

Future Homes



Visit www.kingfisher.com/CR
for our full-length web-based report.
This summary report is a brief overview.

KINGFISHER

Corporate Responsibility
Summary Report 2010/11

A conversation with the Group Chief Executive

Kingfisher plc
Corporate Responsibility
Summary Report
2010/11



See our online CR Report for a video introduction from Ian Cheshire.

How important is sustainability to your overall business strategy?

It's very important. We recently announced the next phase of our business strategy through to 2020 called 'Creating the Leader'. Sustainability is core to that strategy, featuring as one of its main drivers and also recognising that we can't be a leader if we don't create a sustainable business model for the long term. We also believe that leadership requires focus and single-minded dedication. To deliver this, we have identified four key sustainability priorities where we can make the most difference: innovation, energy, timber and communities.

Over the next five to 10 years, we're going to evolve our products and services in two main ways. We're working to understand their total life-cycle environmental impact and how we can do things differently. We're also looking at product design from the very beginning, e.g. making decking boards out of waste polystyrene, thereby diverting material from landfill and turning it into a useful product.

We engage with a range of partners to help drive forward our thinking. For example, we are working with Forum for the Future, a leading sustainability non-profit organisation, to develop our new 2020 CR vision. We also partner with independent sustainability experts BioRegional on eco products and with the Carbon Trust on climate change.

What are the key business benefits of sustainability?

We're creating commercial opportunities by growing sales of eco products and services. It's clear that our 80,000 employees across the world do care about the environment and want to work for a business that is genuinely engaged in this arena. Shareholders and the financial world are now starting to understand that a truly sustainable business model over the next 20 to 50 years is ultimately more valuable and therefore a better investment.

Ian Cheshire
Group Chief Executive
Kingfisher plc

What are the key areas of progress over the past year?

Our eco product sales have continued to grow – we achieved over £1 billion of sales of eco products, accounting for 10.5%¹ of total retail sales across the Group. All our eco products are independently verified by BioRegional as beneficial to the environment. B&Q UK has trained 1,250 staff to be in-store Eco Advisers.

We've also increased the overall Group volume of timber products obtained from proven well-managed sources to 81%, ahead of our target of 75%. B&Q became the first UK retailer to achieve 100% responsibly sourced timber products.

How do you envisage the future?

We need to challenge normal business paradigms to move towards more sustainable patterns of production and consumption. The danger, particularly in a retail organisation, is to focus on the very short term. What we're setting out now is a much longer-term ambition through to 2020 and beyond and one that will embed sustainability further in our business thinking.

The big challenge for us as a business is to imagine an evolution in our business model to include how we actually create value and sustain ourselves simultaneously. It simply won't be good enough to work on a linear non-sustainable path, so we need to start thinking about that long-term fundamental challenge right now.



Future Homes

Helping people create sustainable, affordable homes of the future

Our Future Homes strategy

Kingfisher's corporate responsibility strategy, which we call Future Homes, has two principal aims. The first is to make sustainable living easy and affordable for our customers, the second is to embed sustainability into all aspects of our own operations.

We have been working with Forum for the Future, a leading sustainability non-profit organisation, to develop a new vision for Future Homes which will take us through to 2020. The new vision and targets will be published by the end of 2011. We have highlighted four key priorities where we can make a real and sustainable difference: innovation, energy, timber and communities. During the past year we have made significant progress, giving us a strong platform from which to work towards our longer-term goals.

By growing sales of eco products and reducing costs through improved eco efficiency, our Future Homes strategy ties in with our Delivering Value business plan.

As part of our work on our new 2020 Future Homes vision, we have identified a number of key strategic challenges. These include:

- To challenge normal business paradigms to move towards more sustainable patterns of production and consumption.
- To reduce our total environmental impact while still growing our business.

Our new 2020 vision will seek to address these challenges.

Implementation challenges during 2010/11

As an international business, it is important that we implement consistent ethical and environmental standards in all countries in which we operate. In 2005, we launched our CR implementation programme known as Steps – setting out a detailed programme of action for our operating companies to be achieved by 31 January 2011. Our work to embed CR across all our businesses means we are helping to lead the sustainability agenda in markets where CR practices are still evolving, such as China, Turkey and Russia.

Although good progress has been made across all our businesses on our Steps CR programme, our businesses outside the UK and France have not yet achieved full compliance with the Group requirements (see more details on page 6). We will be working during 2011 to ensure that our Group standards are met across all our businesses.

Employee engagement campaign – B&Q UK

B&Q UK ran a three-month employee engagement campaign in autumn 2010 to encourage employees to reduce their environmental impact. Around 6,000 employees signed up for the campaign and received a free energy-saving pack.



Eco product promotional campaign – Castorama France

Castorama France ran a one-month in-store promotional campaign – Les Jours Éco Logiques (Eco Days) – offering a wide range of discounts on energy-saving products, water-saving products and products with health/air quality benefits.



A key focus of our CR strategy is to increase sales of eco products

Eco product definition

We define products as eco if they help customers reduce their environmental impact or have specific environmental credentials e.g. made from recycled materials.

All our eco products are independently verified by sustainability experts BioRegional to ensure they meet our eco product criteria.

We have six eco product categories:

- Save energy
- Save water
- Conserve nature
- Grow your own
- Reuse and recycle
- Healthy home

Innovation

To be famous as the place to shop for sustainable products.

Key achievements 2010/11:

- Our businesses stocked a combined total of over 16,500 independently verified eco products.
- A number of innovative 'best in class' eco products have been introduced, e.g. carpet underlay made of 100% recycled clothing at B&Q UK, a low-cost solar panel kit at Brico Dépôt Spain and a new loft insulation product which is made of 85% recycled polyester at Castorama France.
- B&Q UK is trialling a new Home Eco paint in larger stores, which is made from paint collected from local authority recycling points. Around 25% of paint ends up in landfill. Every can of Home Eco paint sold will prevent three cans going to landfill.

Energy

To be the best at providing energy-saving solutions for our customers and ourselves.

Key achievements 2010/11:

- Group sales of eco products totalled £1.1 billion – accounting for 10.5%¹ of total retail sales across the Group. We increased the amount of eco product sales by 9% in 2010/11, exceeding our target of a 4% increase.
- B&Q UK trialled 62 major eco-refits of customer homes. The company won the 2010 Observer Ethical Business Award for its role in demystifying ecological issues in the mass market.
- B&Q UK is transforming an end-of-terrace three-bedroom house into a low-carbon eco home which will act as a test-bed to trial the latest eco technologies.



Eco innovation award

Castorama France encourages sustainable product innovation through its annual eco product award. First place in the 2011 award went to an insulation product made from natural fibres (recycled paper and wood). The company has launched a new 'C'est Éco' logo to highlight its extensive range of eco products to customers in store and online.



Energy-saving centres

B&Q launched its first 'energy-saving centre' in the Liffey Valley store in Dublin. This is a dedicated centre within the store to help customers save energy in the home and reduce bills. It offers a range of energy-saving products, home energy assessments and eco installation services, including solar thermal water heating, insulation and boiler refits.

Communities

To have a positive impact on all the communities we operate in.

Key achievements 2010/11:

- Our employees spent 26,000 work hours on community volunteering activities.
- £1,598,000 invested in charity and community projects. This included cash donations (£952,000) and gifts in kind (£443,000 – retail cost) as well as time given by our employees (£203,000).
- Kingfisher corporate centre has been supporting an HIV/Aids education and development project in South Africa since 2002. This includes a mobile clinic for rural workers who do not have easy access to healthcare services, which has seen over 40,000 people since it was first set up.



Modernising libraries in China

B&Q China launched a new project to help schools in rural areas modernise their libraries. Schools in Sichuan and Guangdong have had libraries redecorated and equipped with new computers and books. The company also has an education sponsorship programme for children. An annual store competition is run to recognise the stores that make the greatest contribution in their local communities.

Timber

To sell timber only from proven well-managed forests or recycled sources.

Key achievements 2010/11:

- 81% of reported timber volume sold from proven well-managed forests or recycled sources – ahead of our target of 75%.
- B&Q UK is the first major retailer to achieve its goal of buying all timber products from proven well-managed or recycled sources (see below).
- Overall winner of the 2010 Business Commitment to the Environment (BCE) Award for spearheading sustainable timber sourcing.



B&Q UK 100% responsible timber sourcing

Following a 20-year campaign, B&Q UK has fully completed the transformation of its timber supply chain – sourcing all of its timber products from proven well-managed forests or recycled sources since February 2011. The company now offers the largest range of 'good wood' on the market – more than 16,000 products made from or containing responsibly sourced timber. A 'Forest Friendly' campaign has been developed in order to raise customer awareness of the importance of sustainable timber.

Our own operations

Key achievements 2010/11

■ We have made good progress in reducing our carbon footprint and waste impacts relative to our sales since our target baseline of 2006/07.

- We have achieved a 25% reduction in CO₂ equivalent emissions from energy and transport per £ million retail sales since 2006/07 – currently exceeding our 2011/12 target of a 20% reduction. This is partly the result of improvements in energy efficiency, e.g. B&Q UK's £2.3 million investment in energy-efficient lighting in 2010/11 – anticipated to save around £0.9 million annually (with a payback period of around 2.4 years).
- We have cut our store waste disposed per £ million retail sales by 64% since 2006/07 – currently ahead of our 2011/12 target of a 50% reduction. This improvement has been driven by our UK and French businesses, which have successfully transformed their approach to waste management, delivering significant waste reductions and cost savings (see Brico Dépôt France example below).

■ Over the past year, we have also achieved a 3% absolute reduction in our CO₂ equivalent emissions from energy and transport and a 36% reduction in our total store waste disposed.

■ A Property CR Network was set up in 2010 to promote the exchange of sustainability best practice across the Group. We are planning a series of 'learning stores' which champion low-carbon and sustainability innovation – one of the first will be opened by Castorama Russia.



Waste savings – Brico Dépôt France

Brico Dépôt France has significantly cut waste by setting specific waste targets for every store manager. The store recycling rate has increased from 34% in 2008/09 to 61% in 2010/11 – helping to reduce waste costs by €1.6 million in 2010/11 (compared to 2008/09).

Our Steps CR programme

Our Steps CR programme was launched in 2005, setting out a detailed programme of action for our operating companies. We measure three levels of progress – 'minimum action', 'policy target' and 'leadership position' – across 14 key issues. We set a requirement for our existing businesses to meet the 'policy target' level across all issues by 31 January 2011.

In the UK and France, our businesses have achieved our target. Our two largest businesses have also gone beyond this to meet the higher 'leadership position' on a number of issues – B&Q UK has achieved 'leadership position' on nine issues and Castorama France has achieved 'leadership position' on five issues.

In other countries, good progress has been made against our Steps programme, but three of our businesses have not yet achieved full implementation of our 'policy target' criteria in line with Group timescales. We will be working closely with these three businesses to ensure they address the 'policy target' gaps during 2011.

We recognise that our work towards sustainability is a journey and there will be challenges along the way. However, we are committed to reporting transparently on our progress and to learning from these challenges.

Our Steps programme has helped us put in place strong foundations and we will seek to build on these through our new 2020 CR vision.



Low-carbon store – Quimper, France

We have incorporated sustainability features into a number of new flagship buildings. For example, Castorama France's new store in Quimper, South Brittany incorporates a range of low-carbon technologies. These include 330m² of solar panels to generate electricity, solar thermal water heating, a green roof for the building yard and a local nature conservation plan.

Key performance indicators

Assurance

	2008/09	2009/10	2010/11
Our products and services			
Timber: Reported timber volume sold from proven well-managed forests or recycled sources (% of timber volume sold)	72%	77%	81%
Our stores and operations			
Carbon footprint – relative impact: CO ₂ equivalent emissions from energy and transport (tonnes per £ million retail sales)	53.0	45.8	44.5
Carbon footprint – absolute impact: CO ₂ equivalent emissions from energy and transport (thousand tonnes)	536	487	472
Energy: Store energy efficiency (kWh/m ² of total sales area)	210	197	204
Transport: Dedicated fleet efficiency (litres of fuel used per m ³ of product delivered to stores)	4.27	4.11	4.02
Waste – relative impact: Store waste disposed (tonnes/£ million retail sales)	12.2	10.5	6.8
Waste – absolute impact: Store waste disposed (thousand tonnes)	124	112	72
Our customers			
Eco product sales: Total value of sales of eco products (£ billion)	0.67	1.01	1.10
Our people			
Health and safety: Total lost-time accident rate – major and over three-day lost-time accidents (number per 100,000 full-time equivalent employees)	3,437	3,394	3,425
Diversity: Women in management positions (% of managers)	27%	29%	29%
Our community			
Community: Total community investment (£ thousand)	1,378	941	1,598
Our suppliers and partners			
Factory audits: Number of factories which supply the Kingfisher Sourcing Organisation that had on-site ethical audits	411	541	478
Our economic growth			
Business opportunity: % contribution of eco products to total sales	6.6%	9.5%	10.5% ¹

See our full CR Report online (www.kingfisher.com/CR) for an explanation of data trends and the explanatory notes about the data.

The KPIs on this page have been reviewed by Ernst & Young LLP, May 2011.

We aim to ensure that the information in our CR Report (both this summary report and our full-length web-based report) is accurate, material and responsive to stakeholder concerns. We have therefore put in place three types of assurance to help us achieve this.

Stakeholder Panel

Our CR Report is subject to an annual review by an independent Stakeholder Panel of CR experts. Members of this year's Panel were:

Sally Uren (Chair)
Forum for the Future

Seb Beloe
Henderson Global Investors

Craig Bennett
Friends of the Earth

Dave Bygraves
FinnForest

Jo Daniels
Business in the Community

Alisdair Gray
European DIY-Retail Association (EDRA)

Catherine Pazderka
British Retail Consortium



Data assurance

Our Group CR data has been independently reviewed by Ernst & Young.

Internal audit

As part of our overall assurance process, Kingfisher's internal audit team conducts reviews of specific aspects of our CR programme, for example, carbon emissions during 2010/11.

The statements from the Stakeholder Panel and Ernst & Young can be found on our website
www.kingfisher.com/CR_Assurance

¹ Rounded up to 11% in the Kingfisher Annual Report and Accounts 2010/11.



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Kingfisher's full CR Report is available at:
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