



Kingfisher

**ONE**

**Kingfisher**

**good progress on our journey**

**2017/18 summary annual review**

# financial highlights

Sales<sup>1</sup>

**£11,655m**  
(0.3)%



Retail profit<sup>1</sup>

**£849m**  
(3.6)%



Underlying pre-tax profit<sup>2</sup>

**£797m**  
+1.3%



Adjusted pre-tax profit<sup>2</sup>

**£683m**  
(8.1)%



Lease-adjusted return on capital employed (ROCE)

**10.4%**  
(210)bps



Full year dividend<sup>2</sup>

**10.8p**  
+4.0%



Statutory pre-tax profit<sup>2</sup>

**£682m**  
(10.1)%



Statutory post-tax profit<sup>2</sup>

**£485m**  
(20.5)%



Basic earnings per share (EPS)<sup>2</sup>

**22.1p**  
(18.5)%



1. Percentage change reported on a constant currency basis.  
2. Percentage change reported on a reported currency basis.

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# Kingfisher at a glance

Kingfisher plc is a home improvement company with nearly 1,300 stores in 10 countries across Europe.

We employ 78,000<sup>†\*</sup> people and nearly six million customers shop in our stores and through our websites and apps every week.

Our ambition is to become the leading home improvement company. We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

**1,280\***  
stores

**78,000<sup>†\*</sup>**  
colleagues

UK & Ireland

**873<sup>1</sup>**

France

**223<sup>2</sup>**

Spain

**28**

Portugal

**3**

Germany

**19**

Russia

**20**

Poland

**76**

Turkey\*

Romania

**38<sup>3</sup>**

1. B&Q UK & Ireland 296, Screwfix 577.

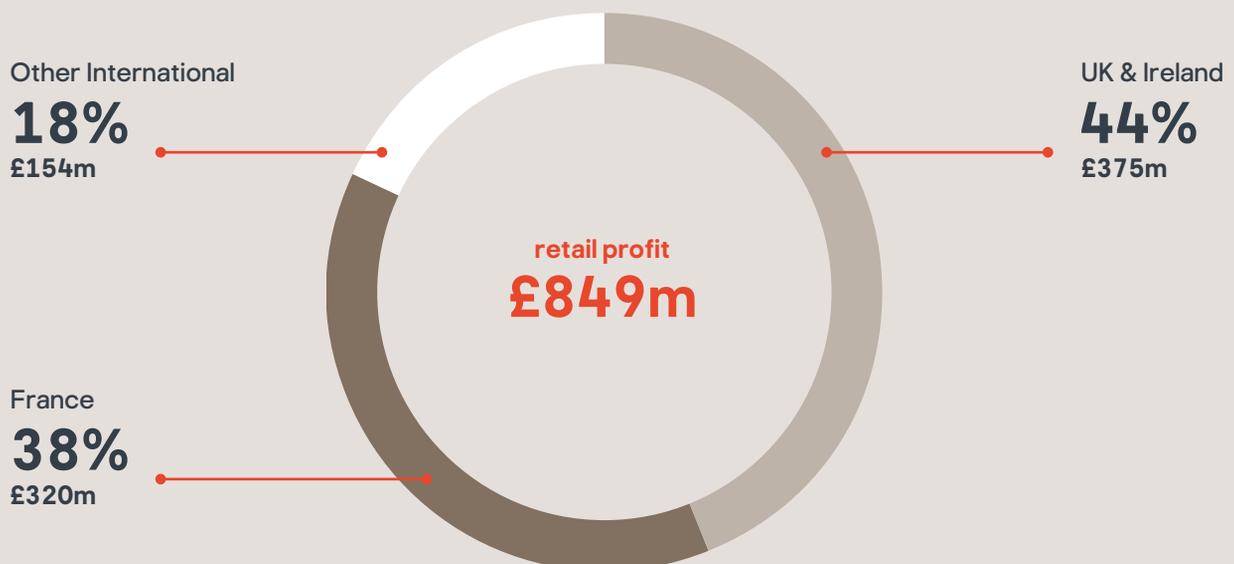
2. Castorama 102, Brico Dépôt 121.

3. Brico Dépôt 15, Praktiker 23 (excludes 3 Praktiker Romania stores which will be closed).

\* Turkey joint venture not consolidated.

† Total, not full-time equivalent.

# geographic contribution





**chief executive  
officer's statement**

## I am pleased to say that we have made good progress in the second year of our five year plan... and have delivered on all our key strategic milestones for the year.

It is now two years since we set out our plan to transform Kingfisher and become the leading home improvement company.

We explained that our purpose is to make home improvement accessible for everyone, and that we will do this by basing everything we do on the reality of our customers' lives – watching how people live, listening to them, and understanding the needs they have when they are seeking to improve their home and especially the challenges they face.

I am pleased to say that we have made good progress in the second year of our five year plan. The past year has seen a major step-up in the level of our transformation activity. The teams have worked hard to deliver on each of the three strategic pillars that make up the ONE Kingfisher plan: creating a unified, unique and leading offer, driving our digital capability, and optimising our operational efficiency. It has not been easy, and we have faced some challenges, including some business disruption. But I am delighted to say that we have delivered on all our key strategic milestones for the year, for the second year running.

In 2017/18 we increased the amount of unique and unified product ranges from 4% to 23%, exceeding our target for the year, with new ranges in categories such as bathrooms, hand tools and sealants. The customer benefits of these new ranges include higher quality products based on in-depth customer research,

affordable prices and improved merchandising. This past year has seen the launch of the first unique ranges that have been designed and developed by Kingfisher's own teams and I'm pleased to say that they are being well received by customers. For example, the new Imandra bathroom furniture range is based on a modular and adjustable concept so products can work with any layout. We know that, across Europe, lack of storage space in the bathroom is a common problem. To help address this, features of our new range include slim cabinets that can be fitted from floor to ceiling, even behind doors, drawers that are deep enough to store towels and shallow basins with recessed waste pipes which allow space for a full extra drawer. Customer reaction has been very positive with sales of the new bathroom furniture ranges up by 50% in France, 36% in Poland and by 100% in the UK. Margins are also better, whilst we are making these solutions very affordable.

Later in the year we started to roll-out a new range of Magnusson hand tools. Magnusson was originally an own-brand range at our Brico Dépôt business in France. We improved it, adding extra features that would make the range as attractive to the professional tradesperson as the home improver. Tough, reliable and durable, this flagship new range includes everything from hammers and screwdrivers to spirit levels and steel tape measures and is now being rolled out across the business, at very competitive prices.

We have also made good progress with our digital plans. The backbone of this has been the development of a new IT platform which has been rolled out in B&Q and Castorama France in the past year. We are entering the final year of the IT platform roll-out.

With customers increasingly browsing and shopping across multiple platforms I'm also pleased that our ecommerce plans are developing well. Group digital sales have grown from 4% of total sales to 6% and although this still represents a relatively low base our digital plans should improve this further. A new Group mobile platform has been built and launched at B&Q, with one-hour Click & Collect now available in all B&Q stores. A new mobile app has also been launched at B&Q with faster speeds and an improved check-out facility. This is driving increased average transaction values. At Castorama France a new website was launched in January of this year. As with the B&Q site, it features better search functions, improved navigation and simpler check-out. Early reaction from customers has been positive.

Customers are also increasingly looking for ideas and inspiration online for their home improvement projects, so we have developed a new bathroom planning tool, with more digital services to come soon, supported by our Digital Hub in London.

The third transformational pillar is operational efficiency where we are targeting £100 million of savings by 2021. So far, we have delivered a cumulative total of £58 million of efficiencies, driven mainly by our Goods Not For Resale programme in areas such as security and media buying.

Our performance in the year reflected some disruption to our business as we cleared old ranges and introduced the new ones at the same time as rolling out a new IT platform. This significant level of change led to some stock availability problems which affected like-for-like sales by around 1.5%. However, we understand the causes of this disruption and are taking action to address them.

During the year we have also improved our governance processes with the appointment of a new Chief Transformation Officer, supported by transformation directors in each of our businesses. To better manage the roll-out of our new product ranges we have also smoothed the phasing of these launches to reduce the risk of disruption.

In France, the ONE Kingfisher plan is starting to re-energise our businesses there and address our under-performance. To make home improvement affordable for everyone, we have invested some of the buying gains from our unified offer process into better prices for customers. Our customer proposition has been further improved by launching some of the new ranges in France first, such as the new bathroom products. Around a third of our ranges in France have now been unified, with a positive reaction from customers.

We are integrating sustainability into everything we do at Kingfisher and in January 2018 we launched our new sustainability plan. This includes four customer-focused goals, with ambitious targets such as helping our customers cut energy and water use by 50% through the products and services we offer (see more on page 18).

It is important for me to talk about our people, as it is the dedication of the 78,000 colleagues who work across Kingfisher that is making our transformation possible. Our people are really starting to work as ONE, with new processes and ways of working, supported by new tools and training. During the year we launched our new Home Improvement Academy which is designed to help our store colleagues provide the best possible advice and service to our customers. We also launched a new real-time employee engagement platform involving all colleagues for the first time. Our engagement score this year was 78 out of 100 (see more on page 16).

When a business is undergoing major change it can be difficult for our teams, but they have again done a great job this year, and I would like to personally thank them for all their enthusiasm, engagement and commitment.

In the UK, the outlook remains uncertain with softer sales in Q4 across both our businesses. For consumers, the uncertainty surrounding the Brexit negotiations is an extra factor. In France, the backdrop is encouraging yet volatile, with better macro-economic data recently, though it is early days. In Poland, the market remains supportive, though stricter Sunday trading conditions came into force in March and may have some impact.

Next year will see another step up in the implementation of our plan but I remain confident in our ability to deliver the five year transformation and the benefits that it will bring to our customers, our colleagues and our shareholders.

**Véronique Laury**  
Chief Executive Officer

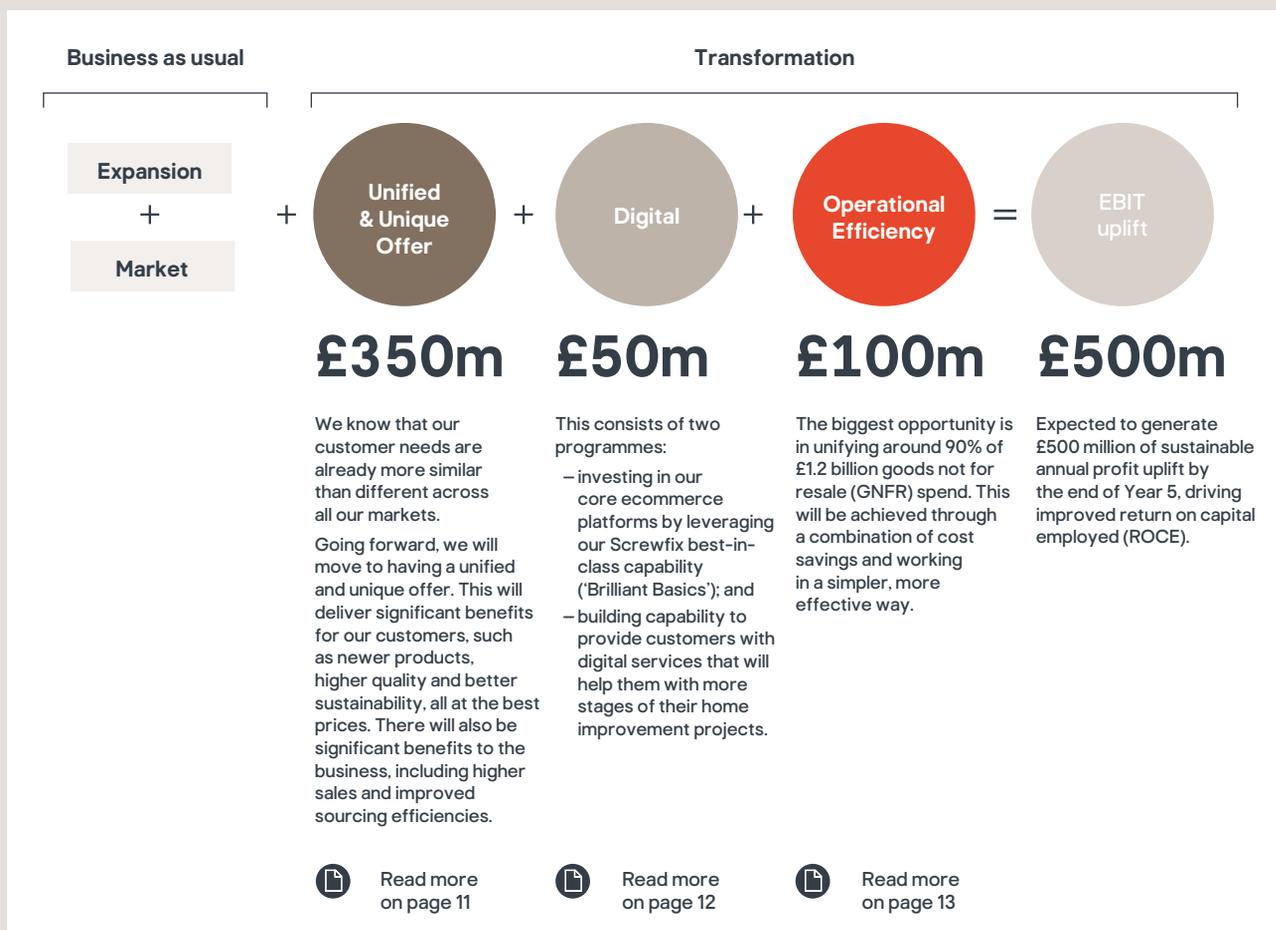
# our transformation

## In January 2016 Kingfisher announced the ONE Kingfisher plan.

This plan will leverage the scale of the business by creating a unified company, where customer needs always come first. The focus over the five years of the plan will be on three key pillars: creating a unified, unique and leading home improvement offer; driving our digital capability; and optimising our operational efficiency.

Overall, this five year transformation plan aims to deliver £500 million of sustainable annual profit uplift by Year 5, over and above 'business as usual'.

By this we mean that without the transformation we would expect performance to be broadly in line with the macro-economic backdrop in our respective markets. Until we have unified our customer offer, we will have limited expansion. In addition, the total expected cash cost of the transformation is £800 million, with a capital return of £600 million over the first three years.



# our ambition and our purpose

## Our ambition is to become the leading home improvement company.

We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

In 2015, we were faced with a choice: disrupt ourselves or face being disrupted by new, agile competitors. We were a good company, built by hard-working colleagues, with solid sales and profit, and 1,200 stores across 10 markets. Our scale wasn't used well enough.

We were also not leveraging the massive potential of our markets. People always want to cherish where they live and will spend money to make their homes better. And with more people living in less space, within older houses and looking for more comfort, the home improvement market is large and growing. But the home improvement journey can be a nightmare with many barriers: lack of inspiration, budget, time, skills, or even just daily life.

People wanted help with home improvement. We visited thousands of homes across Europe, watching how people live and listening to customers. We were excited by what we learnt: people's home improvement needs are more similar than different; people are brave and resourceful, and willing to try, to learn and to do more in the home.

This untapped potential is our opportunity to play an important part in challenging the status quo and make a real difference for our customers.

This, coupled with our untapped scale, meant we had to reconsider our purpose and renew our ambition. So we chose to change.

We chose to line up our collective strengths behind one clear purpose: to make home improvement accessible for everyone. That means delivering the right solutions at the right time with great quality and consistently fair and affordable prices. And we are now 78,000 colleagues working together towards one ambition: to become the leading home improvement company.

Pursuing this ambition means operating in a different way: collaborating and doing things together once. With global functions and local businesses working hand in hand we can be more challenging, more efficient and more competitive. Each colleague has a unique role to play (read about how we're engaging our colleagues on pages 16-17).

We have a framework for action that guides everything we do, and will help us achieve our ambition and be the first place people turn to for their home improvement needs (see page 16).

We are for everyone who wants to improve the home: professionals, helpers, and the home improvers themselves (see page 9). We want people to be successful whatever their home improvement projects are: to build, re-build, maintain or personalise the home.

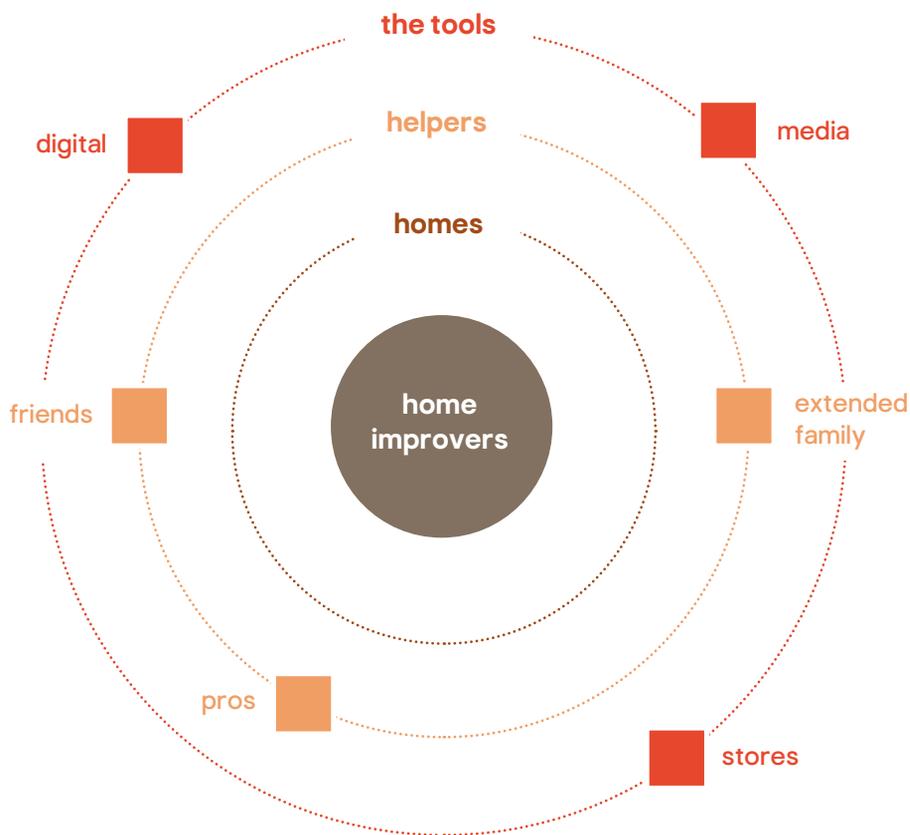
With the ONE Kingfisher plan and united under our common purpose, we will know better than anyone what our customers need, how to remove the barriers and hurdles, and provide unique solutions to home improvement problems. We will make home improvement accessible for millions more people.

At the same time, we will be a better employer for our colleagues, a better partner to the communities in which we operate, and the suppliers with whom we do business. We will also be a more responsible business, and a more valuable investment proposition for our investors (read more about our sustainability strategy on pages 18-19).

Our ambition is to become the leading home improvement company. And we're just getting started.

# our home improvement ecosystem

We believe that our market is a large ecosystem, rather than traditional, separate segments.



## Home improvers

Our customers are the millions of home improvers who want to improve their homes; whether they be an owner or a renter, whether they live in a flat or a house, whether they have a garden or not. Some of them have home improvement skills, some don't. Some of them have money, some less so.

## Homes

At the heart of our customers' lives are their homes. It is where they raise their families, see their friends and express themselves through design and decoration.

## Helpers

Outside help is often needed to get things done right, especially for bigger jobs or where people lack skills or confidence. This is when they call on their helpers. This could be the family member or neighbour who is willing to get involved, or the professional tradesperson.

## The tools

A home improvement project invariably starts with digital inspiration, such as finding ideas online, watching 'how to' videos, comparing prices and using planning tools, to touching and testing products in stores and seeking advice and support from colleagues in stores.

# our framework for action

These are the seven actions we will do together to achieve our ambition.

<b>1</b>	<b>We will think of customer needs first</b>
<b>2</b>	<b>We will design a seamless customer process</b>
<b>3</b>	<b>We will create a unique and leading offer with an integrated supply chain</b>
<b>4</b>	<b>We will create a leading customer experience in our stores</b>
<b>5</b>	<b>We will be a truly sustainable company</b>
<b>6</b>	<b>We will work as ONE</b>
<b>7</b>	<b>We will be low cost always</b>

# progress against our strategic milestones in year 2

**We have delivered the key strategic milestones in the second year of our plan.**

## Unified and unique offer



Unify 20% of product (cost of goods sold (COGS))

### Unified, unique and leading offer

We are unifying our offer, with the same products available everywhere. This will deliver significant customer benefits, such as newer products, higher quality, better sustainability, lower prices and simpler ranges. It will also deliver significant business benefits, such as higher sales, fewer stock keeping units (SKUs), fewer suppliers, cost price reduction (CPR) and improved processes.

### Unify 20% of product (cost of goods sold (COGS))

23% of product has now been unified (COGS), ending the year with an exit rate of 35%. We have significantly reduced the number of global suppliers and SKUs, by around 80% to date, but are still offering customers similar breadth of choice. We also launched our first unique ranges in Outdoor and Bathroom & Storage.

Sales of our unified and unique ranges are outperforming non-unified ranges despite transformation-related disruption during the year. Sales of unified and unique ranges excluding clearance, were up 1% compared to last year, with the second half growing by 3%. Including clearance, unified and unique sales were broadly flat compared to last year, slightly ahead of total group sales in constant currency, which were down 0.3%.

Growth in unique ranges, such as the new bathroom furniture and shower ranges, is ahead of unified ranges, however the mix of ranges implemented to date is weighted towards unified. For example, sales of unified and unique Bathroom & Storage increased by 11%, whereas total sales were broadly flat (excluding clearance). The bathroom ranges have sold well across all our four markets (e.g. France up 8%, Other International up 18%) reflecting positive feedback from both customers and colleagues.

Cost of change (including clearance) is in line with expectations and we remain confident in our target to deliver £350 million annual profit uplift by full year 2020/21, which broadly equates to a 5% reduction in cost of goods sold.

Gross margin for unified and unique ranges was up 180 basis points before clearance of old ranges.

## Digital



Deliver Year 2 of 3 year unified IT platform roll out alongside better ecommerce

## Operational efficiency



Deliver a further £20 million of benefits from unified GNFR programme

## Driving our digital capability

Implementation of a unified IT system is a key enabler of our ONE Kingfisher plan. It also provides a significant opportunity, with a seamless and stronger digital offer for our customers, to substantially increase sales and digital penetration. This is expected to generate £50 million annual profit uplift by the end of the 2020/21 financial year.

## Deliver Year 2 of 3 year unified IT platform roll out alongside better ecommerce

This involves investing in our core ecommerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability. This includes upweighted digital marketing, improved site search, new checkout and launching new mobile sites.

During the 2017/18 financial year, we implemented all Castorama France stores, with back office and supply chain to be completed in Q1 2018, meaning that by the end

of 2017/18 over 50% of Group sales were operating on the new platform. We have also now started implementation at Brico Dépôt France and Castorama Poland.

Our ecommerce initiatives are gaining momentum. We have built a new group mobile platform and launched a new B&Q mobile app in September. The app has received very positive customer feedback and is delivering improved average transaction values. One-hour Click & Collect is now available in all B&Q stores. In France, we relaunched the new castorama.fr website in January with the new mobile app soon to follow. Total Group digital sales are now at 6%, up from 4% last year.

We have also launched the first of our digital home improvement services tools, including a bathroom planner tool, which is integrated into the B&Q website.

# Launch of new unique ranges

The design of all our unique product ranges is based on five key principles: function, form, sustainability, quality and low prices. This year we launched new bathroom and hand tool ranges.

## Imandra bathroom

We undertook in-depth research into how people use their bathrooms, visiting customers in their homes across Europe. We learnt that it is the smallest (4–7m<sup>2</sup>) and busiest room in the house; storage is a problem – people typically have around 25 bottles of products; and it's a challenging project – around 40% of people give up. Using that research, we created the new Imandra range which includes the following features:

- Modular and adjustable, to work with any layout, however small
- Slim floor-to-ceiling cabinets to maximise all space, even behind doors
- 35cm deep drawers, deep enough for towels
- Shallow basins with recessed waste pipes, allowing space for an extra drawer
- Cabinets with mirrors inside and out
- 10-year guarantee



## Magnusson hand tools

Magnusson was originally an own-brand range at Brico Dépôt France. We improved it, adding extra features that would make the range as attractive to the professional tradesperson as the home improver. This flagship range is now being launched across the business. Tough, durable and reliable, the range includes products with a host of new features, such as a tape measure with:

- Auto-stop extension with long stand out
- 19mm wide double-sided measure
- Durable nylon coating for longer life
- Magnetic end for one-handed measuring
- Smooth closing to avoid damage to hands and fingers
- Five-year guarantee



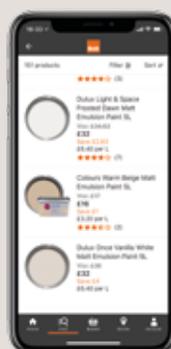
# Driving our digital capability

Our Digital Hub opened in 2016 in central London and is working on driving forward Kingfisher's digital growth plans. Work is focusing on two areas:

## Ecommerce

Our ecommerce plans follow closely behind the roll-out of our new unified IT platform, which was completed in B&Q UK and Castorama France last year and is on track to be implemented across the whole business in 2019. Key developments in the last 12 months include the launch of a new one-hour Click & Collect service at B&Q in August 2017. In addition, a new Group mobile platform was built and launched initially at B&Q in the UK. B&Q's new mobile app features rapid loading speeds of less than one second, making it one of the fastest apps around. The app has been delivering higher average transaction values. Engagement from customers and colleagues has also been excellent with a near 5\* star rating on the App store so far.

In January 2018, the new Castorama France website was launched, featuring better search facilities, improved navigation and better check-out. A new mobile app for Castorama France will follow shortly.



## Home improvement services

One of our key aims is to help our customers along all the steps of their home improvement project, including ideas and inspiration. A first step was the launch of the new bathroom planning tool at B&Q UK. This enables customers to create 3D designs of their bathroom. So far, over 60,000 planning sessions have been completed on the site. Further digital services will be launched later this year.

## Optimising our operational efficiency

The main driver will come from unifying the c.£1 billion annual spend on GNFR. This programme is a combination of cost savings, and an opportunity to work in a simpler and more effective way across the business, and is expected to generate £100 million annual profit uplift by the end of 2020/21.

## Deliver a further £20 million benefits from unified GNFR programme

In 2017/18 we delivered a further £28 million of benefits, exceeding our initial target for the year, taking the cumulative benefit to £58 million. This included categories such as media buying, where we have moved to a global supplier for the first time; standardising the way we operate (e.g. security); and several local tenders consolidating the number of suppliers.

## Adapting our transformation approach as we progress

Given the significant increase in the level of transformation activity in 2017/18, we have continued to adapt our approach as our transformation progresses.

During the year we experienced some business disruption, principally reflecting product availability issues and the clearance of old ranges. We estimate a c.1.5% like-for-like impact during the year. Availability of unified and unique ranges has progressively improved.

The root causes of this disruption relate to the combined impact of:

- Clearing of old ranges and remerchandising of new ranges as we physically impacted 25% of our total store space this year
- Systems and data – the roll out of our unified IT platform remains on track, however the implementation process places pressure on some of the business functions
- New processes – transitioning to new ways of working takes time e.g. our new Offer & Supply Chain organisation went live in June 2016, working as ONE team, with unified global functions with new processes and accountabilities for the first time

We have acted on the root causes of business disruption and are adapting our approach as we progress. Given the increased level of change, we appointed Steve Willett as Chief Transformation Officer. We are also prioritising the multiple transformation workstreams with a new phased approach e.g. having reviewed the phasing of our plans to roll out our unified product ranges (COGS), we announced our decision at our half year results to smooth and de-risk the profile for 2018/19 and 2019/20, moving from 55% to 40% and from 80% to 65% respectively. The 90% target for 2020/21 remains unchanged.

# our strategic milestones for year 3

**Full year 2018/19 represents another year of significant implementation. The strategic milestones for 2018/19 are set out below.**

## Unified and unique offer

**Deliver growth in unified & unique sales and gross margin**

**Unify 40% of product (COGS)**

## Digital

**Complete final year of unified IT platform roll out to Operating Companies**

**Complete ecommerce roll out in France and Poland**

**Market launch of first home improvement services in the UK and France**

## Operational efficiency

**Implement finance shared services in at least two Operating Companies**

**Deliver £30 million benefits (from unified GNFR programme and other efficiencies)**

## Retail operations

**Maintain higher colleague engagement scores than retail sector**

### Summary

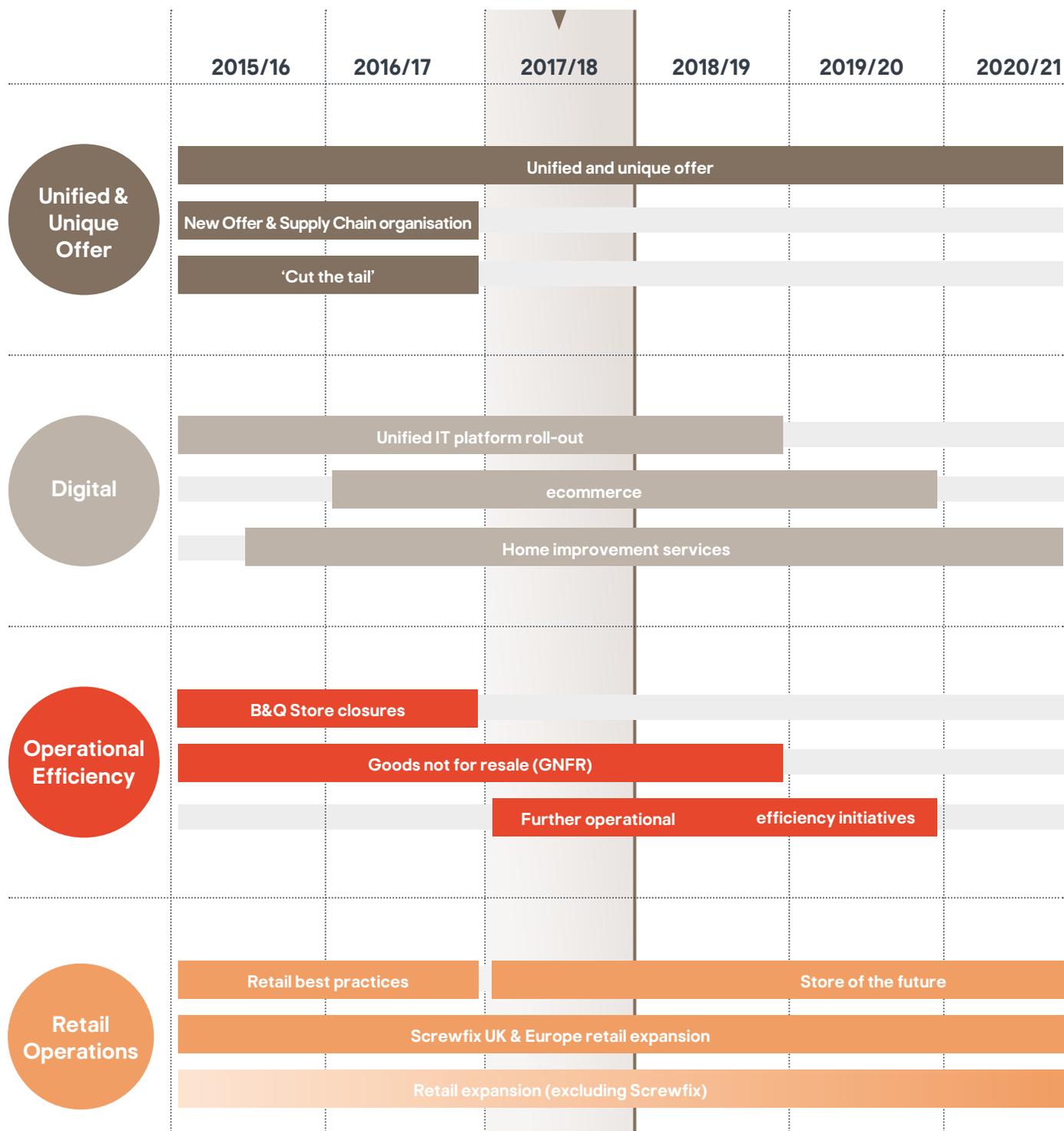
For the second year in a row we have achieved our key strategic milestones and our full year 2020/21 targets remain unchanged. However, we have experienced some business disruption reflecting the significant increase in transformation activity. We have acted on the root causes, continuing to have a flexible approach, adapting as necessary as our transformation progresses.

Full year 2018/19 represents another year of significant implementation hence we expect some ongoing business disruption. Negotiations are well progressed to unify 40% unified and unique product (COGS). We expect unique ranges will continue to drive sales growth and that as more cost price reduction (CPR) is delivered, we expect an uplift in Group gross margin including clearance. As we roll out our unified IT platform, we are also starting to unlock further efficiencies beyond goods not for resale (GNFR). During the year we established a shared services centre in Krakow, Poland. In full year 2018/19 the combination of GNFR savings and net savings from operational efficiencies are expected to be around £30 million.

We are building the ONE Kingfisher 'engine' to provide the platform for growth. As we are now entering the third year of our transformation, we are starting to develop plans to take that new engine, and combine it with the best of physical and digital. This will provide our customers with a great offer incorporating engaging experiences alongside ultimate convenience, and will involve not only leveraging our big box estate but also our Screwfix best in class convenience model.

Overall, we are aware of challenges ahead but remain confident in our ability to deliver the full year 2020/21 plan benefits.

# a clear long-term roadmap



# people: realising our ambition

**Our colleagues are of paramount importance to us as we work towards our ambition of becoming the leading home improvement company. In doing so, we aim to become a company of choice for future talent.**

Just as we are unifying our product offering to customers, we are also unifying our people policies and processes. We are doing this to ensure equality and fairness, consistency and effectiveness across the board, and to achieve efficiencies where we know that working together makes more sense than working separately. In conjunction with a wide range of stakeholders, including colleagues from each country in which we operate, we are continuing to review and develop our reward policies and practices, to ensure that they are simple and transparent, and that our 78,000 colleagues are remunerated in a fair and meaningful way.

It is important that our colleagues feel valued, respected and recognised for what they do and how they do it, wherever they work in our company, and we all want to work in a place where we can be at our individual best and be ourselves. In the last year, we have paid particular attention to facilitating cultural change within our leadership teams.

## **Colleague experience**

The nature of work is changing, with new expectations put on employers; people don't simply want a job, they want a great working experience.

To enable this for our store colleagues, we have been looking at how we give them the expertise to fully understand the needs of our customers and their home improvement projects. We have piloted the first initiative in this area – the Home Improvement Academy – which will provide relevant product training and project knowledge to help colleagues provide great service to our customers. The pilot session was launched in 2017, focusing on Bathroom ranges. Programmes for other product ranges will roll out in 2018, starting with Outdoor. In future, we hope to provide similar resources to customers both in-store and through our digital channels.

## **Colleague engagement**

Each of our colleagues has a role to play in our transformation. Their views and how we act on them are vital in shaping what we do and how we do it. This year we introduced a new Colleague Experience Platform – a common approach to colleague feedback and measuring engagement that is open to everyone. Our engagement score this year was 78 out of 100 (above the retail industry benchmark of 66<sup>1</sup>). We now have the opportunity to further improve engagement, thanks to the honest, open feedback we have received.

## Home Improvement Academy



In September 2017, we brought colleagues together from all over Europe for the first Home Improvement Academy, focused on our new, unified Bathroom range. Colleagues participated in seminars, practical sessions, and situational role plays, both in person and through digital channels, to become range ambassadors and take information and ideas back to their stores.

**“It’s great to think about customers in this way – we have lots of different customers but ultimately they have the same fundamental needs!”**

**Customer Advisor, Brico Dépôt Spain**

# Colleague Experience Platform



Using our new Colleague Experience Platform has given colleagues a simpler, more timely and relevant feedback mechanism to share their thoughts on life at Kingfisher. For managers and HR teams it has given a more immediate way of taking the pulse of life at Kingfisher and acting on that feedback.

**“The platform gave me the confidence that not only are we listening to our colleagues, but that we are proactively seeking ways in which to help them consistently be at their best”.**

**Stephanie Sykes**  
Store Manager, B&Q

## Diversity & inclusion

We value difference within our company and the benefits gained from it. We are committed to equal opportunities, diversity and inclusion in everything we do. We want to ensure we are able to attract and retain high calibre colleagues and ensure that decisions on appointments and advancement are free from bias and based on merit. We published our first gender pay report in February 2018 (see [www.kingfisher.com/genderpayreport2017](http://www.kingfisher.com/genderpayreport2017)). We became members of the 30% Club, and are committed to its principles of better gender balance at all levels of companies.

We are also actively working to ensure succession plans reflect the international nature of our business. Further information on diversity across Kingfisher can be found on page 65 of our Annual Report.

## Learning and development

We want our colleagues to learn and to grow with us, and we offer a range of programmes to support their career development. Some of the store-based programmes in 2017/18 included:

- B&Q's 'Rising Stars' programme leads to a Retail Team Leader Level 3 Apprenticeship (equivalent to 2 A-Levels). 277 colleagues took part during the year.
- Screwfix's '1st Steps' and 'Fast Track' to store management programmes are accredited with City & Guilds and the Institute of Leadership and Management Level 2, 3 & 4, with approximately 778 colleagues on the programmes last year.
- Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for store-based undergraduate and Master's degree placements. In 2017/18, 734 apprentices were recruited across both businesses.
- Brico Dépôt Iberia has two programmes aimed at manager and non-manager store colleagues, offering opportunities to be promoted when vacancies arise.

- Castorama Poland's 'Leaders' School' prepares colleagues for Store Director or Administration and Logistics Director roles. Its 'Captain's School' is aimed at preparing colleagues for Department Manager roles.

## Antibribery and corruption

Kingfisher is fully committed to conducting its business with high ethical standards. The core component of the company's compliance programme is our Code of Conduct, which is applicable across all our Operating Companies and global functions and contains a clear position on bribery and corruption: the offering, paying, authorising, soliciting or accepting of bribes is unacceptable. Kingfisher has an external whistleblowing channel, available in all countries where the company operates, and which is communicated to our colleagues and suppliers. As part of our Governance Framework, the company also has antibribery and corruption policies and standards. The policies include a gifts and hospitality policy, a whistleblowing standard, and antibribery and corruption provisions, which are included in all relevant supply contracts.

Aligned with the company's continuous improvement commitment, and following the relevant provisions of the new French anticorruption law (Loi Sapin II) coming into force in 2017, we have been reviewing and strengthening its internal procedures to ensure adherence with all relevant antibribery and corruption laws. A new, comprehensive antibribery and corruption compliance action plan has been approved by Kingfisher's Group Executive and Board and is being implemented in 2018. It includes enhancement of the company's internal procedures to ensure consistency and increased transparency across the Operating Companies and global functions.

It is expected that by the end of the 2018/19 financial year, all fundamental elements of the Kingfisher Compliance Programme will have been reviewed and improved. This will include the implementation of new policies and procedures, including an enhanced ethical due diligence on third parties covering the relevant areas of exposure in terms of bribery and corruption.

1. In 2017/18, we changed our colleague feedback platform provider to Glint. The methodology and model used is different from that of the previous provider, so there is no year-on-year comparison available this year. The retail industry benchmark as set by Glint is based on their database of over 40 international retail companies.

# becoming a truly sustainable company

**We believe everybody should be able to have a home they feel good about, and this makes sustainability an integral part of our ONE Kingfisher transformation.**

For many years we have been working to help customers create more sustainable homes. We have made strong progress but want to go further. Over the last two years we have spent time understanding our customers' views on sustainability. Our research showed that sustainability issues connect with what our customers really care about, but many people find making sustainable choices too complicated or time consuming. They want us to make it easy for them. We applied these insights to create our new sustainability plan, our roadmap to 2025.

Our plan has four big goals and 12 targets, which will help us further embed sustainability into our products and services. It will benefit our business too, stimulating growth and innovation, and engaging our colleagues.

Our plan sets out the next stage on our journey towards being a net positive business. One that improves life for customers, employees and communities and has a restorative impact on the environment (see the full plan at [www.kingfisher.com/sustainability](http://www.kingfisher.com/sustainability)).

## Our performance in 2017/18

Our sustainable home products help customers create good homes while having a positive or much lower impact on people and the environment. In 2017/18, these products made up 32% of our sales (28% in 2016/17). This contributed £3.8 billion of our revenues (£3.1 billion in 2016/17).

Progress towards our four big goals:

### 1: Save money by saving energy and water

We know saving energy and water is a key concern for households across Europe. By 2025, we will enable customers to achieve a 50% reduction in energy and water use in their homes through our energy and water saving products, services and advice.

## Our sustainability plan



# New partnership with Shelter



Kingfisher and B&Q have teamed up with Shelter, the UK's leading housing charity, in a new partnership to help people improve their homes and ultimately improve their lives. We're supporting Shelter's DIY Skills Advisers, who help recently rehoused people to improve their new homes. Shelter's clients are often in very difficult circumstances and may have been homeless or escaping domestic abuse. The DIY advisers assist with the practical aspects of home improvement, teaching their clients new skills and, in the process, boosting their confidence. Around 570 people have benefited from the service in the first nine months of our partnership.

In our business, we have cut our absolute carbon footprint by 16% since 2010/11 (10% in 2016/17). A breakdown of our carbon footprint is shown in the Directors' Report on page 95 of our Annual Report.

## **2: Live smarter by getting more from less, re-using or using longer**

Our customers want quality products that are long-lasting, create less waste and are easy to recycle. We now have three product ranges or services that help customers and our business get more from less, reuse or use longer – our easyGrow and ProGrow garden products and our pallet reuse initiative. We aim for 20 such initiatives by 2025.

97% of wood and paper in our products is responsibly sourced (96% in 2016/17) and we're now applying the lessons learned from this work to other materials and product ranges.

## **3: Create a healthier home and connect with nature**

There is great potential for homes and gardens to improve well-being. Our research shows a strong desire among customers to connect with nature and to create a healthy, toxin-free home. Yet people often do not know how to go about doing this.

In 2017/18, 6% (5% in 2016/17) of our sales came from our products that help customers create a healthy home or connect with nature. Examples of these include low volatile organic compounds (VOC) paint and pollinator-friendly plants. We are aiming for 20% by 2025.

## **4: Be part of a community that helps millions more people improve their home**

For people in difficult circumstances – those living in poverty or who are isolated or vulnerable – having a good home can seem impossible. We want to improve homes for people in need through our charitable giving and volunteering and are developing major new partnerships at a company-wide and local level.

During 2017, we began by launching two strategic partnerships with the Red Cross in France, Poland and the UK, and with Shelter in the UK.

Our community investment was worth £2.4 million in 2017/18 (£1.8 million in 2016/17).

## **Human rights**

We respect human rights and aim to positively promote and support the human rights of our colleagues, workers in our supply chain and others affected by our business activities. We updated our Human Rights Policy in 2017 and this sets out our commitment to regularly review human rights risks and to implement controls to mitigate risks. We have now set up a Modern Slavery Working Group, which meets three times a year, to oversee due diligence and disclosure on human rights and modern slavery. It has agreed an action plan for improving our due diligence, including internal training, supplier ethical risk assessment and audit.

Our key focus is on human rights issues in our supply chain. As we transform our business to become ONE Kingfisher, this enables us to build closer relationships with a smaller number of suppliers who share our values and ethical standards. We are rolling out a programme of ethical audits for high-risk production sites which supply us with finished goods. 1,178 production sites have had an ethical audit in the past two years. We are also involved in a number of initiatives promoting responsible sourcing in the wider supply chain, such as the Tropical Forest Trust (TFT) responsible stone programme. We are a member of a European DIY Retail Association (EDRA) working group, which aims to develop a collaborative approach to responsible sourcing within the home improvement sector.

For further details, see our Modern Slavery Act Transparency Statement ([www.kingfisher.com/Modern-Slavery](http://www.kingfisher.com/Modern-Slavery)). This statement is updated annually in June.

## **Governance of sustainability and non-financial risks**

Our Group Sustainability Committee (GSC) leads and oversees delivery of our sustainability strategy, monitors performance against our plans and targets, and reviews sustainability risks and opportunities. It is sponsored by our Chief Customer Officer. The GSC includes senior executives from our functions and operating companies, and meets at least twice a year.

We review our sustainability policies annually. All policies have been updated to align with our sustainable growth plan, and new policies introduced on animal welfare and deforestation (see [www.kingfisher.com/SustainabilityPolicies](http://www.kingfisher.com/SustainabilityPolicies)).

More information will be available in our Sustainability Report, published in June 2018.

# group executive



**Arja Taaveniku**  
Chief Offer & Supply  
Chain Officer

**Steve Willett**  
Chief Transformation Officer

**Véronique Laury**  
Chief Executive Officer

**Pierre Woreczek**  
Chief Customer Officer

**Karen Witts**  
Chief Financial Officer

**Alastair Robertson**  
Chief People Officer

# Glossary

(terms are listed in alphabetical order)

Further information is provided in the full Annual Report & Accounts at [www.kingfisher.com](http://www.kingfisher.com)

**Adjusted pre-tax profit** is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items and FFVR. The exclusion of exceptional items and FFVR helps provide an indication of the Group's ongoing business performance.

**Constant currency** changes in total sales, LFL sales and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuation on the reported results.

**CPR** (cost price reduction) refers to the savings made on cost of goods sold.

**Digital sales** are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre.

**France** consists of Castorama France and Brico Dépôt France.

**GNFR** (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing & paper).

**Lease adjusted ROCE** – Post-tax retail profit less central costs and transformation costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business including capitalised leases. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed except for capitalised leases, is calculated as a two point average. The calculation excludes disposed businesses e.g. China.

**LFL** stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year. This measure is used widely in the retail industry as an indicator of sales performance on a comparable basis.

**Other International** consists of Poland, Portugal, Romania, Russia, Screwfix Europe, Spain and Turkey (Koçtaş JV).

**Retail profit** is stated before central costs, transformation costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the underlying performance of our retail businesses including the sustainable benefits of our transformation plan.

**Sales** refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

**SKU (Stock Keeping Unit)** is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

**Underlying pre-tax profit** is stated before transformation P&L costs, exceptional items and FFVR. The exclusion of transformation P&L costs (in addition to exceptional items and FFVR) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.

**Unifying ranges** means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptations where needed. Unified extends to our own exclusive brands alongside international and national brands.

**Unique ranges** relate to the development of our own product ranges that excite customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

**UK & Ireland** consists of B&Q in the UK & Ireland and Screwfix UK.



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