestation in the world's tropical forests is a major contributor to global climate change, making protection of these forests a pressing issue.

No Kingfisher company should contribute to tropical deforestation. We have set a target that all products containing tropical hardwood must be FSC certified or endorsed by schemes working towards FSC certification by 2020. We believe that the FSC is the most suitable certification scheme for products containing tropical hardwood.

In 2012/13 our UK and French Operating Companies achieved this target for all new stock purchased. Other Operating Companies have chosen to eliminate certain timber species, for example Merbau in Castorama Poland and B&Q China, because of the challenges in gaining visibility of the supply chains down to forest level.

BRICO DÉPÔT FRANCE WORKING WITH THE FOREST TRUST

Since 2009, Brico Dépôt France has worked closely with The Forest Trust (TFT), a global non-profit organisation that helps companies bring responsibly sourced products to market. TFT has a strong track record in improving timber supply chains, and is supporting Brico Dépôt in working towards its 2015 objective that the materials for all timber products will come from traceable and sustainably managed forests. For example, in Brazil Brico Dépôt used the experience and expertise of TFT to build capacity among suppliers and support a number of suppliers and forests to achieve FSC certification. Brico Dépôt is also working with TFT to ensure its due diligence system complies with the requirements of the EU Timber Regulations and is implemented robustly and consistently across the Brico Dépôt timber supply chain.

TFT has more than 90 members worldwide and works with them on the ground to build responsible supply chains by identifying and addressing social and environmental issues.

We must also make sure that other materials, such as leather and palm oil used in our ranges, do not contribute to tropical deforestation. The volume of these materials in our products is relatively low compared with timber; however, we are committed to sourcing them responsibly to avoid sourcing materials from deforested areas. As a first step, by 2015 we will put in place traceability processes so we can determine the origin of all materials potentially contributing to deforestation. For example, Castorama France has started to engage with suppliers to identify the sources of palm oil and leather used in products. We are also working with organisations such as the Retailers Palm Oil Group.

Forest projects

Responsible sourcing and certification are the first important steps in our Net Positive journey. But to reach our goal of creating more forest than we use, we need to go further, and get more directly involved in forest areas to create positive change.

Over the last two years we have launched two pilot projects in the UK and Spain to help us better understand the opportunities and potential challenges. These localised projects are designed to support economic development, involve local communities, provide environmental benefits and help to secure a resilient supply of sustainable timber; see case study on page 13.

These initial projects have shown that this approach is a viable way to create new sources of raw material and that projects like this can become self-financing.

Our next challenge is to apply the lessons learnt to create change on a much wider scale. We see potential for a large-scale Net Positive Forest initiative that could benefit a forest region in a developing nation, securing a sustainable timber supply and creating economic benefits, while making sure that the UN's Reducing Emissions from Deforestation and Forest Degradation (REDD+) process is implemented effectively. Through our work with partners in the public and private sectors we are exploring opportunities in this area.

Working with others

We work with partners, including NGOs, governments and other companies, to create positive change beyond our business and to tackle obstacles to sustainable timber which we cannot resolve on our own. This includes public policy work to encourage regulation in support of sustainable timber. Recent examples include:

- We led the Timber Retail Coalition in Europe and together with Carrefour, IKEA and M&S advocated in support of the introduction of the EU TImber Regulations.
- With the Prince's Charities International Sustainability Unit, we participated in an industry-sector working group to develop a roadmap towards zero net deforestation by 2020.
- We have begun working with government agencies, such as the UK's Department for International Development. Together we are exploring how development grants and poverty alleviation projects can be designed to help prevent deforestation, for example, by generating income from the sale of sustainable forest products.
- Ian Cheshire, our Group Chief Executive, chairs the Ecosystem Markets Task Force which is exploring new models for integrating economy and ecology into the business balance sheet. See public policy, page 52.
- We contributed to research by the Cambridge Programme for Sustainability Leadership into the value for business of natural capital in the UK, including woodland and forest. This report

TIMBER: COMPLIANCE

made recommendations for how business and government in the UK can work together to manage, protect and enhance natural forest resources.

Our companies also participate in efforts to raise public awareness of issues connected with responsible timber sourcing. For example, B&Q UK attended a number of community events to raise awareness of responsible timber sourcing and show individuals how they can make a difference by buying responsibly sourced wood. Events included the Sunrise Festival and Kent Country Fair, where members of the public could meet the B&Q team and learn more about its approach through interactive displays. B&Q UK's Forest Friendly campaigns are promoted via the Prince of Wales's Start UK programme, which helps people across the UK lead more sustainable lifestyles.

Compliance with our timber policies

Sourcing from independently certified forests is our goal for all timber suppliers. We set minimum standards through our Timber Policy for suppliers not yet working towards FSC or other certification. Among other criteria, these state that wood must be legally harvested and cannot be from sources where there is significant stakeholder concern over social, legal and environmental issues.

We use a mixture of internal and external audits to monitor compliance with our policies among higher risk suppliers. We assess risk based on the volume of products supplied by a particular supplier and according to factors such as species and country of origin. For example, there is a higher risk of illegally logged wood entering the supply chain in some regions.

Training for our timber buyers helps them apply our policies and priorities and work towards our target of 100% responsibly sourced timber. For example, Koçtaş has run training for its buyers with the Rainforest Alliance to improve their understanding of the benefits of responsible sourcing.

Regulation and traceability

As well as our work with the Timber Retail Coalition, (see page 12) during 2012 we updated our processes and policies to ensure compliance with the new EU Timber Regulations (EUTR), which came into force in March 2013. These require companies to carry out due diligence to ensure legality of products and visibility of the sources of timber in their supply chains. Although our existing policies and processes were already compliant with the majority of the EUTR requirements, the changes we have made will enable us to provide the documentation required by the Regulations. We have improved consistency in our risk management processes around the business and added a module on timber to our QMT (Quality Management Tool), which is used to screen new products against our policies. We worked closely with suppliers to make sure they understand and comply with the new requirements.

Traceability – the ability to trace timber back to the forest in which it was grown – can help to improve standards and support consumer confidence in sustainable timber. We are developing pilot projects to understand the best approach to improving traceability in our wood supply chains.

Traceability is particularly challenging for timber-based board materials such as MDF, since small amounts of timber are used from many different sources. To help address this issue, we are reducing the overall number of board manufacturers we source from in the Asia-Pacific region and we are working with them to reduce the number of wood suppliers in their supply chains. This will help make real-time traceability a reality and enable greater visibility in the supply chain.

UNLOCKING THE VALUE OF FORESTS AND WOODLANDS

Our companies are getting involved in their local forests and woodlands to help create positive change. In Spain, a regeneration project in a cork forest has opened up a new raw material supply for Brico Dépôt, while helping local FSC certified cork producers preserve their forests. Volunteers from Brico Dépôt Spain stores installed bat boxes to help increase the local bat population which had declined following a forest fire. Bats are natural predators of gypsy moths, which damage cork trees. Increasing the bat population will reduce these pests naturally and help cork farmers improve productivity. Brico Dépôt is integrating the local cork farmers into its supply chain, and cork from the forest will go on sale in an insulation panel product in its stores. A second project has begun near Jerez and a third in the Montnegre forest near Barcelona. Brico Dépôt involves its customers by raising funds for the projects from sales of its 'bag for life' and single-use plastic bags.

In the UK, B&Q has launched Good Woods in partnership with BioRegional and the Sylva Foundation. The project aims to increase the area of well-managed woodlands in the UK, supporting biodiversity and increasing wood supplies. The initial pilot will improve 10,000 hectares of under-managed woodlands in England while providing training, employment and education for local communities, increasing biodiversity and creating markets for local woodland products. The project will involve working with 200 woodland owners to promote woodland management and reconnect communities with woodlands, for example through community harvesting events.

B&Q China is also supporting steps towards creating more tree cover, with 12 stores participating in tree planting projects in partnership with local councils, schools and parks.

TIMBER: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
100% RESPONSIBLY SOURCED TIMBER AND PAPER IN ALL OUR OPERATIONS	**2020**	We are starting to collect data on all timber and paper used in our operations which will enable us to report progress against our target from 2013/14	* n/a
100% of the timber and paper we sell to be responsibly sourced (90% by 2015)	**2020**	89% of timber products sold (by volume) were responsibly sourced (from proven well-managed forests or recycled sources) compared with 86% in 2011. Data includes paper products**	
100% of timber and paper materials used in our packaging and goods not for resale to be responsibly sourced	**2020**	Initial data on paper used in catalogues and direct marketing leaflets by our UK and French Operating Companies shows that 99% of paper by volume was certified by either the FSC or PEFC. Data is not yet available for packaging	
100% of timber procured for construction and fit-out to be responsibly sourced (90% by 2015)	**2020**	Group data is not yet available. We have started to put in place data collection systems to enable us to track progress against this target	
TROPICAL DEFORESTATION			
All products containing tropical hardwood will be FSC certified or endorsed by schemes working towards FSC certification	**2020**	Our UK and French Operating Companies achieved this target for all timber purchased during the year	
None of our products to be sourced from materials that are linked to tropical deforestation (By 2015 determine the origin of all materials in products that may potentially contribute to deforestation e.g. timber, palm oil and leather)	**2020**	We have begun putting in place data processes to determine the origin of all materials potentially contributing to deforestation across three Operating Companies (B&Q UK, Brico Dépôt France, Castorama France)	
STRATEGIC SOURCING			
Demonstrate a resilient timber supply chain that guarantees the future supply of environmentally and socially beneficial timber	**2015**	Examples from 2012/13 include: ● Forest projects in Spain and the UK which will generate economic, social and environmental benefits ● Our work with suppliers to improve traceability of the wood used in MDF board ● Work to review the potential for consolidated Group timber purchasing ● Our work with the FSC using DNA testing to improve traceability	

* Score not allocated to this target, since the progress is monitored through targets on individual issues.

** Our Foundations score is 26-50% since our half way milestone for 2015 is for 90% of timber and paper we sell to be responsibly sourced.

▼The process to assess progress against targets is within KPMG's limited assurance scope.

ENERGY

WITH THE RIGHT PRODUCTS AND SERVICES WE CAN HELP OUR CUSTOMERS REDUCE THEIR ENERGY USE AND CARBON EMISSIONS, SAVE MONEY AND CREATE MORE COMFORTABLE HOMES.

VISION

All homes are zero carbon or net generators of energy

ASPIRATION

Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes

2020 TARGETS

38 TWh of energy saved for customers

45% reduction in energy intensity of our property

Home energy use is a significant contributor to global carbon emissions. By accelerating growth in the market for energy-efficient products and providing the tools and materials for eco-retrofits and microgeneration projects, we can have a significant positive impact among the 6 million customers visiting our stores each week. This will give us access to a large new market for in-home energy efficiency, estimated to be worth around €70 billion across our key European markets by 2020.

Although customer energy use is our priority, rising energy costs and global climate change mean it is also essential that we significantly reduce our own energy use, even as our business grows.

Our aspiration is that every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes. We are already making good progress towards our 2020 energy targets. Now the challenge is to create consistently strong performance across our markets, despite significant differences in structural incentives, regulatory frameworks and consumer attitudes.

TOWARDS NET POSITIVE ENERGY

FIND OUT MORE ABOUT

- **Customer energy saving** — HELPING CUSTOMERS REDUCE ENERGY USE OR GENERATE RENEWABLE ENERGY
- **Customer communication** — GIVING CUSTOMERS SUPPORT AND INFORMATION TO MAKE MORE SUSTAINABLE CHOICES
- **Reducing property energy use** — OUR PROGRESS AT REDUCING ENERGY USE ACROSS OUR LOCATIONS
- **Cutting our carbon footprint** — REDUCING CARBON EMISSIONS FROM OUR PROPERTY AND TRANSPORT

ENERGY CHALLENGES

27% of UK greenhouse gas emissions come from energy use in the home

Rising prices and threats to security of supply

WHAT WE ARE DOING TO MEET OUR 2020 TARGET

- **Energy-efficient products and services**

- **Tools and materials for microgeneration**

- **Cutting our own energy use in our property and transport**

5 TWh
of energy saved for customers over the last two years

10%
reduction in our property energy intensity from 2010/11

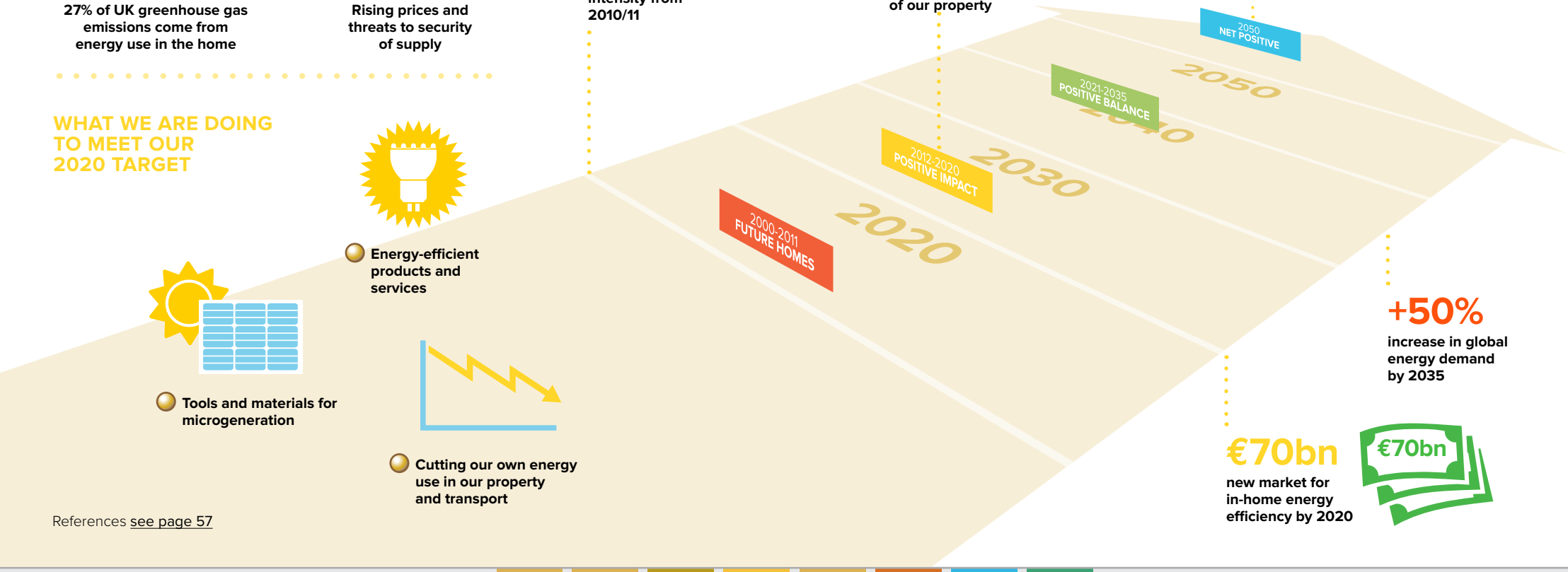
2020 TARGETS

38 TWh of energy saved for customers

45% reduction in energy intensity of our property

ASPIRATION

Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes



+50%
increase in global energy demand by 2035

€70bn
new market for in-home energy efficiency by 2020

References see page 57

ENERGY: CUSTOMERS

Customer energy saving

Our companies sell a range of products that help customers create more energy-efficient homes and generate their own renewable energy. These include insulation, draught-proofing, energy-efficient appliances and boilers, LED light bulbs and solar and photovoltaic panels.

As well as product sales, a number of our businesses are introducing advice and installation services, to make it easier for customers to save energy and to take up government subsidies, see case studies below.

Over the past two years, sales of energy-saving products helped our customers save over 5 TWh in energy use. Our target is 38 TWh by 2020 – equivalent to the annual energy consumption of every house in Scotland (2.3 million homes). In 2012, our customers also generated 49.8 million KWh of renewable energy by using products purchased from us.

For information on how we calculate the impact of our energy-saving products, you can download our Data Collection Methodology (www.kingfisher.com/NetPositiveResources).

Energy-using products

We aim for all energy-using products sold in our stores to meet 'best practice' standards on energy efficiency. Our Group target is 50% by 2015 and 100% by 2020.

At B&Q UK, all energy-using products must comply with its energy-efficiency policy. 45% are now A rated or above on the EU energy-efficiency scale. This includes all fridges, freezers, single or double ovens, dishwashers and washing machines, as well as CFL light bulbs and air-conditioning units. A minimum B rating for tumble dryers is being implemented, since A-rated tumble dryers are only available at a significant price premium. Information on energy ratings is available to customers via brochures, in-store and online.

Kingfisher is working to ensure compliance with the Energy-related Products (ErP) directive, which sets minimum performance standards for different categories of products which consume energy. This includes a quality management tool for assessing products for compliance with the ErP standards.

Customer communication

Central to our efforts on energy is the need to raise customer awareness and encourage behavioural changes. Our experience has shown us that customers respond positively to the chance to save money on their energy bills and to having the hassle taken out of renovation projects, such as having their loft cleared by a third party. Promoting these benefits can be more effective than focusing on a particular product or service's environmental benefits.

Our Operating Companies are using these insights to give customers the right information and support and help guide them towards more sustainable choices.

For example, B&Q UK's research shows that consumers care about company environmental performance, but want to be able to select the product they want rather than being confined to the 'green' option. To reflect this, B&Q has launched a new set of guidelines on communicating on its One Planet Home programme and range of accredited products. Rather than eco-labelling of specific products, the emphasis will be on giving

ECOPRIME AT BRICO DÉPÔT FRANCE

Brico Dépôt France customers can benefit from a cash-back voucher when they purchase energy-saving products. The scheme, called Ecoprime, covers 250 products including insulation, heating and ventilation systems, and windows. Customers can use a specially developed online tool to plan their project, set a budget and identify the products they need. Ecoprime is promoted via information in-store, in the Brico Dépôt catalogue and online.

A similar scheme was launched in early 2013 at Castorama France, Prime Energie Casto, with a dedicated website and in-store information. Both initiatives are funded by a government energy subsidy programme.

NEW SERVICE SAVES MONEY AND ENERGY FOR B&Q UK CUSTOMERS

'B&Q Energy Saving' is a new service from B&Q UK, helping customers save energy and money. Qualified energy assessors visit customer homes, and advise on the best ways to save energy or generate their own electricity, using products like energy-efficient boilers, solid wall insulation, photovoltaic panels or solar thermal systems. Customers can also book an installation service and take advantage of government subsidies, making it easy and more affordable to improve their home.

B&Q has invested around £20 million in the new service which was launched in four stores, and will be rolled out further during 2013. It supports the UK government's Green Deal, and is delivered in partnership with Kingfisher's Future Homes business, which carries out home assessments and installation services. Future Homes is launching a range of energy-saving products under the iQE brand, such as energy-efficient boilers and heating controls. These are available via B&Q Energy Saving, and in a number of Screwfix stores. The range will be featured in the Screwfix catalogue and Tradepoint during 2013.

ENERGY: REDUCING PROPERTY ENERGY USE

customers information on the practical benefits of different products, such as energy saving, as well as information about B&Q's approach and the sustainability features of product ranges, such as its 100% responsibly sourced timber.

Castorama France has launched an online calculator for insulation projects, helping customers to compare different products and chose the best solution for them. Over 60,000 people used the site in 2012. Castorama Poland's website includes tips for helping customers save energy, and in-store it runs demonstrations on energy-saving products such as efficient water heaters and heat pumps.

Responsible marketing

It is important that all claims about a product's environmental or social benefits are accurate and honest.

There is currently no universally accepted definition for 'eco-products'. So we have introduced an external review process for all eco products sold across our businesses. Reviews are carried out by BioRegional, the sustainability organisation. See further details in our **Data Collection Methodology** and **Eco Product Guidelines** (www.kingfisher.com/NetPositiveResources).

We have a Group-wide Responsible Marketing Policy and Guidelines, and several of our companies, including B&Q UK, Castorama France and Brico Dépôt France, have introduced their own eco marketing guidelines which reflect our Group Guidelines.

Reducing our property energy use

Alongside energy-efficiency measures, our businesses are using new technologies and approaches to significantly cut energy use and CO_2 emissions in our own properties. We have reduced our energy intensity by 10% and carbon intensity by 9% from 2010/11, our baseline year. Overall energy use decreased by 4% from 2010/11 despite continued growth in our business and 169 new store openings over the same period.

Our year-on-year energy use and energy intensity both increased, mainly due to a rise in gas consumption for heating due to a relatively cold winter in Europe.

Property

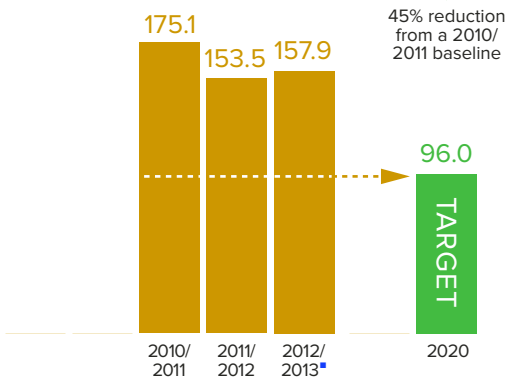
We are rolling out LED lighting in our stores and other locations. LED lighting is highly energy efficient, up to 45% more than conventional fluorescent bulbs. Lighting accounts for around 60% of Group energy spend and store energy use, so the operational cost savings from switching to LED will be significant.

A cross-business working group has been set up to develop a common approach to store lighting and facilitate purchasing and roll-out across the Operating Companies. Progress so far includes: Castorama France trialled LED in its Marseille store, reducing electricity use for lighting by 50%, and further pilots are planned in 2013 before roll-out to new stores and major refurbishments; B&Q UK has installed LED in six stores and is planning to roll out to all stores over the next eight years, investing up to £4 million per year; Screwfix is trialling LED lighting in its Stafford warehouse, and in five stores; and in China, LED has been trialled in one store, reducing energy consumption for lighting by 63%. Koçtaş will be trialling LED during 2013.

Energy-monitoring and control systems enable Operating Companies to understand energy consumption in their locations, identify inefficiencies and reduce consumption. For example, Brico Dépôt France uses a system to optimise heating controls in some stores. It automatically cuts off heating for short periods of up to 30 minutes during the day, which helps to reduce usage without affecting the temperature in-store. At Castorama France

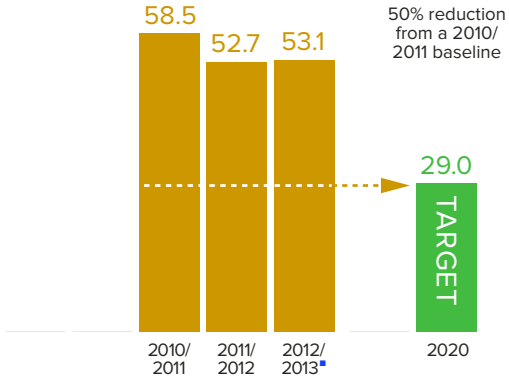
Property portfolio energy intensity -45%

kWh/m² reported floor space



Property portfolio carbon intensity -50%

Kg CO_2 equivalent/m² reported floor space



▪Within KPMG's limited assurance scope.

ENERGY: REDUCING PROPERTY ENERGY USE

ENERGY SAVING CAMPAIGN AT KOÇTAŞ

Koçtaş is committed to being a leader in the energy-efficiency market in Turkey. It is focusing on raising customer awareness of this issue, which is often lower in Turkey than other European markets. During 2012 as part of an awareness campaign, energy-saving corners were installed by the entrance at several Koçtaş stores. Developed in partnership with Enverder, a local energy efficiency NGO, these explained the issues and showed customers the benefits of using energy-saving products. Koçtaş also offered discounts on energy-efficiency products to loyalty card holders. Koçtaş continues to provide customers with information on energy efficiency and has a number of specialist customer service employees who have been trained to advise customers on energy-efficiency products.

HELPING CUSTOMERS SAVE ENERGY IN CHINA

To raise customer awareness and highlight the benefits of energy efficiency, B&Q China ran a series of free in-store classes on low-carbon housing at five stores, in partnership with Friends of Nature, the oldest environmental NGO in China. It also ran a week-long Energy Saving campaign 'Energy saving lighting – Old for New' to coincide with Earth Hour, enabling customers to swap an old bulb for a free energy-saving version. It currently stocks 400 energy-saving products in-store and plans to increase this to 1,000 over the next three years, to reach 5% of sales.

an energy-monitoring system alerts store managers and security teams when energy use is higher or lower than expected. Each store has an energy reduction target which is linked to the bonus awarded to store managers, and a ranking system encourages competition between stores to reduce energy use.

We have introduced a requirement that new store projects (including new builds and major refurbishments) should show a 10% reduction in both operational carbon emissions and embodied carbon (the carbon resulting from energy used to create materials for store construction). We set a baseline during 2012/13 to help Operating Companies assess carbon reduction opportunities. Read about our Sustainable Property Roadmap on page 44.

Operating companies are already integrating energy efficiency into new store developments and refits. Castorama France, for example, has developed guidelines for its property team on creating an eco-store. The guidelines, which have been reviewed by WWF France, will be used in all new builds and refits and cover a range of areas including energy efficiency, reducing carbon emissions, sustainable transport, water efficiency and protecting biodiversity. Its new store in Marseille, opened in April 2013, includes a range of sustainable design features.

At Brico Dépôt Spain's new store in Palma de Mallorca, an innovative skylight design enables more natural light to enter the building while deflecting heat. During 2013, B&Q UK will carry out major refits to three stores in Poole, Banbury and Bognor Regis, that will include LED lighting and other measures such as redesigned lobbies to prevent heat loss. Renewable energy technologies, such as photovoltaic panels, are being installed in some stores around the Group, often in partnership with landlords. For example, in 2012, photovoltaic systems were installed by the landlord at B&Q UK's Farnborough and Taunton stores, reducing energy use by around 5%. B&Q UK is now exploring the feasibility of installing photovoltaic panels on its freehold stores.

IT

Every part of our business has a role to play in achieving our Net Positive goals. Our central IT function, Kingfisher IT Services (KITS), conducted a Green IT audit, identifying a number of opportunities for reducing energy use. Measures introduced to date include a managed print programme in the UK. This has cut energy use for printing by 15% by reducing printer numbers and introducing technology which requires employees to swipe a card before their printing is released, reducing wastage. Data centre server virtualisation has also helped cut like-for-like energy use by 3% over the last year. Further reductions are anticipated in 2013/14.

Working together

Our Group property team has worked with our Operating Companies to set targets and to analyse and improve the environmental performance of our property portfolio. Environmental performance is built into the process and tools used for planning new stores. An online community, the Kingfisher Exchange, enables property teams to share information and best practices, see page 44.

Our carbon footprint

We focus on reducing carbon emissions from property as well as travel, transport and other business activities. Our target is to achieve a 25% reduction in our absolute carbon footprint (emissions from property energy use, dedicated delivery fleets and business travel by road) by 2020. We have achieved a 3% reduction against our 2010/11 baseline so far.

ENERGY: OUR CARBON FOOTPRINT

Key trends include:

- **Property:** we achieved a 3% reduction in CO_2 equivalent emissions (CO_2e) from property energy compared with 2010/11.
- **Dedicated delivery fleets:** CO_2e from dedicated delivery fleets fell by 2% from 2010/11.
- **Business travel by road:** There has been a 9% increase in CO_2e emissions from business travel by road from 2010/11.

Operating companies have set targets that will enable us to meet our Group energy and carbon targets. For example, B&Q UK aims to achieve a 90% reduction in its absolute carbon footprint by 2023 against a 2006/07 baseline, and has already achieved a 29% reduction, exceeding its interim target of 20% by 2012/13*. Achieving its goal will be challenging, and energy efficiency and on-site renewable generation on their own will not be sufficient. Reflecting this, B&Q UK is exploring opportunities for investment in off-site renewables. It has also signed a new agreement with its energy provider which enables it to source renewable energy from outside its main energy contract.

Our work to reduce CO_2 emissions from transport and other sources is covered in Environment, page 41.

* B&Q UK's carbon footprint target covers CO_2 emissions from property energy use, dedicated delivery fleets, business travel by road and air, waste and water. This means it is not directly comparable to our Group target which does not include emissions from waste, water or business air travel.

INTEGRATING ENERGY EFFICIENCY INTO STORE DESIGN

Brico Dépôt Spain's new Alzira store is designed to be more energy efficient, reducing CO_2 emissions and operating costs. Improved insulation in the walls and roof and around doors reduces energy used for air conditioning by up to 15%, while 2% of energy is generated from a photovoltaic system installed on the roof.

Energy-efficient lighting has been installed which will reduce lighting energy consumption by up to 40%. The most efficient air conditioning systems have been selected and the store layout takes account of energy use so air conditioning pipes, lights and skylights are all positioned to maximise efficiency and reduce consumption.

An automatic meter reading system (AMR) will enable greater control over consumption and enable Brico Dépôt to monitor the energy savings achieved. The company is also introducing water efficiency measures, including a system for recovering water condensation from air conditioning systems and reusing it in store toilets.

We're pleased at the progress made at stores like Alzira but know we need to go even further in future store developments to reach our Net Positive targets.

A GREENER FLEET AT B&Q

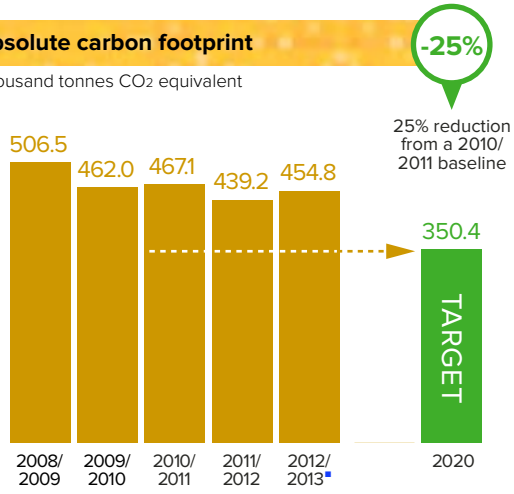
A fleet of dual-fuel lorries will help to make transport more sustainable at B&Q UK. The new trucks, run partly on liquid biomethane, a natural gas produced by waste, which can cut CO_2 emissions by 11–34%. Using liquid biomethane also helps to reduce pollution from landfill sites. The new trucks were trialled in 2012 and will be rolled out fully during 2013. To support the fleet, B&Q is installing its own liquid biomethane refuelling station at its distribution centre in Swindon.

B&Q UK has also introduced 500 double-decker lorries which can transport 35% more products per journey, and has started transporting more products by rail rather than road. A new distribution facility at Swindon is also reducing road miles.

Investment in efficiency initiatives has resulted in a 32% reduction in CO_2 from transport against a 2006/07 baseline, showing good progress towards its target of 50% by 2023.

Absolute carbon footprint

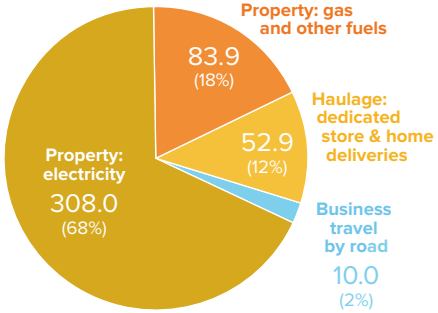
Thousand tonnes CO_2 equivalent



Our carbon footprint data covers key carbon emissions from property energy use, dedicated delivery fleets and business travel by road.

2012/13▪ carbon footprint detail

Thousand tonnes CO_2 equivalent



▪Within KPMG's limited assurance scope.

ENERGY: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
CUSTOMER ENERGY USE			
38 TWh OF ENERGY SAVED FOR CUSTOMERS ACROSS OUR INTERNATIONAL BUSINESSES (11 TWh by 2015)	**2020**	Over 5 TWh of energy saved over the last two years	
All energy-using products to meet best practice standards on energy efficiency (50% by 2015)	**2020**	Our Operating Companies are starting to make progress, for example 45% of B&Q UK energy-using products are now A rated or above on the EU energy-efficiency scale	
To use our 11 global brands and marketing to help shift our millions of customers towards sustainable lifestyles (Give customers comprehensive information and advice in-store and online to help them with their sustainable choices by 2015)	**2020**	Our Operating Companies are giving customers information and support to help them make more sustainable choices, with a focus on energy saving	
All our customer communications and marketing to be in line with our guidelines on responsible brand management and marketing	**2015**	We have a Group responsible marketing policy and guidelines, and some of our companies, including B&Q UK & Ireland, Castorama France and Brico Dépôt France, have introduced their own eco marketing guidelines which reflect our Group guidelines	
OWN ENERGY USE			
45% REDUCTION IN THE ENERGY INTENSITY (kWh/m²) OF OUR PROPERTY PORTFOLIO FROM A 2010/11 BASELINE (15% by 2015)	**2020**	10% reduction from our 2010/11 baseline	
25% reduction in our absolute carbon footprint (tonnes CO_2e) from a 2010/11 baseline	**2020**	3% reduction from our 2010/11 baseline	
50% reduction in the carbon intensity (CO_2e/m^2) of our property portfolio from a 2010/11 baseline (20% by 2015)	**2020**	9% reduction from our 2010/11 baseline	

▼The process to assess progress against targets is within KPMG's limited assurance scope.

INNOVATION

WE NEED TO SHIFT FROM A WORLD WHERE WE TAKE, MAKE AND DISPOSE, TO ONE WHERE WE REPAIR, RECYCLE AND REUSE. SWITCHING TO MORE RENEWABLE MATERIALS AND DEVELOPING CLOSED-LOOP SYSTEMS THAT DESIGN OUT WASTE CAN SIGNIFICANTLY REDUCE COSTS AND CREATE VALUE.

VISION

Creating and using products wastes nothing

ASPIRATION

Every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle

2020 TARGET

1,000 Kingfisher products with closed-loop credentials

It would require three planets' worth of resources if everyone in the world consumed resources at the rate people are used to in the Western world. This consumption is becoming increasingly unsustainable for society and businesses.

Our aspiration is that by 2050 every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle. Our vision is that eventually, creating and using our products will waste nothing.

Reaching this goal is very challenging and we do not yet have all the answers for how we will get there. We will need to develop new business models; change how customers use our products and services; and influence how products are designed so that at their end of life they can be reused, remade or repaired. This will require collaboration on a large scale, working right across our supply chain and beyond.

We are developing an impact measure that will assess the value created or increased by regenerating, reusing or repairing materials.

TOWARDS NET POSITIVE INNOVATION

FIND OUT MORE ABOUT

Closed-loop
HOW WE ARE IDENTIFYING CLOSED-LOOP CREDENTIALS WITHIN OUR PRODUCT RANGES AND WORKING WITH PARTNERS SUCH AS THE ELLEN MACARTHUR FOUNDATION

New business models
EXPLORING HOW NEW APPROACHES AND RENTAL SERVICES COULD HELP TO REDUCE WASTE WHILE GENERATING REVENUE

Eco-products
PRODUCTS THAT HELP CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT OR ARE MADE FROM MATERIALS WITH SUSTAINABILITY BENEFITS

Learning stores
HOW OPERATING COMPANIES ARE TRIALLING NEW TECHNIQUES FOR IMPROVING STORE ENVIRONMENTAL PERFORMANCE

CHALLENGES REQUIRING INNOVATION

3 planets' worth of resources needed if everyone in the world consumed resources at the rate of Western countries

Predicted cost of solid waste management globally by 2025

90
products already in our 2012/13 ranges with one or more closed-loop credentials based on our initial assessment

20%
of retail sales in 2012/13 came from products with eco credentials

1,000

2020 TARGET

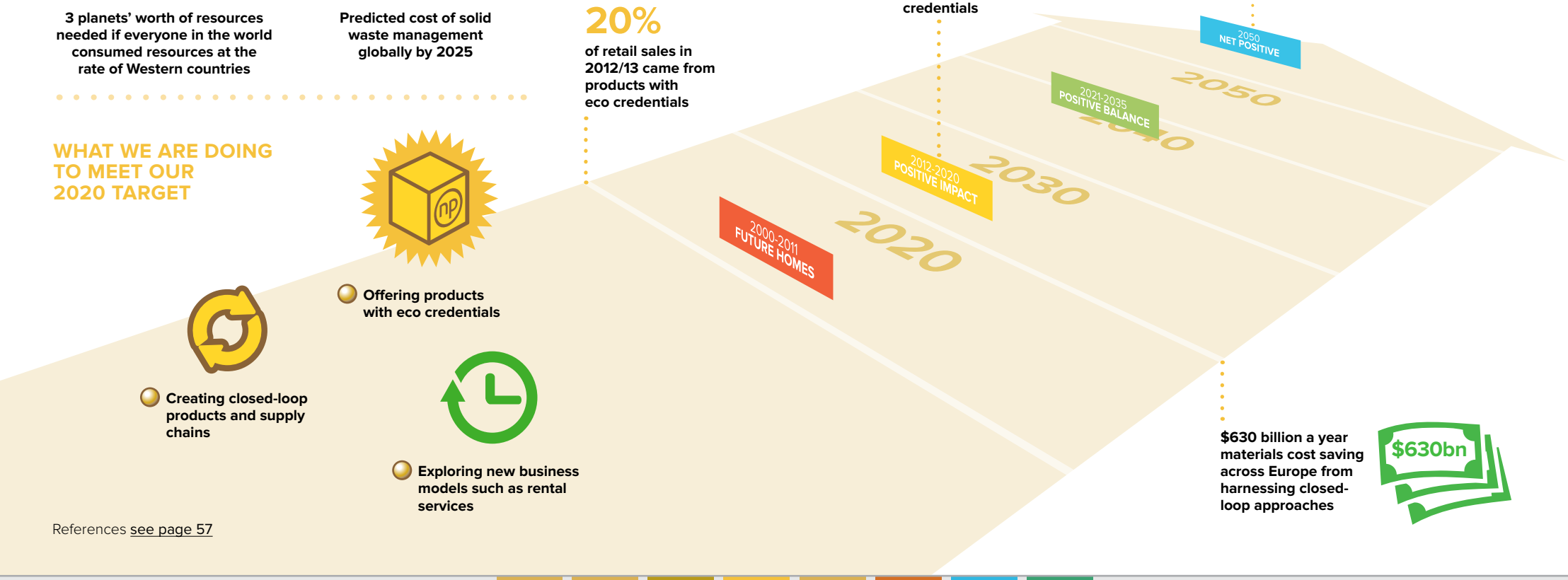
1,000 Kingfisher products with closed-loop credentials

ASPIRATION

Every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle

WHAT WE ARE DOING TO MEET OUR 2020 TARGET

- **Offering products with eco credentials**
- **Creating closed-loop products and supply chains**
- **Exploring new business models such as rental services**



$630 billion a year materials cost saving across Europe from harnessing closed-loop approaches

References see page 57

INNOVATION: CLOSED LOOP

Closed-loop

Achieving our target for 1,000 products with closed-loop credentials by 2020 requires us to look at many different areas – from how products are designed and the materials used to the suppliers we work with and what happens to products at their end-of-life.

As a first step, we have developed criteria for identifying, assessing and classifying a product's closed-loop credentials. These criteria rate a product on a range of factors from manufacture to use and end-of-life; see box below.

Our initial assessment suggests there are already some 90 products in our ranges with one or more closed-loop credentials. We will use the criteria to identify opportunities for improvement and measure progress towards achieving closed loops. The criteria have been developed with the Ellen MacArthur Foundation and WRAP, the UK recycling organisation.

We are also exploring how we can generate new material streams through our stores as part of our goal of achieving ten closed-loop supply chains by 2020. A trial at B&Q UK stores around Bristol will encourage customers to return old power tools, batteries and light bulbs for recycling, with any profits given to the local community groups. This will help us understand whether in-store recycling can provide a stream of good-quality materials that can be refurbished or broken down for reuse into new products. A trial in Castorama France is exploring opportunities to use in-store waste to create new kitchen worktops.

Working with partners is essential to overcoming the many challenges involved in moving towards a closed-loop business. We are a founding partner, through B&Q UK, of the Ellen MacArthur Foundation which is working with businesses to enable progress towards a circular economy. We contributed to a new report on the potential of the circular economy and the implications for the fast-moving consumer goods sector, published by the Ellen MacArthur Foundation and McKinsey. This showed that the adoption of the circular economy could be worth as much as US$700 billion in consumer goods material savings, in addition to benefits like job creation. The report was launched at Davos in early 2013 by the Foundation together with our Group Chief Executive, Ian Cheshire. Read Towards the Circular Economy (www.ellenmacarthurfoundation.org)

WHAT DO WE MEAN BY CLOSED-LOOP?

A closed-loop society is one where materials are either safely returned to nature or reused continually, without degrading in quality. This is also known as the 'circular economy' because products and materials are continuously reused, eliminating waste.

To reach this ambitious aspiration we will need to continually improve the closed-loop credentials of each product as well as progressively changing our business models and the way we work. Physical products will be designed and made differently, and some products we currently sell may even be replaced with services over time.

One of our starting points is to understand the closed-loop credentials within our existing ranges and how we can improve these. We have our own criteria to help us, which cover how a product is made, used and disposed of. Example criteria include:

- Made from 90% or more recycled materials or materials diverted from landfill
- Designed to be disassembled into component parts
- Can be brought back to Kingfisher for repair or recycling

New business models

We will need to adopt new business models and introduce new services to help us achieve our goals. One of the opportunities we are exploring is the potential for rental services to replace the sale of physical products.

B&Q YOUTH BOARD

Young people have the greatest stake in the planet's future and many of the best ideas for changing the way the world works. The B&Q UK Youth Board tapped into this great potential to explore new solutions to B&Q's sustainability challenges.

Nine 16–18 year-olds were recruited to the Youth Board in 2011, through a nationwide competition with the Ellen MacArthur Foundation. During the year-long programme, the young people were asked to come up with ideas to help B&Q cope with rising costs of energy, raw materials and waste disposal.

Each participant was mentored by a member of the B&Q Board, and given opportunities to meet with people around the business. They presented their findings and recommendations to the B&Q Board, Group Chief Executive, Ian Cheshire, and Dame Ellen MacArthur in summer 2012.

The Youth Board explored how the circular economy could work in practice with a particular focus on whether the company could introduce a combined take back, repair and rental model.

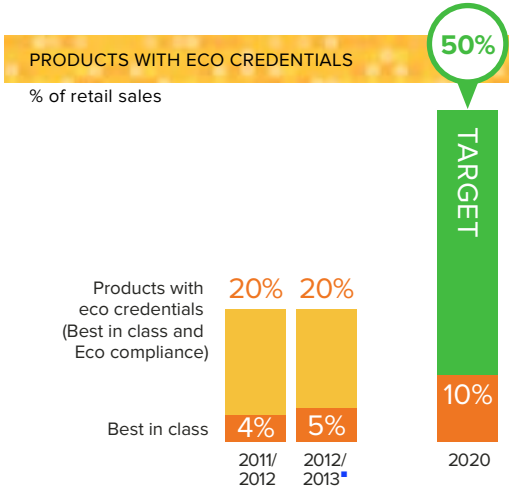
"The leadership team was particularly struck by the case the young board made for these concepts and their ideas have influenced our Net Positive innovation target, and exploratory work is now underway to take forward their ideas," said Alex Duff, Kingfisher's Corporate Affairs Manager and project lead for the Youth Board.

INNOVATION: ECO-PRODUCTS

This could be attractive to customers and generate value for the business, while reducing environmental impacts. For example, people may be reluctant to purchase the tools they need for one-off jobs such as re-tiling their bathroom. By offering a rental package of tools and materials, we can make the project easier and more cost-effective for them, while generating a new stream of revenue. Since the tools can be used again by other customers, we can also reduce the volume of materials wasted.

Some of these services already exist in our Operating Companies and we can learn from these success stories. For example, several Castorama Poland stores offer equipment rental services and each store within Castorama Poland also runs a repair service where customers can bring their own tools and equipment for repair.

B&Q UK is exploring how rental services could work in practice and what the financial impact could be. Working with WRAP, it is undertaking research to understand consumer needs and how programmes would need to be structured and supported by the business. It already offers some rental services such as the B&Q Rug Doctor carpet cleaning service.



▪Within KPMG's limited assurance scope.

Eco-products

We aim to increase sales of 'eco-products', those that are made from materials which have a lower environmental impact or that help customers reduce their impact. At the same time, we are looking to improve the sustainability performance of all our ranges not just those with specific eco credentials.

In 2012/13, 20% of retail sales came from products with eco credentials, against our target of 50% by 2020. This includes 'best in class' eco-products, our most innovative eco-products (5% of sales), and also 'eco compliance' products, those which have some environmental benefits. Responsibly sourced timber is included in our figure for eco compliance products. Our products with eco credentials generated sales of £2.1 billion in 2012/13.

New eco-products must be assessed against our Eco-Product Guidelines, developed with the sustainability experts, BioRegional. These were updated in 2012 to reflect current best practices. You can read more about how we define eco-products in the Kingfisher Eco-Product Guidelines (www.kingfisher.com/NetPositiveResources). BioRegional, the sustainability organisation, conducts an external review process against the guidelines for new eco-products on a quarterly basis.

Our businesses stocked over 47,500 products with eco credentials during 2012/13. Our companies provide information and advice to customers on eco-products (see page 17 on customer communication).

To meet our goals we rely on our suppliers to improve the sustainability performance of their products, and on our buyers

REWARDING ECO-PRODUCT INNOVATION

Innovative and more sustainable flooring won the Kingfisher Sourcing Office (KSO) Eco Product Award, and is on sale at Castorama France. The flooring is made from bamboo that can be a more sustainable alternative to hardwood, as it regenerates within five years of harvesting. The products are shipped in recycled packaging and meet the French standards for low VOC levels.

There were over 80 entries to the Awards, which were judged by KSO and BioRegional, on criteria around innovation, eco product credentials, packaging and sourcing.

KSO set up the Award in 2012 to encourage and recognise eco innovation among our suppliers, and help us meet our goal of 50% of sales from products with eco credentials by 2020.

RECYCLED FLOORING AT CASTORAMA FRANCE

Innovative new recycled rubber flooring tiles are now on sale at Castorama France. The products are made from used car tyres, helping to reduce waste. Available in six colours, they generated sales of €0.8 million in 2012.

Castorama uses in-store information and a dedicated space on its website to update customers on its eco products. It also makes sure staff in its stores know about the ranges. It ran an eco product stall at its annual internal exhibition, reaching 2,500 employees.

INNOVATION: LEARNING STORES

AN ECO JOURNEY FOR PAINT AT B&Q UK

For over 18 years, B&Q UK has been improving the environmental performance of its paints, creating products that are better for its customers and for the environment.

Today the company has significantly reduced VOC levels in its own brand paints. VOCs are chemicals present in solvent-based products which evaporate into the air on use and in high quantities can affect people's health and the local environment. It has reduced average VOC content across all paint and coating products by 73% since monitoring began in 1995.

Its own-brand Colours emulsion range is classified as minimal VOC, and it also sells Naturepaint, a zero VOC option made from Cornish china clay. B&Q introduced Clean Spirit a non-toxic water-based alternative to white spirit in 2012. Made from biodegradable ingredients, it has low VOC properties but doesn't compromise on performance and is sold at the same price as traditional white spirit. B&Q stocks water-based gloss paint and is also working to reduce VOC levels in solvent-based gloss paints.

Alongside its work to tackle VOCs, B&Q is exploring other opportunities to reduce the environmental impact of paint. Its Colours range comes in a rectangular container that saves transport miles and space on shelves. The Colours white emulsion comes in packaging made from 85% recycled plastic.

Around 25% of paint ends up in landfill each year. Newlife paint, stocked in bigger stores, is made from paint collected from local authority recycling points, and each can sold prevents the equivalent of three cans going to landfill.

and commercial teams to select products with stronger eco credentials. We have launched training for buyers on the importance of eco-products and the role buyers can play in helping us achieve our targets. 'Train the trainer' sessions were held in Poland and China in early 2013, and training sessions will be rolled out to commercial teams during the year. The sessions were developed with BioRegional.

At a Group level, we are developing a Net Positive plan for each of our 11 common brands and working to ensure they meet a set of minimum criteria. The plans will focus on Net Positive elements relevant to each brand and will help us communicate more clearly with customers on these ranges and help them make sustainable choices.

Integrating sustainability across our ranges

We aim to improve the sustainability performance of all product ranges, not just those classified as eco-products.

B&Q UK launched a 'Range Sustainability Rating' tool in 2012, to help it assess, rate and improve the sustainability performance of its product ranges. All ranges will be assessed on key sustainability aspects including compliance with sustainability policies, how they compare with competitor products, how they perform against customer expectations, and how the supplier is managing its sustainability impacts. The assessments will take place as part of the commercial category planning process. Buyers will have targets to improve the sustainability rating of their ranges year on year and will undergo eco-product training. The tool will be trialled in 2013 at B&Q UK and results shared with other Operating Companies to help us move towards our target to improve the sustainability rating of every product range by 2020.

Learning stores

We use some of our stores, known internally as 'learning stores', to test out eco innovation in construction, and share the results across our businesses.

Each Operating Company has a target to develop three learning stores with technologies that reduce the environmental impact of our estate through innovation. We are also using stores to champion and showcase our leadership ambition for low carbon and sustainability innovation. See Energy, page 18 for recent examples of eco improvements to store design.

B&Q UK's Eco House is an ordinary house refitted by B&Q to test out a range of sustainable technologies. Over the last two years, most B&Q UK store managers toured the house to learn about the products and their commercial potential.

INNOVATION: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
1,000 KINGFISHER PRODUCTS WITH CLOSED-LOOP CREDENTIALS (300 products by 2015)	**2020**	Our initial assessment suggests there are some 90 products in our ranges with one or more closed-loop credentials	
Work with partners across the product life-cycle to achieve ten 'closed-loop' supply chains by 2020 (Five 'closed-loop' supply chains by 2015)	**2020**	We are working to identify an appropriate supply chain to trial closed-loop approaches. We will explore the opportunity to generate new material streams through our stores through recycling trials at Castorama France and B&Q UK	
Explore and trial alternative business models, such as product hire and repair, which encourage a perpetual reuse of products	**2015**	We are learning from existing successful services in our companies, such as the repair and rental services at Castorama Poland. B&Q UK is undertaking initial research with WRAP, the waste and recycling organisation	
ECO-PRODUCTS			
To be at the forefront of sustainable product innovation, with 10% of Group sales from the most innovative eco-products and services (5% by 2015)	**2020**	'Best in class' eco-products, our most innovative eco-products, accounted for 5% of sales, achieving our 2015 milestone ahead of schedule	
To bring eco-products into the mainstream by achieving 50% of Group sales from products and services with eco credentials (25% by 2015)	**2020**	Products with eco credentials accounted for 20% of sales	
To enhance the eco credentials of all our products by improving the sustainability rating of every product range (Conduct a sustainability rating for every product range by 2015)	**2020**	B&Q UK launched a 'range sustainability rating' tool to help it assess, rate and improve the sustainability performance of its product ranges; the tool will be trialled in 2013	
Demonstrate leadership on eco innovation across our Group own-brands (focusing on relevant sustainability issues to each brand) (All Group own-brands to conform to Kingfisher minimum sustainability criteria by 2015)	**2020**	During 2013, we will develop a Net Positive Plan for each of the 11 Kingfisher own-brands that are sold across our Operating Companies	
OTHER			
Every Operating Company to develop at least three 'learning stores' and to have delivered, or confirmed, the site for one 'eco store' – a store that champions low carbon and sustainability innovation		Our Group property team is working with our Operating Companies to develop learning and eco stores	
Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees	**2015**	Work has begun on a sustainable accounting model for quantifying the financial value of Net Positive, see page 49 with an initial focus on waste, packaging and energy	

▼The process to assess progress against targets is within KPMG's limited assurance scope.

COMMUNITIES

IN OUR COMMUNITIES WE ARE SEEING A DECLINE IN PRACTICAL SKILLS. MORE PEOPLE LACK THE CAPABILITY OR CONFIDENCE TO BUILD, REPAIR AND IMPROVE THINGS IN THEIR HOMES AND NEIGHBOURHOODS. RATHER THAN REPAIRING AND RENEWING, WE DISPOSE AND REPLACE, MAKING OUR WAY OF LIVING MORE EXPENSIVE AND RESOURCE-INTENSIVE.

VISION

Businesses help people to help each other

ASPIRATION

Every Kingfisher store and location supports projects which build local communities or equip people with skills

2020 TARGET

4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'

By equipping people with practical skills, we can empower them to do more for themselves, support social infrastructure in the communities where we operate and galvanise hundreds of thousands more potential Kingfisher customers. What's more, our research shows that the average spend of our customers who know that our business positively contributes to their community is double that of those who think it makes no such contribution.*

We have a great resource in our 1,025 stores and over 78,000 employees. Our aspiration is that by 2050 every Kingfisher store and location will be supporting projects that build local communities or equip people with skills. We aim to establish 4,000 community projects by 2020, using our core business competencies – helping people to make their homes, lives and communities better.

We want the programmes we support to create long-lasting benefits. We need to build them to be sustainable and scalable. By sharing success stories and lessons learnt around our Group we can further improve the quality of our support. We are working on a Net Positive impact measure for communities, which will quantify and value the key social and economic impacts of our activity.

* RSA, 'The Community Footprint: shared value for business and communities', 2012.

TOWARDS NET POSITIVE COMMUNITIES

FIND OUT MORE ABOUT

Community projects
THE PRIORITIES WE USE TO TARGET OUR COMMUNITY INVESTMENT

Make, share, improve
SOME OF THE MANY PROJECTS WE ARE SUPPORTING IN OUR LOCAL COMMUNITIES

Performance
THE VALUE AND IMPACT OF OUR COMMUNITY INVESTMENT IN 2012/13

CHALLENGES TO COMMUNITIES

Practical skills are in decline in many communities

Half of B&Q customers lack confidence to complete their DIY jobs

265
stores contributing to local community projects in 2012/13

£2.36m
community investment in 2012/13

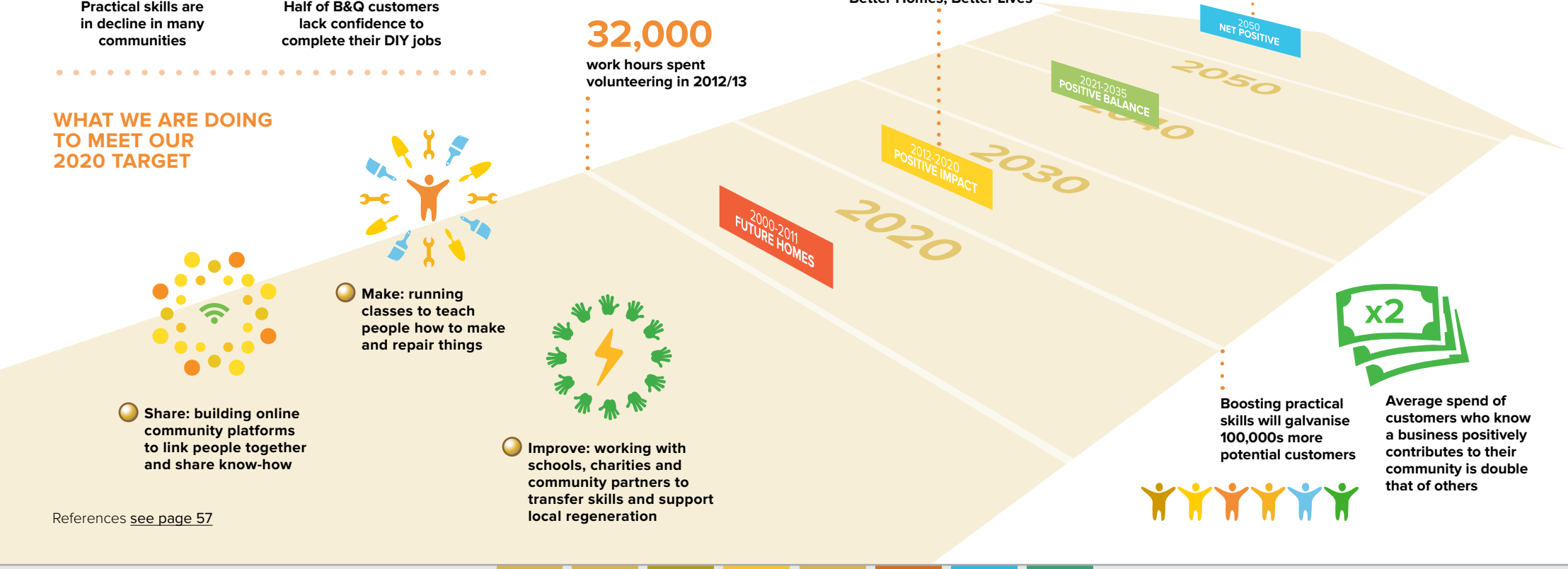
32,000
work hours spent volunteering in 2012/13

2020 TARGET

4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'

ASPIRATION

Every Kingfisher store and location supports projects which build local communities or equip people with skills



WHAT WE ARE DOING TO MEET OUR 2020 TARGET

Make: running classes to teach people how to make and repair things

Share: building online community platforms to link people together and share know-how

Improve: working with schools, charities and community partners to transfer skills and support local regeneration

Boosting practical skills will galvanise 100,000s more potential customers

Average spend of customers who know a business positively contributes to their community is double that of others

References see page 57

COMMUNITIES: MAKE

Our community projects

Our community programmes support delivery of our 'Better Homes, Better Lives' business purpose. Our projects are based around three core themes:

- **Make:** run classes to teach people how to make and repair things
- **Share:** build online community platforms to link people together and share know-how
- **Improve:** work with schools, charities and community partners to transfer skills and support local regeneration

Within these three themes Operating Companies have the flexibility to create programmes that meet local needs. Projects range from national partnerships to our work with local neighbourhood organisations. We also support projects and make donations at a Group level.

Many of our people get involved in our community projects as volunteers. We encourage this because it supports our people's personal and professional development and helps strengthen our relationships with local communities.

During 2012/13, 265 stores (25% of our total) contributed to local community projects. We also support a number of larger projects at both a Group and Operating Company level. We are improving the way we monitor and evaluate projects, so we can measure progress towards our goal of 4,000 community projects completed by 2020.

The following pages showcase just a few examples of our community projects from 2012/13.

MAJSTERKOWO MAKES DIY FUN FOR KIDS

At Castorama Poland stores, school children aged 6–12 are having fun learning practical DIY skills. Free classes cover areas such as woodwork, gardening and decorating and teach children about the importance of protecting the environment.

In some sessions kids are given scraps and leftover materials, and helped to turn them into unique new objects or toys – from mug holders to toy windmills, trains and mosaics – learning how to use a variety of different tools. During the summer months, gardening classes enable the children to plant their own flowers and vegetables.

The programme was launched in 19 stores in May 2012 and reached 65 stores by September. Stores run around three classes per month and have reached over 23,000 children so far. Feedback from the children and their school teachers has been very positive, and classes are fully booked several months ahead. During 2013 Majsterkowo classes will also raise children's awareness of sustainable timber, recycling and energy efficiency, and will be launched in all 72 stores. Castorama plans to introduce lessons for adults too, and is running pilot workshops for women in its Wroclaw store covering DIY, gardening and repairs.

GETTING YOUNG PEOPLE INVOLVED

B&Q UK supports projects that get young people involved in their communities in a positive way. During 2012, B&Q helped bring back the Scout Community Week, which hadn't taken place for over 20 years.

The event asked Scout groups to DO1Thing in their community – conserve one thing, fix one thing, decorate one thing or grow one thing – with advice, materials and fundraising support from B&Q. More than 2,600 Scout groups completed a project and over 144,000 young people got involved and received a special B&Q Scout Community Week badge.

The event's success builds on B&Q's long-term support for the Scouts, which includes running classes for 222 Beavers, Cubs and Scouts groups to learn practical DIY skills. B&Q's online DIY activity pack for Cubs has been downloaded over 11,000 times, and a new pack for Scouts was launched in 2012 with 4,000 downloads. More than 30,000 Cub Scout DIY and Scout DIY Badges, which are sponsored by B&Q, were distributed in 2012.

MAKING HOME A HOME

In France, more than 3.5 million people live in poor housing, so Brico Dépôt France is getting its employees involved to create homes for those in need. Through the HOME project, the volunteers are renovating apartments and houses unfit for habitation, so they can become comfortable homes for low-income families at risk of becoming homeless.

During 2012, 39 Brico Dépôt volunteers participated in the first project, using tools and materials donated by the company, to renovate a property on behalf of the organisation Solidarités Nouvelles pour le Logement. Brico Dépôt also pays for trained contractors to carry out work which can't be completed by the volunteers. A second project took place in early 2013 involving 60 volunteers from nine Brico Dépôt locations, and several more are planned for the year.

Brico Dépôt also supports the Fondation Abbé Pierre's '2,000 roofs for 2,000 families', donating over €40,000 raised through sales of its Bags for Life.

COMMUNITIES: SHARE AND IMPROVE

ENCOURAGING COMMUNITY SKILL-SWAPPING

Our companies are using the web to help people share practical skills and encourage more vibrant communities.

Les Troc'heures is France's first DIY community skill-sharing website launched by Castorama France in 2011. Meaning 'barter hours', the site enables people to share their skills and expertise with others, and get help with their own projects. By sharing their skills they often save money. Membership is free, and more than 8,000 subscribers have joined up. Over 3,100 job swap adverts have been posted, with skills ranging from gardening and plumbing to electrical installation. The site has received a number of awards for innovation and community strategy, including a SCOPS award for business innovation from the Paris-Dauphine University.

In the UK, B&Q has launched 'Street Club', to help neighbours keep in touch, help each other out and create more vibrant communities. Anyone can use the site to set up a Street Club for their area, or join an existing club. They can use the site to share information, swap skills and plan events. 1,083 clubs have already been set up.

Brico Dépôt France will launch its own site in 2013, which will help people share skills needed for eco renovations and energy-saving projects.

INSPIRING TEACHERS WITH CREATIVE OUTDOORS LEARNING

Kingfisher corporate centre is supporting Creative Outdoor Learning, an initiative of Cornwall's Eden Project, which inspires primary school teachers to help children learn from the outdoors.

Children play outside significantly less today than they did just 20 years ago, and this contributes to problems like obesity. Outdoor learning is good for social development and it can be used across the curriculum from science and maths to English and art. The project at the Southbank Centre in London aims to give inner city teachers the skills and confidence to use outdoor spaces to aid learning.

Using donations from Kingfisher, the project ran two free training days for primary school teachers. The 43 participants learnt about the benefits of outdoor learning, explored different activities to try with their pupils, from blindfold trails to outdoor poetry and fire-making, and discussed opportunities for outdoor learning in their own school grounds and nearby green spaces.

The teacher-training days were hosted at the Southbank and Eden rooftop garden, and run by the Eden Project's Schools Team. Feedback from participants was very positive, with an average rating of 1.2 out of 5 (with 1 being the highest score).

COMMUNITIES: IMPROVE

KOÇTAŞ EMPLOYEES GET INVOLVED

Koçtaş employees helped renovate a children's home for young girls, run by the Children of our Future Foundation. Employee volunteers improved the garden, repaired play areas and fixed doors and windows. The company also donated garden and indoor furniture, as well as computers, desks and books, to support the children's education.

TURNING KIDS INTO WATER-SAVING HEROES AT BRICO DÉPÔT SPAIN

Water can be a scarce resource in some parts of Spain. Now Brico Dépôt has introduced in-store workshops to help 10–12 year-olds save water, and become local eco heroes.

The first workshops were held in the San Antonio and Alquerias stores, where over a 100 children learnt how to change the way they use water. Using games and experiments, the workshops teach children how simple actions, like turning the tap off when they're brushing their teeth, can make a big difference in areas of increasing water scarcity. The sessions also introduce the children to eco products that can reduce water use, and give them a toilet flush-reducer to take home.

The workshops are part of Brico Dépôt Spain's Sustainable Homes Sustainable Schools project, which will be expanded to cover topics such as energy saving, recycling and sustainable timber and rolled out across Brico Dépôt Spain stores.

PLAY TIME MATTERS FOR CASTORAMA RUSSIA

Every child deserves the chance to play in a safe and inspiring environment. Play is important to children's physical and social development. That's why Castorama Russia is supporting the Naked Hearts Foundation which aims to give every child in urban Russia the space to play by opening playgrounds and play parks.

So far, Castorama's support is funding a playground designed especially for disabled children which will open during 2013, and it has supported a sports school for orphans and children from low-income families. This reflects our theme of supporting improvement and regeneration in local communities.

Castorama Russia's stores are also supporting many local projects. For example, the team at Castorama Nizhny Novgorod supports the Semenovsky orphanage. During 2012 they visited the orphanage to clean and renovate two rooms and deliver donations of books, clothes and toys. Through fundraising events they paid for the children to spend a day out at the local zoo.

PENNIES FOR A GOOD CAUSE AT SCREWFIX

Screwfix has supported Everyman, the prostate and testicular cancer campaign, since 2009. During 2012, it launched the 'Pennies' microdonation service on its website. This enables customers to round up their purchases to the nearest pound, with the pennies they add donated to charity. Thousands of customers added a donation to their order and over £24,000 was raised for Everyman via Pennies during 2012. Screwfix will continue to work with Pennies in 2013 to raise funds for The Screwfix Foundation, a new charity supporting projects to repair and improve properties and community facilities for those in need around the UK.

B&Q CHINA SUPPORTS LEARNING IN RURAL SCHOOLS

B&Q China is supporting 'A Dream' Project in rural primary schools in less-developed regions of China. Run by the Cherished Dream Foundation, the project helps equip children and teachers with skills to improve themselves. B&Q's support – worth £40,000 over two years – has enabled the Foundation to open four new 'Dream' centres, equipped with multimedia classrooms, where teachers and students can take courses. By the end of 2012, 3,479 children and 25 teachers had participated at the four centres. A further six centres are planned by 2015.

COMMUNITIES: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

Performance in 2012/13

Our community investment includes cash donations made at Group and Operating Company level, gifts-in-kind (product donations) and the value of time given by employees as volunteers.

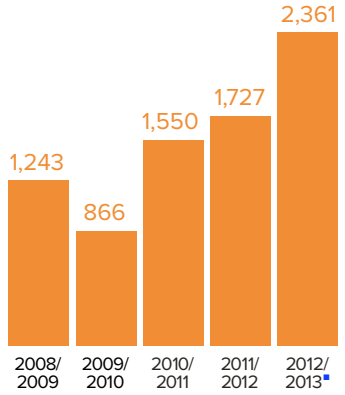
Our total community investment in 2012/13 was worth an estimated £2.36m, equivalent to 0.3% of pre-tax profits. This included cash donations (£1.58m) and gifts-in-kind (£0.49m – with product donations valued at cost price). The value of our community investment increased by 36% this year. This is due to our increased focus on this area as a Net Positive priority and to improvements in our data collection systems, which are now capturing more of the donations made by individual stores.

Our employees spent over 32,000 work hours volunteering in their local communities (29,000 hours in 2011/12). The value of time given by employees was £0.29m.

Our businesses also encourage customers and employees to raise money for charities through in-store collections, payroll giving and supporting employee fundraising events. In 2012/13, this raised £1.02m for charity, a significant increase from £0.62m in 2011/12. This increase was due to a number of large fundraising campaigns at B&Q UK for charity partners, including Children in Need.

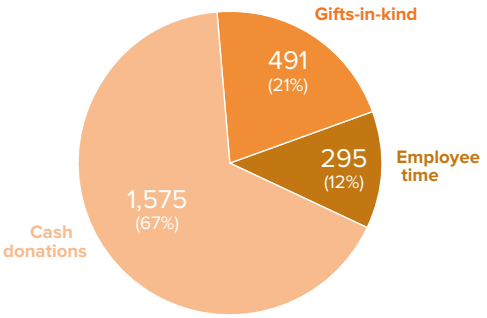
Community investment

£ thousand



2012/13▪ community investment by category

£ thousand



TARGETS	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▾
4,000 COMMUNITY PROJECTS COMPLETED BY OUR PEOPLE THAT DELIVER 'BETTER HOMES, BETTER LIVES' (1,500 products by 2015)	**2020**	265 stores (25% of our total) contributed to local community projects. We are improving the way we monitor and evaluate projects, so we can measure progress towards our 2020 target	
Promote sharing of skills and 'know-how' in local communities by building online community platforms in the UK and France to help link people together	**2015**	We established online community platforms at two Operating Companies (Castorama France and B&Q UK) with a third planned for 2013 (Brico Dépôt France)	

▪Within KPMG's limited assurance scope.

▾The process to assess progress against targets is within KPMG's limited assurance scope.

FOUNDATIONS

WE ARE COMMITTED TO MANAGING AND IMPROVING OUR IMPACTS ACROSS OUR BUSINESS. ALONGSIDE OUR FOUR NET POSITIVE PRIORITIES WE HAVE SET TARGETS FOR IMPROVEMENT IN THREE OTHER AREAS – EMPLOYEES, SUPPLIERS AND PARTNERS, ENVIRONMENT.

EMPLOYEES

In this section:

Net Positive – part of our day

HOW WE'RE INVOLVING EMPLOYEES AROUND THE BUSINESS THROUGH TRAINING, ENGAGEMENT AND PERFORMANCE INCENTIVES

Diversity

OUR COMMITMENT TO CREATING A DIVERSE WORKFORCE

Health and safety

OUR PROGRESS ON IMPROVING HEALTH AND SAFETY PERFORMANCE

Employee engagement

HOW WE MONITOR EMPLOYEE VIEWS THROUGH REGULAR SURVEYS

SUPPLIERS AND PARTNERS

In this section:

Supplier standards

HOW WE WORK WITH SUPPLIERS TO IMPLEMENT OUR ETHICAL AND ENVIRONMENTAL STANDARDS

Performance in 2012/13

DATA ON SUPPLIER AUDITS AND ASSESSMENTS

ENVIRONMENT

In this section:

Waste

HOW WE ARE WORKING TOWARDS OUR TARGET OF ZERO WASTE TO LANDFILL

Transport

OUR EFFORTS TO REDUCE CO_2 EMISSIONS FROM HAULAGE AND BUSINESS TRAVEL

Water

REDUCING WATER USE IN OUR OPERATIONS AND PROVIDING PRODUCTS THAT HELP CUSTOMERS USE WATER MORE EFFICIENTLY

Chemicals

HOW WE ARE PHASING OUT HAZARDOUS CHEMICALS IN COMPLIANCE WITH THE REACH DIRECTIVE

Packaging

OUR WORK TO REDUCE MATERIALS USED FOR PACKAGING AND INCREASE RESPONSIBLE SOURCING AND RECYCLING

Sustainable construction

HOW WE ARE REDUCING THE IMPACTS OF CONSTRUCTION AND REFURBISHMENT INCLUDING TACKLING WASTE AND ENHANCING BIODIVERSITY

Peat

OUR WORK TO REDUCE DEPENDENCY ON PEAT IN OUR PRODUCTS IN THE UK

EMPLOYEES: NET POSITIVE – PART OF OUR DAY

We have 78,000 employees across the Kingfisher Group. Each one can become a Net Positive pioneer. We're focused on involving and engaging employees across our business, making Net Positive part of our day.

Our targets within this area also cover important issues from employee engagement to health and safety.

Net Positive – part of our day

We need the support and input of our employees across the business if we are to achieve our Net Positive goals. We want to involve all our employees in Net Positive, making sure they understand the part they can play and inspiring them to take action.

We are focusing first on our most senior employees, who need to show leadership on Net Positive and who will play an essential role in engaging their teams. Net Positive is being integrated into performance management systems and bonus criteria; see How we manage Net Positive (page 49).

Operating Companies are also integrating Net Positive into performance management. For example, at Brico Dépôt France, store managers have been set CR objectives covering waste management, employee diversity and employee development. At KSO, objectives are included in the performance management process for employees in the CSR, HR and administrative functions, comprising around 6% of total employees.

Training and engagement

Training will help improve the knowledge base in our companies around sustainability and empower employees to create change.

In 2013 we are launching a training module on Net Positive for our One Team Academy, the development programme for our leadership team. This is being created by our HR and Net Positive teams as a one-day introduction to Net Positive. A number of awareness events are planned for 2013 to reinforce engagement among senior leaders. These include sessions on Net Positive at our annual management conference for our top leaders. We will also use the One Team Product Show, an annual event raising awareness of innovation in our product ranges, to highlight Net Positive. The event will be attended by around 6,000 people from our UK and French businesses.

In 2012/13 we launched training on eco products for buyers to help them understand the importance of eco products and develop their ranges in this area. 'Train the trainer' sessions have been completed by employees from our Operating Companies and KSO in Poland, China and Hong Kong so far.

Companies also have their own training programmes. For example, Brico Dépôt France has trained its buyers and product managers on eco products, and its online sustainability training for all employees has been completed by 75% of the workforce. At Castorama Russia the induction training for new employees includes information on the company's commitments to operate responsibly. Koçtaş is also extending its induction training for new employees to include information on its community activities and work towards Net Positive.

ENGAGING EMPLOYEES ON NET POSITIVE AT CASTORAMA FRANCE

Castorama France is making Net Positive part of the culture, starting right from the top of the company. Net Positive criteria have been integrated in the annual performance bonus for Board directors and this will be extended to every store director and key head office staff during 2013. Store managers also have objectives relating to Net Positive, such as waste and energy targets, while buyers are assessed on achieving sustainable timber and eco product sourcing objectives.

The Planet Casto intranet site and newsletter keep employees updated on progress. Each store has a monthly report showing how it has performed on issues like energy, waste, eco product sales and workforce diversity. Net Positive news items are included on the Casto TV channel. Twelve regional leaders and a network of in-store eco-champions help raise awareness and keep employees engaged. A series of Net Positive workshops have also been launched and reached over 500 people by the end of March 2013.

Castorama's annual product exhibition included a Net Positive stand showcasing eco products from sustainable timber flooring to low VOC paint, LED light bulbs and water-saving taps. Visiting employees from Castorama France's stores and commercial teams could find out more about the ranges and their benefits for customers and meet with an energy-saving adviser. Over 2,500 employees visit the exhibition each year from around the company.

EMPLOYEES: DIVERSITY

Our companies engage employees through awareness events and internal communication channels such as intranet sites. For example, B&Q China runs an awareness campaign to coincide with Earth Hour, giving store employees information about the event during their morning briefings and encouraging them to make environmentally friendly choices at home and at work. As part of our Net Positive launch in 2012, we published a set of employee stories showing how people around the business are taking the lead as Net Positive pioneers, see right.

Diversity

Our goal is to be recognised as a 'best practice' company for equality and diversity within our local retail markets. We aim to create an inclusive culture and integrate diversity into our employment practices, including recruitment, career development and remuneration.

Human resources teams within our Operating Companies implement our Equality and Diversity policy and our Equal Opportunities policy.

In early 2012, Castorama France was the first major retail company to be awarded the Label Égalité by the Ministry of Diversity and Equality in France for its proactive and innovative engagement on gender diversity issues.

Gender diversity

In 2012/13, women accounted for 40% of total employees and 30% of managers.

The Kingfisher Board is committed to ensuring that directors of the company possess, and demonstrate a broad balance of skills, experience, independence, knowledge and diversity, including gender diversity. The Board believes that balanced and diverse Boards are effective, and is committed to

NET POSITIVE – OUR PIONEERS

PEOPLE AROUND OUR BUSINESS ARE TAKING THE LEAD TO MAKE NET POSITIVE HAPPEN. THESE ARE JUST A FEW OF OUR PIONEERS

CHANTAL GUILMAIN
CASTORAMA FRANCE
Helped launch Les Troc'heures – a skill-sharing website for communities in France.

SERGIO NOGUERA & RAFA CRECENTE
BRICO DÉPÔT SPAIN
Volunteers on a project to regenerate a Spanish cork forest.

WILLIAM MAUBOIS
CASTORAMA FRANCE
Helped launch a new lighting system at the Le Cannet store which reduces electricity use.

REMY VANDENBERGHE
BRICO DÉPÔT FRANCE
Helped increase recycling from 35% to 81% in just three years.

SYLVIE CIARELLA
CASTORAMA FRANCE
Launched a project to change people's views of disability for the better.

MONIKA SZPADKIEWICZ
CASTORAMA POLAND
Launched a programme to bring DIY to life for thousands of schoolchildren.

DOMINIQUE PAGES
CASTORAMA FRANCE
Redesigned how insulation ranges are presented in-store, increasing the number of renovation projects undertaken.

MICHELLE THOMAS
B&Q UK
Researched alternative sources of fuel, introducing trucks running partly on biomethane and reducing greenhouse gas emissions.

SHARON PARSONS
B&Q UK
Helped save £13m by reducing waste. Known as the 'skip diver' for diving into skips to pick out recyclable waste.

EMPLOYEES: HEALTH AND SAFETY

CELEBRATING ALL AGES AT B&Q UK

B&Q believes its customers, colleagues and business benefit from a mix of ages working together, and has found that employing older people can reduce staff turnover rates and even boost profits. B&Q UK scrapped its retirement age in the mid-1990s, and today more than a quarter of employees are over the age of 50 (28%).

In 2012 B&Q celebrated the 90th birthday of its oldest worker, Albert Billington (below), who works at the Longwell Green store in Bristol. Albert joined B&Q in 1990 aged 67, after 53 years working in the print industry.

B&Q UK scooped the award for Best Employer of those aged over 50 at the 50+ Awards 2012, for its leadership in employing older workers.

maximising the benefits of a diverse workforce to deliver real sustainable benefits for the Group and its shareholders. Women made up 27% of the Kingfisher Board during 2012/13 and 22% of the One Team Leadership group.

A number of our Operating Companies have flexible working policies which can support the recruitment and retention of female employees. For example, at B&Q UK any employee can request flexible working (not just those with caring responsibilities) from their first day at work.

Age diversity

B&Q UK has a long-established policy of promoting age diversity and has led the way, through initiatives such as flexible retirement, in the recruitment and retention of people over 50. In 2012/13, 28% of B&Q UK employees were over 50, the Group average was 15%. Around 25% of the UK population are over 50.

IN 2012/13, WOMEN ACCOUNTED FOR 40% OF TOTAL EMPLOYEES AND 30% OF MANAGERS

Disability

In 2012/13, the proportion of employees with a declared disability was 2%, compared with 3% last year. We believe the decrease is partly because B&Q UK no longer requires employees to declare if they have a disability (as a mandatory field) when they join the company. This is in order to meet the obligations of the Equality Act which specifies that companies should not ask for specific details of a person's medical conditions. Castorama France has increased the proportion of disabled employees in its workforce to 7.5%.

Ethnic diversity

In the UK, the proportion of UK employees who declared they were from an ethnic minority was 7% in 2012/13 (9% in 2011/12). We don't report a group figure for ethnicity since definitions of what constitutes an ethnic minority vary by country. It is also illegal in some of our markets such as France to ask employees to declare their ethnicity.

Health and safety

Our Health and Safety policies and standards reflect regulatory requirements and the International Labour Organization standards. We aim to create a safety culture through a focus on the fundamental principles of leadership, competence and a safe working environment. Safety is an integral part of the updated Kingfisher Code of Conduct and governance framework.

A network of safety managers in each business and our corporate centre work together to improve health and safety performance. Our internal audit function reviews safety performance in our stores and results are reported to the Group Audit Committee.

Our total lost-time accident rate (number of lost-time accidents per 100,000 full-time equivalent employees) has fallen by 2% since 2010/11. However, there was a 4% increase compared with 2011/12. This partly reflects a change in the way we calculate employee numbers, but we recognise we need to focus on improving performance in order to achieve our target of a 20% reduction in the accident rate by 2020, from our 2010/11 baseline.

We are pleased to report a decrease in the number of major accidents this year – from 117 in 2011/12 to 62 in 2012/13. There were two safety prosecutions during the year relating to events

EMPLOYEES: EMPLOYEE ENGAGEMENT

MAKING SAFETY A PRIORITY IN CONSTRUCTION

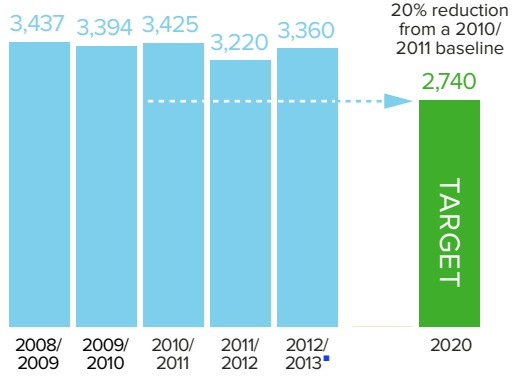
Castorama Russia has adopted a more integrated approach to construction safety as it launches a new phase of major store refurbishments. The first store to benefit from this approach was St Petersburg. There were no accidents throughout the construction project thanks to a detailed health and safety (H&S) plan created by the human resources, legal, risk, operations, commercial and property teams working together. The plan set out the responsibilities of key employees and included safety requirements such as handover procedures for the start and end of each shift. The project managers from Castorama and the main contractors were all required to have an appropriate H&S qualification and all workers on site wore high visibility vests with 'Health & Safety First' branded on the back to reinforce the safety message.

The lessons learnt from St Petersburg will be shared across the wider Kingfisher business, as part of our focus on safe construction. During 2012 health and safety standards for construction projects were integrated into the Group Governance Manual 'The Way We Do Business'. Twice-yearly self-assessments against the Property H&S standards help Operating Companies address areas of non-compliance and the CEO and property directors for each business review and sign off the assessment results. Key safety messages are reinforced through regular updates, webinars and teleconferences, and there are opportunities for Operating Companies to share best practices.

Employee accident rate

-20%

Major and over three-day lost-time accidents – number per 100,000 full-time equivalent employees



▪Within KPMG's limited assurance scope.

at B&Q UK during 2010. B&Q UK was fined £60,000 for the two cases in which a delivery driver to its Sowton, Exeter store and one employee at its Alphington Road, Exeter store were injured in accidents involving forklift trucks.

This year we are also reporting Group-wide data on customer accidents. There were over 4,000 accidents reported by customers during the year. Data on accidents varies significantly from country to country, reflecting cultural, economic and regulatory factors, which makes comparison difficult. Reflecting this, we are establishing a baseline against which we can monitor performance within countries which will provide more useful insights. To create a more complete picture of overall safety performance we are also starting to collect separate data on contractor accidents. We will use this to set a reduction target.

WE AIM TO CREATE A SAFETY CULTURE THROUGH A FOCUS ON THE FUNDAMENTAL PRINCIPLES OF LEADERSHIP, COMPETENCE AND A SAFE WORKING ENVIRONMENT.

Employee engagement

Feedback from employees helps us to improve how we work.

Each year, Kingfisher Group runs an employee survey with Gallup across our senior teams including store managers. The survey covers a range of topics including leadership and progress at work. B&Q UK, B&Q China, Brico Dépôt Spain, Castorama France, Koçtaş and Screwfix have surveys covering all employees. Castorama Russia will extend its survey to all employees in 2013.

The Group survey ran in 2012 with a 64% participation rate. We are reviewing how to improve the participation rate in future surveys. The results showed that our strengths include recognition for strong performance and fostering a supportive work environment. Opportunities for improvement included ensuring that our colleagues feel they have the necessary materials and equipment to do their job properly and that their colleagues are committed to quality work. We achieved an overall score of 3.91 out of 5, where anything above 4 is considered best in class.

Senior managers from each division are updated on the results and use them to prioritise areas for improvement. They can create action plans and track progress against the results, using an online tool. Some stores hold monthly meetings on employee engagement to ensure that this remains a focus throughout the year.

SUPPLIERS AND PARTNERS: SUPPLIER STANDARDS

We aim to do business with suppliers who meet high ethical and environmental standards. We know this is important to our customers too.

By improving practices within our supply chain, we can create positive change and reduce risks to our business. Our approach includes clear policies supported by assessments and audits, and training for suppliers and our people.

Our priority is to engage with suppliers of own/exclusive brand products, many of which are purchased via the Kingfisher Sourcing Organisation (KSO), a central procurement group. KSO, which has offices in Brazil, China, India, Poland, Turkey and Vietnam, purchases products directly from factories on behalf of our Operating Companies. These are the suppliers most closely connected to our brands and where we have the greatest potential to positively influence standards in the supply chain.

ABOUT OUR SUPPLY CHAIN

We buy goods and services from thousands of suppliers and factories around the world. This includes the products we sell in our stores as well as goods and services not for resale (GNFR), such as cleaning and security services, uniforms and merchandising equipment.

In 2012/13 19% of sales were from products sourced directly from factories via the Kingfisher Sourcing Office which buys many of the own-brand and exclusive products sold by our Operating Companies. We aim to increase this direct sourcing to 35% by 2017.

As we increase our sourcing via KSO and the percentage of common products we sell, there will be more opportunities for us to work with suppliers at a Group level. With larger and longer-term contracts, we will have a greater ability to influence their approaches. Our Operating Companies also source some own-brand products directly from suppliers, and manage these relationships in line with our Group standards; see page 40.

We work closely with suppliers to improve the sustainability credentials of the products and services they supply to Kingfisher. Read more about this work on pages 25–26.

Supplier standards

Our Code of Conduct for Factory Working Conditions is based on international legal frameworks such as those from the International Labour Organization and the OECD Guidelines for Multinational Enterprises. It includes nine minimum requirements which all supplier factories must meet and additional standards they are expected to work towards.

We have a long running ethical assessment programme for our factories which supply products to KSO. New KSO supplier factories outside the EU are audited against the Kingfisher Code of Conduct for Factory Working Conditions and must comply with our minimum standards before any orders are placed. These factories are reassessed at least once every three years. If improvements are needed an action plan will be put in place and must be achieved within a required timeframe.

Our Operating Companies are responsible for assessing their own suppliers, and approaches vary by business. See the case study on page 40 for an example. The majority of operating company assessments are with first-tier suppliers, who are responsible for managing ethical and environmental standards in their own supply chains. However, in some cases second-tier suppliers or factories are audited directly where there is a higher risk of potential non-compliance with our standards.

In early 2013 we incorporated an Ethical Trading section into our online Quality Management Tool (QMT) which our Operating Companies will be able to use to identify and manage risks consistently in their supply chains. B&Q UK plan to start using the tool in 2013.

We provide guides, tools and training for employees involved in choosing suppliers and those responsible for conducting supplier assessments and factory audits. During 2012/13 training sessions on ethical and environmental supply-chain standards were attended by around 280 employees, including buyers and quality managers.

We also provide training for suppliers, and around 1,500 individuals from supplier companies received training from us on ethical and environmental issues during 2012/13. This has been a particular focus at KSO in India where workshops have been

SUPPORTING LOW CARBON MANUFACTURING

The Kingfisher Sourcing Office (KSO) is collaborating with WWF in a project that is helping factories in China reduce greenhouse gas emissions by up to 24%.

The Low Carbon Manufacturing Programme (LCMP) aims to reduce factory carbon emissions and introduce a carbon accounting and labelling system for manufacturers. Fifty-six companies in three Chinese regions are now taking part in LCMP, which uses a certification system to recognise company progress on improving energy efficiency and reducing emissions.

KSO helped develop the project with WWF and a dedicated team at KSO's Hong Kong office works with its suppliers to help them achieve LCMP certification, providing technical guidance, training and other support.

Companies participating in the initial pilot projects have achieved reductions in greenhouse gas emissions of up to 24%, and to date 13 companies have achieved certification (2 to platinum level, 6 gold, 5 silver). KSO aims for all its top 100 vendors in China to be participating in LCMP by 2016.

SUPPLIERS AND PARTNERS: PERFORMANCE IN 2012/13

SUPPLIER MANAGEMENT AT B&Q UK

Our Operating Companies implement their own supplier management programmes based on our group standards. At B&Q UK supplier assessments are carried out as part of its QUEST (QUality, Ethics & SafeTy) programme.

All new Tier 1 suppliers are assessed and higher risk or poorer scoring suppliers are identified for further engagement and reassessed at least once every three years. Risk may relate to the type of product supplied, the location of the supplier or whether the supplier is providing an own-brand or exclusive product. Tier 1 suppliers are responsible for managing standards in their own supply chain, and this is assessed through the QUEST process.

B&Q also uses external tools such as Sedex (Supplier Ethical Data Exchange), a web-based database to track supplier performance which enhances its understanding of risks and improvements in its supply chain.

To help suppliers improve their practices and learn from each other, the company runs regular webinars for suppliers and publishes newsletters with examples of good practices, as well as providing training. Guides and tools help employees involved in choosing suppliers and those responsible for conducting supplier assessments and factory audits.

An ongoing priority has been to audit suppliers of One Planet Home® products. B&Q has worked with its partner, BioRegional, to specify the grades that suppliers must meet within their ethical assessment for their products to be endorsed as One Planet Home®.

held in factories on topics including energy conservation and health and safety, reaching over a thousand people.

Supplier environmental standards

We are working with key suppliers to reduce their carbon and water footprints. This is part of our work to reduce our environmental impacts across the value chain, including those areas outside our direct control. Our involvement in WWF's low carbon manufacturing project is one example, see case study on page 39.

Compliance with Kingfisher's supply-chain ethical and environmental standards

Factories and suppliers of own brand/exclusive brand products

	2012/13[▪]
Active factories/suppliers Number of active factories/suppliers	1,584
On-site audit Number of active factories/suppliers that had an on-site audit in the past three years	1,216 (77%)
Desktop audit only Number of active factories/suppliers that had only a desktop assessment in the past three years	19 (1%)
All audits (on-site and desktop only) Number of active factories/suppliers that had either an on-site audit or desktop assessment in the past three years	1,235 (78%)

Kingfisher's supply-chain ethical and environmental standards are contained in the Kingfisher Code of Conduct for Factory Working Conditions.

Data includes factories that supply products via the Kingfisher Sourcing Organisation (KSO) and first-tier suppliers of own brand/exclusive brand products to our operating companies. The majority of products sourced via the KSO are own brand/exclusive brand.

[▪] Within KPMG's limited assurance scope.

Performance in 2012/13

Supplier ethical assessment: own/exclusive brand products

Own-brand/exclusive brand products are sourced directly from factories via KSO and by our Operating Companies. In 2012/13, KSO sourced from 1,058 factories (the majority of which supply us with own-brand/exclusive brand products). Our Operating Companies sourced own-brand/exclusive brand products from a further 526 suppliers*. Of these 1,584 factories/suppliers, 77% have been assessed through an on-site audit in the past three years to monitor compliance with our ethical and environmental standards. A further 1% were assessed through a desktop assessment.

KSO audits all new factories outside the EU and re-audits them on a 2-3 year cycle. Factories which don't meet a sufficiently high standard are required to implement a corrective action and improvement plan (CAIP) before any orders can be placed.

In 2012/13, KSO audited 501 factories which supplied products during the year. Of these 69% were required to implement a CAIP. Most CAIPs related to minor issues, however major issues were identified at 74 factories. These were addressed and resolved through the CAIP process.

A further 20 potential new factories were not accepted as KSO suppliers because they failed to meet the minimum required ethical standards.

Supplier ethical assessment: manufacturer branded products

Our Operating Companies also carry out some ethical assessments of other suppliers not supplying own-brand/exclusive brands. Around 10% of our suppliers of manufacturer branded products have had an assessment at some stage in the past three years (531 had on-site assessments and a further 69 had a desktop assessment during 2012/13).

* Data excludes Castorama Poland and Koçtaş.

ENVIRONMENT: WASTE

In each of our Operating Companies we aim to use resources more efficiently, reduce waste and protect people and the environment. We have set challenging targets to help us improve performance across a range of impacts.

You can also read about our work to improve the environmental performance of our products in the section on Innovation, page 25 and our progress on reducing our carbon footprint in Energy, page 19.

Waste

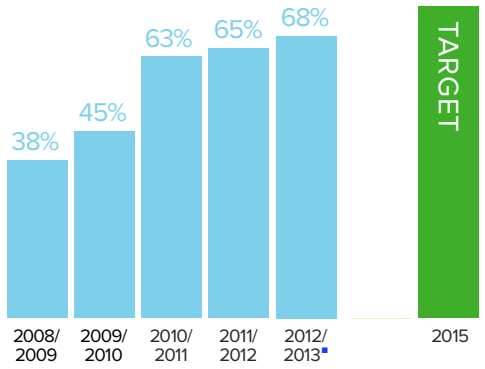
As part of our focus on Innovation, we are working to tackle the causes of waste, and to generate value from materials that would otherwise be wasted; see page 24. We're also committed to reduce waste from our operations, to increase recycling and to achieve our target of zero waste to landfill by 2020.

Reducing waste helps to avoid rising costs associated with waste disposal, including the UK's landfill tax.

In 2012/13, 68% of waste was recycled (65% 2011/12). Significant progress has been made across our UK and French Operating Companies to increase recycling rates. Screwfix has achieved the highest recycling rate of 94%. Overall we generated 242,079 tonnes of waste (227,514 tonnes 2011/12). Although we have improved our recycling rate, the overall amount of waste generated has continued to increase, which partly reflects business growth. We need to address this over the longer term in line with our vision that by 2050 creating and using products wastes nothing.

Waste recycled 75%

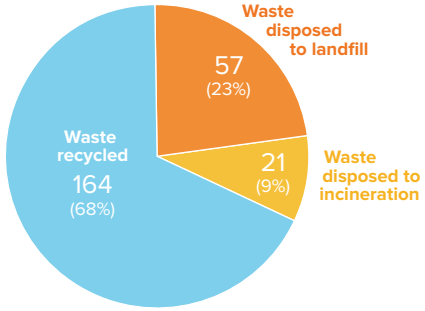
% of waste recycled



Waste recycled data covers our stores, offices & other buildings from 2011/12. Data for previous years covers only stores.

Waste recycling and disposal 2012/13▪

Thousand tonnes



Some of our waste contractors do not provide a breakdown of the waste disposed by destination (landfill or incineration). In such cases, we have assumed the waste goes to landfill.

▪Within KPMG's limited assurance scope.

TACKLING WASTE AT BRICO DÉPÔT FRANCE

Recycling is becoming part of the way we work at Brico Dépôt France.

Every store has facilities in place to segregate different types of materials for recycling. Targets on waste have been integrated into performance reviews and linked to bonus payments for store managers and logistics centre managers. Each site's progress is monitored on a monthly basis and stores must report to the centre if they do not meet their waste targets. The company's corporate responsibility manager visits stores to review waste practices and identify areas for improvement. Waste and recycling is included in the e-learning session on sustainability which has been completed by over 75% of employees so far.

Brico Dépôt France has achieved a 76% recycling rate, ahead of its 75% target by 2012/13. Improving recycling has boosted the bottom line, too, with a cost saving of €1.6 million over three years.

Brico Dépôt Spain is also making recycling a priority, with a target to double its recycling rate for store waste over two years. It will launch an e-learning course to help employees implement waste management best practices.

Transport

We aim to reduce CO_2 emissions and other impacts from transport. We focus on haulage by our dedicated store delivery and home delivery fleets, where we have the greatest potential to improve performance. We also address emissions from indirect impacts which include business travel and contractor/ supplier haulage.

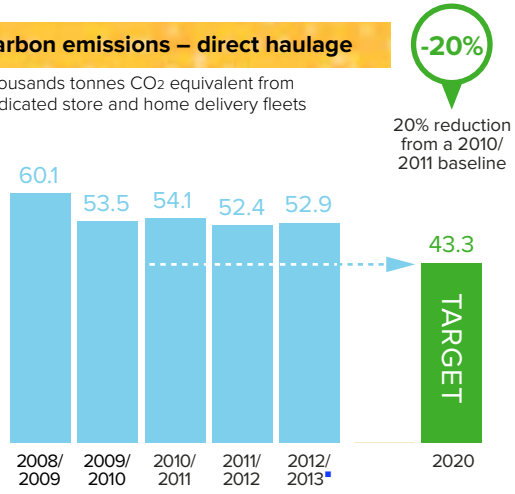
Emissions from dedicated delivery fleets

Three of our Operating Companies, B&Q UK, Castorama France and Screwfix, have dedicated store delivery fleets, which they own themselves or which are operated on their behalf by a supplier. Dedicated fleets account for around 52% of emissions from haulage.

Our CO_2e emissions from dedicated delivery fleets decreased by 2% from a 2010/11 baseline against our target of a 20% reduction by 2020. Total fuel use increased by 1% over the same period, but reported CO_2 emissions fell due to the UK government department, DEFRA updating the emission factor used for calculating emissions from diesel in the UK. The overall efficiency of our dedicated store delivery fleets (litres of fuel used per m^3 of product delivered to stores) has remained stable from 2010/11.

Carbon emissions – direct haulage

Thousands tonnes CO_2 equivalent from dedicated store and home delivery fleets



▪Within KPMG's limited assurance scope.

To reduce CO_2 emissions, we aim to use fuel more efficiently and to upgrade fleet vehicles to more efficient and cleaner models, see Screwfix case study. We are also introducing alternative fuels with lower carbon emissions, see case study on biomethane trucks at B&Q UK, page 20.

We look for opportunities to replace haulage by road with shipments via rail and water. For example, at Castorama France 30% of goods are delivered to distribution centres by train or boat. At B&Q UK, 27% of import containers are now collected via rail.

Emissions from other haulage

A number of our businesses use third-party fleets for store deliveries. We work with suppliers to help them reduce haulage-related CO_2 emissions. For example Castorama France has set a 20% carbon reduction target for haulage suppliers.

CO_2e emissions from third-party haulage have nearly doubled since 2010/11, partly due to an improvement in the scope of our data and also due to business growth.

The Kingfisher Sourcing Office (KSO) is starting to track and reduce CO_2 emissions from shipping. It is working with suppliers to improve product packaging design and to optimise how products are packed into shipping containers. This will enable more products to be transported on each shipment, reducing emissions and costs.

EFFICIENT HAULAGE AT SCREWFIX

Screwfix is working to improve the efficiency of its delivery fleet. Fleet drivers receive training to help them reduce fuel use while route planning is helping to reduce miles travelled. Screwfix has also rationalised its store delivery schedules to improve efficiency, for example by reducing the number of deliveries per week to smaller stores, and is working to improve fill rates so more products are transported on each journey.

Screwfix operates a backhaul service, using return journeys from store deliveries to pick up products from its suppliers, which means fewer journeys are needed overall. It has also introduced rail transport for many of the products carried in containers from the port of Felixstowe to its distribution centres. This has reduced average CO_2 emissions per container.

Business travel

CO_2e emissions from business air travel increased by 6% from 2010/11, but fell by 12% in the past year. The Group has invested in a Telepresence video-conferencing system to help reduce unnecessary air travel between our head office in Paddington, London, and our offices in Lille, Hong Kong and Shanghai. B&Q UK reduced CO_2 from air travel by 36% from 2010/11 through a focus on reducing domestic flights. Measures included relocating key employees and encouraging employees to travel by train between its major locations. Brico Dépôt France's transport policy requires all employees to travel by train rather than air for journeys under three hours.

CO_2e emissions from business travel by road increased by 9% from 2010/11 and 5% in the past year. This is partly due to an improvement in the scope of our data collection, but we recognise that further work needs to be done to reduce car travel.

Operating companies are working on initiatives to reduce car travel by employees and customers. These include bus shuttle services, car-sharing websites, and subsidised tickets for public transport. For example, Brico Dépôt France is introducing a car-sharing website for customers in 2013. It also ran eco-driving training sessions for 50 employees during its Sustainability Week. At B&Q China regular 'no car days' encourage customers and employees to walk, cycle or take public transport to stores.

WE OFFER MANY WATER-SAVING PRODUCTS IN OUR STORES, INCLUDING WATER-EFFICIENT TAPS AND APPLIANCES

Water

Water scarcity is an increasingly important global issue and we can play a part in tackling it by offering products that help customers reduce their water use. Although Kingfisher isn't a major water user, we aim to improve our own performance too, particularly in operating markets such as Spain and Turkey where water scarcity can be an issue because of the local climate. Reducing water use in our garden centres is also a priority.

Water-efficient products

We offer many water-saving products in our stores, including water-efficient taps, water-efficient appliances and water butts. We aim to improve the efficiency of all water-using products and communicate with customers on this issue.

B&Q UK along with other retailers in the UK plans to introduce the Water Label on all baths, showers, taps and toilets in-store and online. This label looks similar to the well-known Energy Label and will make it easy for customers to compare the water efficiency of different products. It already includes information in its bathroom brochure on the water consumption rates of different showers. This work is taking place as part of a larger project to review and improve the sustainability of its product ranges; see page 26.

Our own water use

We monitor water consumption and are working to improve the accuracy of our data.

Water consumption decreased by 5% from 2010/11 but increased by 3% in the past year. Operating Companies are introducing water monitoring and efficiency measures. Castorama France has achieved reductions by rolling out a water-monitoring system to 90 stores; the system quickly identifies leaks and areas for improvement. B&Q UK has also reduced water use, working with water management services company Waterscan, to survey the highest consuming stores and identify ways to save water and detect leaks. It is in the early stages of an automatic meter reading (AMR) system trial.

Chemicals

We are working towards compliance with the EU REACH directive and we are reviewing the Kingfisher Chemicals Policy and our Chemicals Action List.

Compliance with REACH

The EU REACH directive aims to protect consumers and the environment by phasing out harmful chemicals from products made in the EU.

As part of our REACH compliance programme, we have introduced a screening process to enable us to identify the chemicals used in products we buy via the Kingfisher Sourcing Office. This is identifying products which contain Substances of Very High Concern, as classified under REACH. We have screened over 30,000 product lines so far.

Removing a particular substance from a product requires changes to the design and manufacturing process. This means it can be a lengthy process taking up to 18 months. During 2012/13 we trialled a process for obtaining greater transparency of chemicals and materials used in our products. We believe this will make it easier to identify precisely where substances are

used, and in which part of a product, which will reduce the time needed to remove them.

Improving choice for customers

We offer customers product choices with no or reduced levels of hazardous chemicals.

Reducing volatile organic compounds in paint products is a particular focus because of the large volumes of paint we sell. We have reduced VOC levels in our own-brand paint ranges by 24% since 2010/11 and 3% over the past year. There is significant variation in the VOC content of different categories of paint product – most wall and ceiling paints have minimal VOC content, while thinners such as white spirit make a relatively high contribution to the overall total. The reduction from 2010/11 is mainly due to a relative increase in sales of own-brand wall and ceiling paints.

Packaging

Packaging is essential to protect products during transit and before and after purchase. However, packaging waste is a concern for us, our customers and other stakeholders. We are developing a Kingfisher packaging strategy to provide guidance for Operating Companies on reducing materials used for packaging and minimising packaging waste. Work has started to develop Packaging Sustainability Standards for each Kingfisher brand.

The volume of packaging used for own-brand and exclusive-brand products decreased by 10% from 2010/11 and remained stable over the past year.

We focused on a number of initiatives to reduce packaging impacts. Companies look for opportunities to optimise and reduce packaging by making sure that packaging is designed to the right size for each product. Increasing the percentage of recycled content and improving the recyclability of packaging are also priorities.

Reusable packaging is being introduced where possible. For example, Castorama France has introduced reusable pallets made from metal, to replace single-use timber pallets, which has reduced waste and carbon emissions and cut costs. Pallets are used to help transport and protect products in transport. The new pallets were trialled in 25 stores, avoiding the use of almost 3,300 wooden pallets and saving €17,000. They are now being rolled out across the company.

During 2012/13 B&Q UK continued to work towards its commitment to reduce packaging by 15% between 2007 and 2012, as part of a voluntary Home Improvement Sector Agreement. Its progress is monitored by WRAP, the waste and recycling organisation, and the results will be published during 2013.

Paper and timber used in packaging are covered in our Timber commitment for 100% responsibly sourced timber and paper by 2020. See page 11.

THE VOLUME OF PACKAGING USED FOR OWN-BRAND AND EXCLUSIVE-BRAND PRODUCTS DECREASED BY 10% FROM 2010/11

Sustainable property and construction

Our sustainable property roadmap covers issues such as energy and carbon, construction waste, timber, climate change and biodiversity, and will help us improve the sustainability performance of our existing property portfolio and new sites.

Our Group property team works with Operating Companies to analyse and improve the environmental performance of our property portfolio. During 2012/13 this included setting a number of milestone targets to track progress.

We are introducing tools to help our companies integrate environmental performance into their process for planning new stores and refurbishment projects. These include models that illustrate the environmental implications of different store design and refurbishment options. We are trialling a whole-life cost model for planning and assessing the specifications for new-builds and refurbishments. This will help us incorporate environmental factors and long-term thinking into our understanding of capital expenditure payback periods, for example, by enabling us to understand how energy efficiency measures can reduce store running costs over the longer term.

We are starting to explore the issue of embodied energy, the energy used to create the materials used in store construction, that will help us select materials with a lower carbon footprint. Our sustainable property roadmap covers both operational and embodied energy and carbon. Read more on energy efficiency in our stores in the energy section; see pages 18-20.

An online community, the Kingfisher Exchange, enables property teams to share information and best practices, attend webinars and training sessions, work on joint projects and join discussion forums. Forty webinars were held in the first six months of 2012.

Around 76% of our properties are leasehold and we need to work with landlords to understand building impacts and implement improvements.

ENVIRONMENT: PEAT

Timber used for construction is included in our commitment to achieve 100% responsibly sourced timber across our operations; see page 9.

Construction waste

We aim to significantly reduce waste from construction and increase reuse and recycling. Our Operating Companies are already making progress. For example, at Screwfix there were 50 refurbishment projects in 2012/13 from which 93% of waste was recycled or recovered (incinerated with energy recovery). At B&Q UK, 64% of waste from eight major projects (with a value over £300,000) was recycled or recovered. We will collect construction waste data across all our Operating Companies next year in order to establish baseline data for our target.

93% OF WASTE WAS RECYCLED OR RECOVERED IN 50 SCREWFIX REFURBISHMENT PROJECTS IN 2012/13

Biodiversity

Operating companies are implementing plans to protect and enhance biodiversity on new-build projects, major refurbishments and existing stores. For example, in 2012/13 Castorama France conducted biodiversity audits for a new store at Dijon and a refurbishment project at Niort. A further four are planned for 2013. It is also introducing features to encourage biodiversity at some store sites. For example wildflower meadows have been planted on unused land at its Quimper store and head office to encourage bees and other insects. Our companies also address product-related biodiversity issues, see case study right.

See Public Policy, page 51.

Peat

Peatlands are an important habitat for wildlife and store for carbon. We use peat in our gardening products such as soil and compost (known as bagged growing media) and in nursery products (the potted plants we sell). Issues relating to peat are a particular concern for customers in the UK and this is where we currently focus our efforts to replace peat.

B&Q UK has been working to reduce peat for a number of years. It no longer sells 100% peat bales and includes information on the peat content of all bagged growing media products to enable customers to make informed choices. It also offers peat-free compost at the same prices as those containing peat. B&Q is a founding partner in the Growing Media Initiative, which aims to encourage peat alternatives.

In 2012/13 62% of B&Q UK bagged growing media (by volume sold) consisted of alternative materials to peat (56% in 2011/12). We aim to eliminate peat from bagged growing media ahead of the UK government 2020 deadline. A peat-free top-soil product will be introduced during 2013.

Peat is also used by our suppliers to grow and pot the plants we sell. B&Q UK will review its peat policy, following publication of a report from the government department, DEFRA on reducing peat use in horticulture.

SUPPORTING BIODIVERSITY

B&Q UK removed pesticides containing the neonicitinoid imidacloprid ahead of a decision by the European Commission in 2013 to restrict use of these chemicals due to their potentially harmful impact on bees.

B&Q is supporting the Friends of the Earth campaign for a National Bee Action Plan and providing information and resources to raise customer awareness of bee decline and help them create bee-friendly gardens. Its Bee Friendly campaign includes a dedicated website section at www.diy.com/bees.

FOUNDATIONS: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
EMPLOYEES			
Integrate Net Positive into the performance management systems for all relevant employees (Integrate Net Positive into the performance management systems for the top 250 managers from around the Group by 2015)	**2020**	Net Positive criteria have been integrated into the bonus criteria for members of our Group and Operating Company boards, see page 49	
Every employee has the right skills to help customers lead sustainable lifestyles (Our store staff who give advice to customers are trained on eco products and services so they can help customers make more sustainable choices by 2015)	**2020**	Eco products training launched in 2012, with train the trainer sessions held in Poland and China	
To have Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home (To include Net Positive in induction training for every new employee by 2015)	**2020**	Net Positive has been integrated into training in some Operating Companies, including Brico Dépôt France and Castorama Russia	
Development programme on Net Positive issues for the top 250 managers from around the Group	**2015**	A training module on Net Positive will be launched in 2013 for our One Team Academy, the development programme for our leadership team	
To be recognised as a 'best practice' company for equality and diversity within the retail sector (All our Operating Companies to have in place an action plan to become a 'best practice' retailer in their market on equality and diversity by 2015)	**2020**	In early 2012, Castorama France was the first major retail company to be awarded the Label Égalité by the Ministry of Diversity and Equality in France for its proactive and innovative engagement on gender diversity issues Our Operating Companies are working on initiatives to help them to progress towards best practice	
20% reduction in the employee lost-time accident rate from a 2010/11 baseline (10% reduction by 2015)	**2020**	2% reduction from our 2010/11 baseline	
Develop a Group-wide accident reporting framework for customers and on-site contractors and set a reduction target	**2015**	This year we are reporting Group-wide data on customer accidents. We are also starting to collect separate data on contractor accidents. We will use the data to set a reduction target	
Improve our employee engagement by extending engagement surveys to cover all employees	**2020**	B&Q UK, B&Q China, Brico Dépôt Spain, Castorama France, Koçtaş and Screwfix have surveys covering all employees. Castorama Russia will extend their surveys to all employees during 2013	

▼The process to assess progress against targets is within KPMG's limited assurance scope.

FOUNDATIONS: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
SUPPLIERS AND PARTNERS			
All suppliers of own-brand/exclusive brand products will meet or exceed our ethical and environmental standards (By 2015 high priority suppliers of own-brand/exclusive brand products will meet or exceed our ethical and environmental standards)	**2020**	78% of all factories/suppliers of own-brand/exclusive brand products have been assessed in the past three years to monitor compliance with our supply-chain ethical and environmental standards	
Our Goods Not For Resale (GNFR) suppliers will meet or exceed our ethical and environmental standards and we will actively work to minimise the sustainability impacts of high priority GNFR goods and services	**2020**	A number of Operating Companies have started to work with key GNFR suppliers	
To measure the carbon and water footprint of all our own-brand and exclusive brand suppliers and to set a carbon reduction target	**2015**	We have started working with key suppliers to reduce their carbon and water footprints. For example, KSO's Hong Kong office is working with WWF on its Low Carbon Manufacturing Programme	
Maintain highest standards of ethical business conduct through ongoing implementation of and compliance with the Group Governance Manual and Code of Conduct (By 2015 Operating Companies to demonstrate robust reporting and compliance with the Group Governance Manual and Code of Conduct)	**2020**	Our Code of Conduct was fully updated and reissued in 2012. It forms part of the contract terms and conditions for all new employees. The Code is included in our contracts with our product suppliers, and we are integrating it into contracts with suppliers of GNFR. See How we manage Net Positive, page 52.	
Kingfisher to maintain its leadership position in key socially responsible investment indexes and CR ratings	**2015**	We were included in the Dow Jones Sustainability Index and the FTSE4Good Index. As we work to implement our Net Positive strategy, we aim to move towards a leadership position across all key indexes and CR ratings. See How we manage Net Positive, page 52.	
ENVIRONMENT			
WASTE			
Zero waste to landfill (By 2015 recycle at least 75% of the waste we generate)	**2020**	68% of waste was recycled	
TRANSPORT			
20% reduction in CO_2 emissions from our direct transport impacts from a 2010/11 baseline (10% reduction by 2015)	**2020**	Our CO_2e emissions from dedicated delivery fleets decreased by 2% from 2010/11	
Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts	**2020**	Some of our Operating Companies have initiatives to reduce carbon emissions from haulage suppliers and business travel	
Demonstrate proactive green travel initiatives to minimise the environmental impact of travel by employees and customers	**2020**	Operating Companies are working on initiatives to reduce car travel by employees and customers. These include bus shuttle services, car-sharing websites, and subsidised tickets for public transport. We have launched video conferencing systems and other measures to reduce air travel	

▼The process to assess progress against targets is within KPMG's limited assurance scope.

FOUNDATIONS: PROGRESS AGAINST TARGETS

Key: 0-25% 26-50% 51-75% 76-99% 100%

Read how we calculate the score for our progress against targets on page 54

TARGET	END DATE	PROGRESS 2012/13	FOUNDATIONS SCORE▼
WATER			
All water-using products to meet 'best practice' standards on water efficiency (50% by 2015)	**2020**	B&Q UK has begun work in this area and along with other retailers in the UK plans to introduce the Water Label on all baths, showers, taps and toilets	
To understand the water footprint of our own operations	**2015**	Our Operating Companies are working to improve monitoring of water use	
CHEMICALS			
None of our own-brand or exclusive brand products will contain the chemicals of concern we have committed to remove (on Kingfisher's Chemical Action List) (Work is in progress to phase out, substitute or eliminate the chemicals of concern we have committed to remove (on Kingfisher's Chemical Action List) from our own-brand or exclusive brand products by 2015)	**2020**	As part of our REACH compliance programme, we have introduced a screening process to enable us to identify the chemicals used in products we buy via the Kingfisher Sourcing Office. We have screened over 30,000 product lines so far	
PACKAGING			
Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards (Packaging on new own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards by 2015)	**2020**	Work has started to develop our Kingfisher packaging strategy and Packaging Sustainability Standards for each Kingfisher brand	
SUSTAINABLE CONSTRUCTION			
75% reduction in construction waste generated in new-build and major refurbishment projects (tonnes/£1,000 construction spend) by 2020, from a 2013/14 baseline (To establish baseline data during 2013/14)	**2020**	We will collect construction waste data across all our Operating Companies next year in order to establish baseline data for our target	
To enhance biodiversity on new-build projects, major refurbishments and existing stores (Biodiversity audits and action plans to be completed for all new-build projects and major refurbishments by 2015)	**2020**	Castorama France conducted biodiversity audits for a new store at Dijon and a refurbishment project at Niort	
PEAT			
To eliminate peat from 'bagged growing media' sold in the UK ahead of the government 2020 deadline	**2020**	Peat eliminated from 62% of bagged growing media in the UK (by volume sold)	

▼The process to assess progress against targets is within KPMG's limited assurance scope.

HOW WE MANAGE NET POSITIVE

Net Positive is an integral part of our Creating the Leader corporate strategy, and we aim to integrate and embed it into the way we run our business.

Our Group functions and Operating Companies work together and with our external partners to achieve our Net Positive goals.

Governance

Our Group Chief Executive is also our Chief Sustainability Officer, and retains ultimate responsibility for Net Positive. Our programme is run by our Group Corporate Affairs Director: Net Positive, supported by a small central team and by key individuals in each Operating Company.

Monthly Net Positive progress reports are submitted to the main Group Board. The Group Corporate Affairs Director: Net Positive sits on the Kingfisher One Team Board, which oversees implementation of the Creating the Leader strategy and how we fulfil our Better Homes, Better Lives corporate strategy.

Our Net Positive team works closely with each Operating Company, including monthly meetings with representatives from our largest Operating Companies. The Kingfisher Net Positive Network, made up of the Group Net Positive team and representatives from each Operating Company, meets twice a year in person and through quarterly webinars. It is a forum for reviewing progress and sharing ideas and best practices. A number of issue-specific networks are also in place, such as the Kingfisher Property Sustainability Network.

Operating companies report progress against our targets to the Group twice a year via our Foundations questionnaire.

Integrating Net Positive

With the launch of Net Positive, we are working with our Operating Companies to integrate our vision and targets fully into our businesses. Each Operating Company has developed a four-year plan for how it will contribute to meeting Kingfisher targets within its businesses, including data on the investments it will make and the financial and other value it expects to generate. Development of the plans is integrated into our core annual business planning process, and they have been presented to the Group Board as part of this process.

To help embed Net Positive into our culture, key employees are incentivised to achieve our goals. This starts at the most senior level with our top leaders, members of our Group and Operating Company boards, having a requirement to demonstrate Net Positive behaviours included in their bonus criteria for 2012/13. Targets are cascaded down, according to the needs of each Operating Company. We are also launching a training module on Net Positive through our One Team Academy, the development programme for our leadership team.

Each Operating Company is responsible for the way it implements Net Positive. At a Group level we create opportunities for Operating Companies to share information and experiences, and learn from each other and from external experts. For example, operating company property teams use the Kingfisher Exchange, an online community and learning resource. Where companies need help tackling a particular challenge we provide support and expertise to help them find solutions. Examples include our recently launched eco product training for Operating Companies.

During 2013/14 we will focus on communicating Net Positive internally, building an understanding of what it means and how each company and employee can contribute. See Employees, page 35 for information on how we are making Net Positive part of our day.

Sustainability accounting

We are working on a sustainability accounting project which will help us quantify the financial value of Net Positive to our business. This will focus initially on three areas: the commercial value generated from reducing, reusing and recycling waste; the value associated with packaging improvements including reductions in materials costs, and savings associated with freight and shelf-space; and the value of our work to reduce energy use.

These issues have been selected because they are some of the most relevant and significant areas for Kingfisher where we will benefit from the new information and analysis generated by the project.

We anticipate the project will enable consistent reporting between our Operating Companies, support business decision-making and improve communication with the investment community and other stakeholders.

Stakeholder engagement

As we work towards our Net Positive targets, collaboration with stakeholders inside and outside our business is critically important to our ability to develop new ideas and approaches, and to find solutions.

HOW WE MANAGE NET POSITIVE

SALLY UREN
DEPUTY CHIEF EXECUTIVE, FORUM FOR THE FUTURE AND CHAIR OF OUR NEW ADVISORY COUNCIL

"Net Positive is an exciting new approach for Kingfisher. It is a long-term sustainability vision which demands business transformation if it is to become reality. Kingfisher will need to influence the business ecosystem in which it sits to create the conditions for success. This will require Kingfisher to draw on ideas and thinking from within and outside the business, forge new collaborations, trial new experiments and innovate new products, services and business models. The Net Positive Advisory Council will play a crucial role in Kingfisher's Net Positive journey. Its membership will bring international experience and knowledge on sustainability and a diversity of perspectives. Our role will be to challenge, stimulate and support Kingfisher's senior management as it strives to deliver the ambition within Net Positive, which will ultimately benefit the business, wider society and the environment."

Our engagement with stakeholders includes:

Advisory Council

For the last five years, our Stakeholder Panel of sustainability experts has provided valuable feedback on our performance and helped us understand stakeholder expectations. Now we are transforming the Panel into our Advisory Council to provide advice and strategic review of our Net Positive progress. Members will be senior figures drawn from NGOs, industry organisations and academia.

The Council will meet twice a year with senior leaders from our Group and Operating Companies. It will play an important role in encouraging fresh thinking and new ideas, identifying future challenges and opportunities, and bringing an external perspective through feedback and commentary on our progress.

The previous Stakeholder Panel met twice during 2012. At the first meeting they reviewed and discussed our Corporate Responsibility Report for 2011/12. At this meeting the Panel requested more information on our approach to engaging consumers on sustainability. In response to this, at the second meeting Panel members joined a Kingfisher team of sustainability and marketing experts at a B&Q UK store to hear about how sustainability is being integrated into brand identity and communications within the B&Q business. The Panel recommended that over time Net Positive should become a key component of the retail experience Kingfisher offers to its customers. Read the Panel statement (www.kingfisher.com/NetPositiveReport).

Net Positive Conversations

We want to help develop and foster Net Positive as an approach to business, both for Kingfisher and in the wider business community, by involving others, learning from their ideas and experiences, and expanding our plan with their thinking.

We will be hosting 'Net Positive Conversations' with our key stakeholders, including colleagues, customers, suppliers, businesses, public and third-sector stakeholders. These discussions will be held in person or virtually, and will be used to test and improve our ideas, to share what we've learnt and explore opportunities and challenges.

The first conversations will be held in 2013, and the format will be adapted for each session to suit the audience and the topic. We will publish the results on our website.

Communication with investors

A growing number of investors take environmental, social and governance (ESG) factors into account in their investment decisions, and Kingfisher is subject to robust screening processes for a number of investor indices. We actively engage with investors and rating agencies on issues relating to Net Positive.

We hold a roadshow each year to update both SRI (socially responsible investors) and mainstream investors on our progress. The roadshow in 2012/13 included meetings with 11 investor organisations.

The business value of our work on sustainability is not always well understood within the mainstream investment community. We aim to communicate with these investors and demonstrate the importance we attach to Net Positive. We include information on Net Positive in all investor presentations to the mainstream investment community, and we are developing a sustainability accounting methodology, see page 49.

We are included in the Dow Jones Sustainability Index and the RobecoSAM Sustainability Yearbook. We are listed in the FTSE4Good Index and were rated as the global Supersector leader (Retail) on the FTSE4Good Index ESG Rating in 2012 (September).

HOW WE MANAGE NET POSITIVE

We participated in the Carbon Disclosure Project, and were included in the Disclosure Leadership Index, achieving a disclosure score of 84 out of 100 and performance score of B. We also participated in the Forest Footprint Disclosure project, of which we are a founding partner.

Memberships and recognition

We are members of a number of organisations working on issues relating to sustainable business. This includes being a pioneer partner of Forum for the Future, the sustainable development business organisation.

Our progress has also been recognised with a number of awards. For example, we received the Business in the Community Platinum Big Tick in their Corporate Responsibility (CR) Index and B&Q UK has been awarded the Queen's Award for Enterprise: Sustainable Development and won the responsible retailer category at the Retail Week awards. Read more on our website www.kingfisher.com/NetPositiveAwards

Audit, assurance and risk

Net Positive is an important and high-profile priority for the business. We have robust governance processes in place to ensure the completeness, accuracy and reliability of our Net Positive performance data. These include the use of in-house and third-party experts to review data and qualitative statements included in our Annual Report and Net Positive reporting. For example, eco product data is externally reviewed by BioRegional and timber data is reviewed by Efeca, who are also the lead consultants to the UK government's timber procurement policy.

The CEO of each Operating Company is responsible for ensuring that appropriate processes and controls are in place to monitor and report progress against our Net Positive targets. They are required to complete an annual self-certification process to confirm that Net Positive performance data submitted to the Group is materially accurate and has been subject to an appropriate level of review prior to submission. At the year end, Group Internal Audit visited each of our Operating Companies and performed specific testing on a selection of performance data.

In 2012 we appointed KPMG LLP to provide a limited assurance opinion on selected aspects of this report. Their work included: testing the Group level data collation processes; assessing the work performed by Group Internal Audit to provide assurance over the processes and accuracy of the data reported by our Operating Companies; and reviewing the narrative content of this report. Their full assurance statement is available on page 55.

Identification and management of risks relating to Net Positive, at an Operating Company and Group level, is incorporated in our strategic risk assessment processes. This means key risks to achieving our Net Positive targets are considered at least twice a year. In addition we conduct topic specific internal audits or risk reviews where required. For example, in 2012 we reviewed our readiness and resource capabilities to ensure compliance with the new EU Timber Regulations.

Public policy

We engage with governments in our operating markets and at the EU level to promote measures that support our Net Positive goals and to inform policy that has a material impact on our business. We are committed to the principles of consistency and transparency.

Examples from 2012/13 include:

- **The UK Green Deal:** we have supported the UK government with the development of the Green Deal. This work started with the previous government in the UK and has included advice on how to make the Green Deal proposition attractive to consumers and encourage take-up. See the B&Q UK case study on page 17 for our response to the Green Deal.
- **EU energy efficiency:** we worked with the European Commission departments responsible for efficiency, consumer affairs and the environment to advocate for policies which enable energy efficiency, and support government CO_2 reduction targets. In 2012, activity included hosting a dinner meeting with senior commission officials and MEPs in the European Parliament to debate energy and resource efficiency.
- **Energy and climate change:** We are involved in a number of business coalitions in support of robust government policy measures on climate change. We were a signatory to a letter to the UK Prime Minister in support of setting carbon intensity

targets for the UK power sector and have advocated for ambitious EU targets on energy and climate change.

- **EU Timber Regulations (EUTR):** We led the Retail Timber Coalition in Europe in support of and to ensure the smooth introduction of the EU Timber Regulations; see page 12.

- **Accounting for natural capital:** Ian Cheshire, our Group Chief Executive, chaired the Ecosystem Markets Task Force and presented the findings in early 2013 to the Secretary of State, Owen Paterson. The independent, business-led Task Force examined the reliance of business on nature and explored new models for integrating economy and ecology into the business balance sheet. The report suggests business needs to understand its direct and indirect dependence on natural systems and capital and the risks and opportunities associated with this. It calls on government to remove barriers to enable business to account for nature in its investment decisions. Read the report at www.defra.gov.uk.

- **Resource efficiency:** Ian Cheshire is a member of the EU's Resource Efficiency Platform, which brings together business leaders to provide high-level guidance to the European Commission, member states and private sector on the transition to a more resource-efficient economy. As many policies on resource efficiency have their origins in European policy, the platform helps to ensure alignment between national and European policies.

- **Chemicals:** the Group commits time and resources to ensure it conforms to national and European regulations governing use of chemicals such as the EU's REACH directive and the EU ban on products containing some strains of neonicotinoid, because of their potentially harmful impact on bees. In 2013 B&Q UK removed products from its ranges containing neonicotinoid imidacloprid (used in some pesticides) as a precautionary measure and the Group is working to comply with the requirements of the European Commission ban announced in 2013. This process involves a dialogue with our customers to help them understand the reasons behind our decision – the importance of bees to the environment. We are engaging in a detailed dialogue with suppliers to understand the extent to which neonicotinoids are used in horticulture and to encourage the UK government to further its research studies which will enable it to make evidence-based decisions.

We often engage with governments at the national and EU level through trade associations and industry groups to increase the impact of our policy messages. Our memberships include: the British Retail Consortium (BRC), the European DIY-Retail Association (EDRA), the Confederation of British Industry (CBI), the French Association of Private Businesses (AFEP), and the French Federation of DIY Retailers (FMB).

In line with EU and UK corporate governance best practice, it is Group policy not to make donations directly to political parties or politicians. This is clearly set out in the Kingfisher Code of Conduct.

Business ethics

Our Code of Conduct sets out the ethical principles and standards that guide our work. It aligns with our Creating the Leader strategy and helps ensure compliance with regulation including the UK's Bribery Act. The Code is supported by the Group Governance Manual, 'The Way We Do Business', which formally records our management procedures and how they are applied.

The Code of Conduct, fully updated and reissued in 2012, applies to all employees in all Operating Companies. The updated Code includes additional information on our anti-bribery and corruption policies and has been communicated to all employees.

We aim to use the Code as a living document that drives people's behaviour and decision-making. It forms part of the contract terms and conditions for all new employees. It is included in our contracts with our product suppliers, who are expected to communicate its requirements to their own employees. We are focusing on integrating the Code into contracts with suppliers of goods not for resale.

Our anti-bribery and corruption training module has been rolled out to all companies and translated into local languages. It is completed by all employees for whom their location or role poses a potential corruption risk. It is also integrated into the induction process for relevant employees.

We refreshed and relaunched our whistle-blowing procedures in 2012. Employees in all locations can now use our hotline to report concerns via a single provider. They can also get advice on applying our code of conduct via a dedicated email address. We have seen an increase in the volume of calls to our hotline, reflecting employee awareness of our standards and reporting procedures, and confidence in reporting concerns. An online reporting system for vendors has also been introduced.

Download our Code of Conduct (www.kingfisher.com NetPositiveResources).

OPERATING COMPANY PERFORMANCE SUMMARY

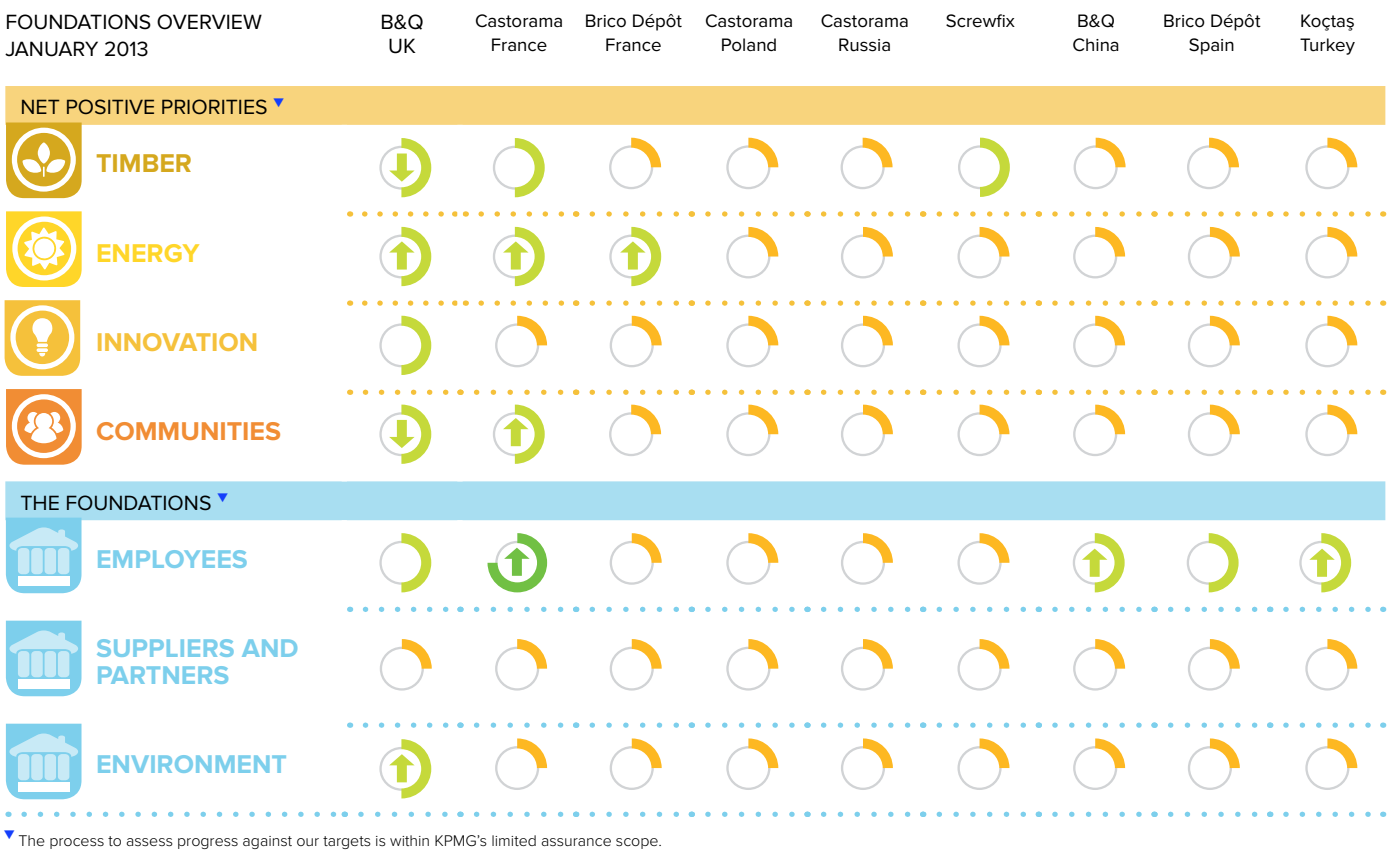
Key: 0-25% 26-50% 51-75% 76-99% 100% Indicates change in score since January 2012

We measure our progress against 50 targets. These cover our Net Positive priorities (timber, energy, innovation, communities) and three other issues (employees, suppliers & partners, environment). Our Foundations questionnaire is used to monitor Operating Company progress against these targets.

Our Operating Companies complete the questionnaire twice a year. We publish the average scores for each Operating Company every six months on our website and the latest results for January 2013 are included here, see right.

There are multiple targets for each Net Positive priority and our three other issues. The score for each issue is an average score, calculated from the individual scores for each relevant target. The details of how we score progress on each target is explained in our Foundations Questionnaire Scoring Guide (www.kingfisher.com/NetPositiveResources).

We did not publish the Foundations results in July 2012 as we were updating our Foundations questionnaire to reflect the introduction of our Net Positive strategy.



The process to assess progress against our targets is within KPMG's limited assurance scope.

Overview of results January 2013

Our targets cover the period 2012–2020. We are at the start of our ambitious Net Positive journey and our results for January 2013 reflect this with low scores in several areas.

Of our Operating Companies, B&Q UK has achieved the most progress, reflecting its long-standing sustainability programmes. It launched its One Planet Home programme in 2008, which includes an ambition to cut CO_2 emissions by 90% by 2023, against 2006 emissions (page 20).

B&Q UK's Foundation scores on timber are lower than in 2012. This reflects a change to our timber target following the launch of Net Positive, which saw it extended from timber products to all timber and paper used in our operations. B&Q UK continues to take a leadership position in the retail sector on responsible timber sourcing, buying 100% of its timber products from responsible sources. B&Q UK also restructured its community investment programme with a number of new major partnership projects run from its head office. For this reason its score for the Foundation target, which mainly tracks projects at a store level, has gone down.

Castorama France has also made good progress, particularly on employee issues including diversity (page 36) and employee engagement (page 35).

There has been good progress on specific issues across a number of our other Operating Companies, including timber at Screwfix, energy at Brico Dépôt France and employee issues at B&Q China, Brico Dépôt Spain and Koçtaş.

ABOUT OUR REPORTING

Our Net Positive report summarises performance at a Group level covering the financial year February 2012–January 2013.

Net Positive was launched in October 2012, and many of our performance measures are still in development. Where possible we have reported against our Net Positive targets. During 2013/14 we will expand our data collection systems and develop additional impact measures, enabling us to publish our first full report against our Net Positive targets in 2014.

Our report is published as a downloadable and interactive pdf. As part of our investor relations communications programme, we integrate information on Net Positive into our Annual Report and Accounts. The information on our Net Positive website summarises our approach to Net Positive, and complements our annual reporting. We update the site regularly.

Our report includes updates and examples from our Operating Companies. Some of our companies also publish their own reports with more detailed information on their performance.

Data and targets

This report contains our key performance data for 2012/13. More detailed data is available in our Net Positive Report Appendix – Detailed Performance Data. Detailed information on the scope of the data and the methodologies used to calculate our data are explained in our Net Positive Data Collection Methodology Document.

We publish a Group score for each of our 50 targets. This is a weighted average of the individual operating company scores for each target. The weighting is based on the sales contribution of each operating company.

External assurance

Our report is subject to external assurance. KPMG LLP has provided limited assurance over selected aspects of the Net Positive report for the year ended 31 January 2013 (please see page 55 for their assurance statement).

Materality and reporting standards

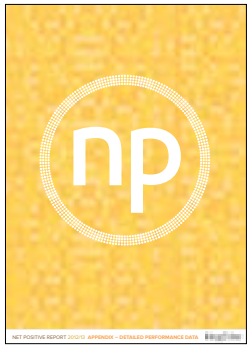
We focus our reporting on the areas covered by our Net Positive and Foundations targets. These are the issues we have identified as most important for our business and stakeholders.

We take the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3) into account in preparing our report and include the indicators that are relevant to our business. We are reviewing our approach against the new GRI Guidelines launched in May 2013.

Read more

Annual Report and Accounts
annualreport.kingfisher.com/2012-13

Net Positive website
www.kingfisher.com/netpositive



Net Positive Report Appendix – Detailed Performance Data
www.kingfisher.com/NetPositiveReport

Net Positive Data Collection Methodology
www.kingfisher.com NetPositiveResources

INDEPENDENT ASSURANCE REPORT TO KINGFISHER PLC

KPMG LLP was engaged by Kingfisher plc ('Kingfisher') to provide limited assurance over selected aspects of the Net Positive report ('the Report') for the reporting year ended 31 January 2013.

What was included in the scope of our assurance engagement?

ASSURANCE SCOPE	LEVEL OF ASSURANCE	REPORTING CRITERIA
1. The reliability of selected performance data for the year ended 31 January 2013 marked with the symbol ■ in the Report	Limited assurance	Relevant reporting parameters for the selected performance data as set out within Kingfisher's Data Collection Methodology.
2. The process to assess progress against Net Positive Foundations Targets for the year ended 31 January 2013 marked with the symbol ▼ in the Report	Limited assurance	The description of the process to assess progress on the Net Positive Foundations Targets, as set out within Kingfisher's Data Collection Methodology.

Limited assurance is provided for this scope. The nature, timing and extent of evidence gathering procedures for limited assurance are less than for reasonable assurance as set out in ISAE 3000*, and therefore a lower level of assurance is provided for the data and objectives under the limited assurance scope.

This engagement only relates to the above scope for the year ended 31 January 2013 and does not cover other information that may be displayed in the Report or on the Kingfisher website for the current year or for previous periods.

Which assurance standards did we use?

We conducted our work in accordance with ISAE 3000. Our conclusions are based on the limited assurance application of the criteria outlined above.

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants (the 'Code'), which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

General inherent limitations of sustainability data

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the use of different but acceptable measurement techniques. This can result in materially different measurements and reduce the ability to compare different data sets. The precision of these different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the relevant reporting criteria for all such information. For Kingfisher's Net Positive Report, this is contained within the Kingfisher's Data Collection Methodology.

In particular, inherent limitations affect the conversion of electricity and fuel used to calculate carbon emissions. Conversion of electricity and fuel data to calculate carbon emissions is based upon, inter alia, information and factors derived by independent third parties, as explained in Kingfisher's Data Collection Methodology. Our assurance work has not included examination of the derivation of those factors and other third-party information. Our assurance work has not included challenging the scientific work undertaken by independent third parties when calculating these emissions factors.

Responsibilities

The directors of Kingfisher are responsible for preparing the Report and the information and statements within it. They are responsible for identification of stakeholders and material issues, for defining objectives with respect to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

Our responsibility is to express our independent conclusions in relation to the above scope, based on the work performed. We conducted our engagement with a multidisciplinary team including relevant specialists with experience in similar engagements.

This report is made solely to Kingfisher in accordance with the terms of our engagement. Our work has been undertaken so

* International Standard on Assurance Engagements 3000: Assurance engagements other than Audits or reviews of Historical information, issued by the International Auditing and Accounting Standards Board.

INDEPENDENT ASSURANCE REPORT TO KINGFISHER PLC

that we might state to Kingfisher those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Kingfisher for our work, for this report, or for the conclusions we have reached.

What did we do to reach our conclusions?

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included the following procedures using a range of evidence-gathering activities, which are further explained below:

1) With regard to the reliability of the selected performance data marked with the symbol ■ in the Report, we:

- Assisted in the development of, and agreed with Kingfisher Management the scope of, work that Kingfisher's Internal Audit would perform at each Operating Company on a risk based basis and the extent of testing over each data area, which included:

o Timber (B&Q UK, Brico Dépôt France, Castorama France)

o Energy (B&Q China, Brico Dépôt France, Brico Dépôt Spain, Castorama Poland, Castorama Russia, Koçtaş Turkey, Screwfix)

o Innovation (B&Q UK, Brico Dépôt France)

o Communities (B&Q UK, Brico Dépôt Spain)

o Suppliers and Partners (B&Q UK)

o Environment (Castorama France, Screwfix)

o Employees (Castorama France, Castorama Poland)

- Evaluated the work performed by Kingfisher's Internal Audit and re-performed a selection of their work;
- Interviewed specialists in Head Office and Operating Company teams to obtain an understanding of the Net Positive management procedures, performance data collection, aggregation and internal and external reporting processes and controls;
- Reviewed key documentation and tools pertaining to Kingfisher's reporting process, including:

o The functionality of Kingfisher's online CR reporting system

o The Data Collection Methodology and other guidance issued to Operating Companies

o Fuel and carbon emissions conversion factors used

- Reviewed the data collation and validation processes at the Head Office level, including:

o Formulae used and manual calculations performed;

o The query logs completed and submitted to Operating Companies

o A selection of supporting evidence from Operating Companies for submitted data; and

- Read the Report and narrative accompanying the selected performance data to ensure their consistency.

2) With regard to the process to assess progress against Net Positive Foundations Targets marked with the symbol ▼ in the Report, we:

- Interviewed Head Office Kingfisher Management to understand the process they followed to gather the selected data;
- Reviewed the documentation and findings relating to the review process performed by Kingfisher's Internal Audit function on the Operating Companies' self assessment against their progress on Net Positive Foundations Targets;
- Read the Report and narrative accompanying the selected performance data, including the description of the process to assess progress on the Net Positive Foundations Targets, to ensure their consistency.

What are our conclusions?

For assurance scope 1: The reliability of selected performance data for the year ended 31 January 2013 marked with the symbol ■ on the Report:

Based on the work performed, and on the scope of our assurance engagement described above, nothing has come to our attention to suggest that the stated performance data marked with the symbol ■ in the Report is not fairly stated, in all material respects, in accordance with the definitions provided by Kingfisher within Kingfisher's Data Collection Methodology.

For assurance scope 2: The process to assess progress against Net Positive Foundations Targets for the year ended 31 January 2013 marked with the symbol ▼ in the Report:

Based on the work performed, and on the scope of our assurance engagement described above, nothing has come to our attention to suggest that the process adopted by Kingfisher for assessing progress against Net Positive Foundations Targets marked with the symbol ▼ in the Report did not comply, in all material respects, with the description of the process provided by Kingfisher within Kingfisher's Data Collection Methodology.

Paul Holland,
for and on behalf of KPMG LLP
Chartered Accountants
London 12 June 2013

CONTACT US

We welcome your feedback on Net Positive and our report.

Email us at:
netpositiveconversation@kingfisher.com

Kingfisher plc
3 Sheldon Square
Paddington
London W2 6PX

INFOGRAPHICS FOOTNOTES

TIMBER
PAGE 10

Around 18% of greenhouse gas emissions are from deforestation

Stern Review on the Economics of Climate Change

The equivalent of 36 football fields of forest lost every minute

Zero Net Deforestation by 2020, A WWF Briefing Paper

http://awsassets.panda.org/downloads/wwf_2020_zero_net_deforest_brief.pdf

+75%

75% predicted price rises for some timber

Boston Consulting Group report, commissioned by Kingfisher, 2011

–30%

Possible global timber shortages of up to 30% by 2020

Boston Consulting Group report, commissioned by Kingfisher, 2011

ENERGY
PAGE 16

27% of UK greenhouse gas emissions come from energy use in the home

Centre for Alternative Technology, 'Zero Carbon Britain', 2012

€70bn new market for in-home energy efficiency

Boston Consulting Group report, commissioned by Kingfisher, 2011

+50%

50% increase in global energy demand by 2035

U.S. Energy Information Administration (EIA), 'International Energy Outlook: Highlights', 2010

INNOVATION
PAGE 23

$375 bn Predicted cost of solid waste management globally by 2025

World Bank, 'What a Waste: A Global Review of Solid Waste Management', 2010

3 planets' worth of resources needed if everyone in the world consumed resources at the rate of Western countries

WWF

http://www.oneplanetliving.org/index.html

$630 bn a year materials cost saving across Europe from harnessing closed-loop approaches

Ellen MacArthur Foundation, 'Towards a Circular Economy', 2012

COMMUNITIES
PAGE 29

Half of B&Q customers lack confidence to complete their DIY jobs

B&Q survey, 2012

Average spend of customers who know a business positively contributes to their community is double that of others

RSA, 'The Community Footprint: shared value for business and communities', 2012

Consultancy and writing
BDH Sustainability

Design
www.theayres.co.uk