

# Steps to Sustainable Living

Corporate Responsibility Summary Report 2006/07



KING  FISHER

Welcome to Kingfisher's Corporate Responsibility (CR) Summary Report which covers the financial year 29 January 2006 – 3 February 2007.

The full report is published on the website at [www.kingfisher.com/CR06](http://www.kingfisher.com/CR06)

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This report covers the six key focus areas in our Steps programme. It also includes other CR areas – employment, health and safety, and governance and ethics – which are managed alongside the Steps programme.



# Kingfisher's key CR achievements 2006/07

Achieved the highest ranking (Platinum) in the Business in the Community CR Index, with a score of 97% – placing the company joint sector leader. As a result, Kingfisher was included in the list of Companies that Count, published by the Sunday Times in May 2007.



Awarded Business in the Community's 'Big Tick' in the 2007 Impact on Society Award category.

Selected as one of the Global 100 Most Sustainable Corporations; a list researched by Innovest Strategic Value Advisors Inc. and announced at the World Economic Forum.



Included in the two major socially responsible investment indices – the FTSE4Good and Dow Jones Sustainability Index (DJSI). The score in the DJSI significantly improved from 28% in 2002 to 65% in 2006 (compared to an industry average of 38%).



FTSE4Good



Dow Jones  
Sustainability Indexes  
Member 2006/07

CR performance linked to personal objectives and related bonuses for a number of directors and senior managers. Set new requirement for each operating company to report progress on key CR issues in their Strategic Operational Review.

Climate change strategy in development. Project underway with the Carbon Trust to calculate the Group's carbon footprint and identify ways to reduce this.

Set first Group quantitative targets on energy, waste and sustainable timber sourcing.

Started work with the sustainable development organisation Forum for the Future to develop a sustainability vision and strategy for the next decade.

Operating companies have taken big steps forward to promote low environmental impact products to consumers. For example, Castorama France's partnership with WWF (page 14), B&Q China's 'Better Home' campaign (page 14) and B&Q UK's launch of wind turbines and solar panels (page 18).

# About Kingfisher

Kingfisher is the leading home improvement retailer in Europe and Asia, and the third largest in the world. Kingfisher operates 720 stores in 11 countries. These include:

## UK – 49% of retail sales

- B&Q – 324 stores
- Screwfix – 38 stores
- Trade Depot – 4 stores



## France – 34% of retail sales

- Castorama – 98 stores
- Brico Dépôt – 81 stores



## Rest of Europe – 12% of retail sales

- Castorama Poland – 34 stores
- Brico Dépôt Poland – 1 store
- Castorama Italy – 27 stores
- Brico Dépôt Spain – 10 stores
- B&Q Ireland – 7 stores
- Koçtaş Turkey – 10 stores
- Castorama Russia – 3 stores



Kingfisher has a 21% stake in, and strategic alliance with, Hornbach, Germany's leading DIY warehouse retailer.

Kingfisher also has a 21% stake in, and strategic alliance with, Hornbach, Germany's leading DIY warehouse retailer which operates over 120 stores in Germany and seven neighbouring countries.



## Asia – 5% of retail sales

- B&Q China – 58 stores
- B&Q Taiwan – 21 stores
- B&Q South Korea – 2 stores



See page 44 for details of the scope of the data within this report.

## Key figures

	2005/06	2006/07
Retail sales (£million)	8,010	8,676
Retail profit (£million)	533.1	503.7
Employees (thousand full-time equivalents at year end)	65.9	69.9

**Note:**

Employee data includes operating companies and joint ventures (but excludes other administration functions).

# Introduction from the Group Chief Executive

Welcome to the 2006/07 Corporate Responsibility Report.

## How do you ensure a consistent approach to CR across Kingfisher's international operations?

Kingfisher today operates in 11 countries in Europe and Asia – countries with varying social, consumer, political and legislative frameworks. Our overriding priority is to set consistent and achievable environmental and social standards for all our companies around the world; something we seek to do through our Steps to Responsible Growth programme.

## How do you personally ensure that CR is effectively embedded across the business?

It's on the agenda for the Executive Committee which reviews CR progress every six months. We have also linked CR performance to senior managers' objectives and related pay.

## What are the key challenges and opportunities?

In the past few years we have seen a significant shift in consumer awareness of environmental issues, which presents both a challenge and an opportunity. The challenge is to make sure that we manage our business responsibly and take a long term view. The opportunity is to capitalise on this interest by offering products to homeowners and trade professionals to enable them to respond to this agenda in a positive and proactive way.

## What are you doing to develop lower impact products?

Many of our companies have been very active in this area. For example in France, Castorama has teamed up with the conservation organisation WWF and has a partnership logo attached to over 1,700 products. B&Q China has launched its 'Better Home' campaign that combines great value, high quality products with environmental responsibility. In the UK, B&Q ran a national campaign on energy efficiency and developed a range of micro generation products (solar panels and wind turbines) to enable consumers to generate electricity for their homes. I'm delighted to report that this initiative won the Retail Week Award for CSR.

## What are your priorities for the future?

We have set quantitative targets for the first time this year in key areas including waste and energy management. We're also working with Forum for the Future, a project that I am personally leading, to develop a long term sustainability strategy for Kingfisher. By taking a strategic view of these important trends, I'm convinced that we can manage our business better, not only in terms of managing the risks but also the opportunities. At Kingfisher we and our shareholders want growth, but we want responsible growth, and this report outlines what we're doing to achieve this.

**Gerry Murphy**  
Group Chief Executive

*The above is an extract from Gerry Murphy's video introduction which can be seen on the Kingfisher website – see [www.kingfisher.com/CR06\\_CEO](http://www.kingfisher.com/CR06_CEO)*

## Introduction from the Director of Corporate Responsibility

This year's focus has been driving forward our Steps to Responsible Growth social and environmental management programme and I'm delighted to report that our operating companies are making good progress towards achieving the *minimum action* criteria on all 12 key issues by the end of this year.

Whilst Steps provides a pragmatic framework for our work, the real challenge is how we embed CR principles into our everyday lives; and in this area there are no quick fixes. In order to improve understanding and raise awareness, we are working closely with the Kingfisher Commercial team to deliver training to operating companies in areas such as chemicals and timber, and it's good to see the increase in the number of energy efficient and lower impact product ranges now being sold in our stores. We have also produced guidance for the businesses on energy, waste and packaging and have continued to run workshops for our suppliers' factory managers. In addition, our CR Steering Group, which brings together representatives from each of our operating companies, provides a valuable forum for sharing information and experience across the Group.

We expect commitment and buy-in right from the top and have further embedded CR principles into the business by linking CR performance to the personal objectives and related bonuses for a number of directors and senior managers. In addition, our Chief Executives are now reporting progress on key CR issues as part of their annual Strategic Operational Review.

We also recognise that the CR agenda for businesses continues to evolve and following feedback from our stakeholders, we have extended our report to cover a number of additional issues, including health and safety, employment and governance.

As well as setting new quantitative targets, we have identified a number of key focus areas for next year in which we will be establishing some Group-wide initiatives. These include carbon management and climate change, timber, chemicals and supply chain standards. We are also working to introduce some Group diversity standards and developing a CR risk register, which will enable us to monitor further the increasing impact of social and environmental issues across our business.

Our Steps programme will keep us on track to ensure we meet our CR policy commitments and targets over the next five years. However, we know that the world around us is changing rapidly and we need to prepare for future sustainability risks and opportunities. We are working with Forum for the Future to help develop a sustainability vision and strategy for the next decade and beyond.

**Ray Baker**  
Director of Corporate Responsibility

# Kingfisher's Vision and Policy

## Vision

Kingfisher's Vision for CR is *to ensure that the long-term development of our business is sustainable and reflects the values and expectations of our communities.*

## CR Policy

Kingfisher's CR policy identifies six key focus areas. The focus areas cover 12 specific issues.

6 key focus areas

12 issues

### Environmental

#### 1 Product stewardship

1 Chemicals

2 Timber

3 Supplier environmental performance

4 Product environmental and social impact

#### 2 Climate change

5 Energy

6 Transport

#### 3 Sustainable operation

7 Product disposal

8 Waste

9 Packaging

### Social

#### 4 Supply chain

10 Factory working conditions

#### 5 Community investment

11 Store neighbourhoods

#### 6 Equality and diversity

12 Respect for the diversity of people

## Code of Conduct

Kingfisher's Code of Conduct sets out minimum standards for ethical business practice. It also outlines the Group's approach to employment issues and health and safety. The Code was reviewed and updated in 2007. It applies to all employees and contractors across the Group.

## CR responsibility

Kingfisher's Chief Executive has overall responsibility for CR and under his direction the Executive Committee sets the CR strategy and reviews progress. The Chief Executive of each operating company is responsible for policy implementation within their respective business. There is also a CR Steering Group which brings together representatives from each operating company to discuss progress and share best practice.

# Steps to Responsible Growth

## Setting consistent standards

Kingfisher has businesses in 11 countries across Europe and Asia and operates within a range of different consumer cultures, legislative environments and economic frameworks. Against this backdrop, a key priority is to ensure consistent social and environmental standards across Kingfisher’s diverse international operations. In response, Kingfisher has developed an environmental and social management system, Steps to Responsible Growth (referred to as Steps), to ensure implementation of CR policy commitments across the Group.

Steps sets out specific actions that all operating companies must take to meet the 12 CR policy commitments (there are 165 requirements in total). It identifies three levels of progress for each issue:

	<b>Minimum action</b> – a meaningful start with a commitment to improve	
	<b>Policy target</b> – meeting the basic requirements of the policy	
	<b>Leadership position</b> – recognised as a leader in action and debate	

## Steps targets

Clear timescales have been set to drive improvement:

Operating companies to achieve minimum action level on all 12 issues by the end of January 2008.

Operating companies to achieve the policy target level on all 12 issues by the end of January 2011.

Kingfisher’s newest operating companies – Trade Depot, Castorama Russia and Brico Dépôt Spain – have an extra year to achieve the targets.

## Monitoring performance

The progress of each operating company is monitored twice a year through an online questionnaire, which tracks progress against the 165 requirements. Operating companies are asked to identify if the action is completed (2 points), in progress (1 point) or not yet started (0 points). The results for each operating company are reported on the Kingfisher website. Assurance is provided annually by URS Verification.

### Example of the Steps questions

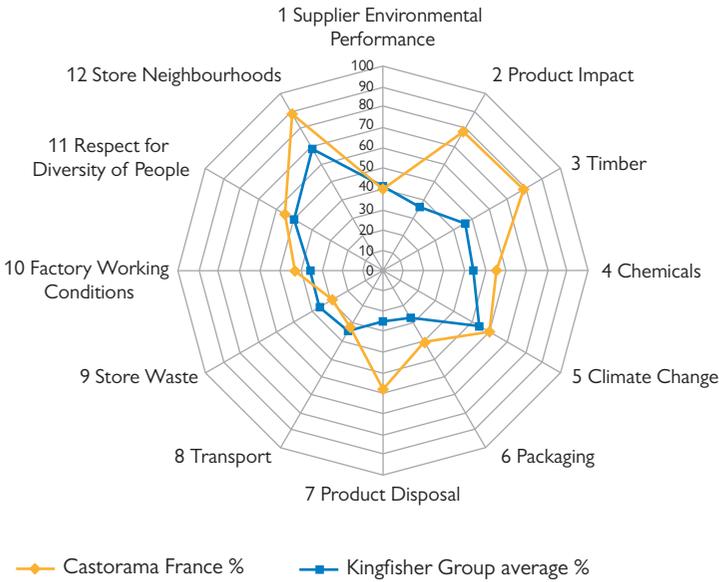
5 Climate change		
MINIMUM ACTION	LIST SUPPORTING EVIDENCE e.g. titles of procedures, action plans, data sets etc.	FOR VERIFICATION PURPOSES: Where is the information held? Who is responsible?
<b>Requirement</b> 2. Provide data on CO <sub>2</sub> emissions associated with annual energy consumption.	YES <input type="checkbox"/> IP <input type="checkbox"/> NO <input type="checkbox"/>	<input style="width: 100%; height: 30px;" type="text"/>
3. Provide an action plan to identify opportunities for energy saving in company buildings.	YES <input type="checkbox"/> IP <input type="checkbox"/> NO <input type="checkbox"/>	<input style="width: 100%; height: 30px;" type="text"/>

## Country specific reporting tool

Kingfisher’s web-based country specific reporting tool shows the Steps scores and level reached by each operating company. It is updated twice a year. See [www.kingfisher.com/CRT](http://www.kingfisher.com/CRT)

### Example chart

**Castorama France**  
 (% score for the Steps questions as at 31 January 2007)



## Training and awareness

Over the past year, Kingfisher has been working closely with its operating companies to provide guidance and support on implementation of the Steps requirements. Workshops and training courses have been run on chemicals, timber and factory working conditions. Guidance has also been produced on energy, waste and packaging. Kingfisher’s CR team has also run training sessions on CR and the Steps programme for Kingfisher’s newest operating companies – Trade Depot, Castorama Russia and Brico Dépôt Spain.

In order to raise general awareness of CR issues amongst employees, Kingfisher has initiated an internal CR communications campaign.

## Stakeholder engagement

Kingfisher and its operating companies are committed to engaging with stakeholders in order to identify and understand issues of importance to them. In 2006, a Public Affairs Profile Strategy was developed to ensure effective stakeholder engagement and consistency in communication across the Group.

A review of stakeholder engagement is being carried out to identify the different types of engagement across the Kingfisher operating companies. See the website for further details of engagement [www.kingfisher.com/CR06\\_Engagement](http://www.kingfisher.com/CR06_Engagement)

Kingfisher is involved in the following CR networks and forums:

**Forum for the Future's Business Network** – Kingfisher has started to work with Forum for the Future to develop a sustainability strategy for the next decade (see page 10).

**Business in the Community (BITC)** – Kingfisher is a member of BITC and participates in the annual CR Index. Kingfisher's Group Chief Executive, Gerry Murphy, sits on the BITC Marketplace Impact Taskforce and contributed to the development of their Marketplace Responsibility Principles.

**Corporate Leaders Group (CLG) on Climate Change** – The Chief Executive of B&Q UK, Ian Cheshire, participates in the UK CLG on Climate Change on behalf of B&Q and Kingfisher. Ray Baker, Kingfisher's Director of CR, sits on the Working Group. In addition, Kingfisher has joined the newly formed European CLG on Climate Change and the Kingfisher Public Affairs Manager will sit on the Working Group.

**CSR Committee of EuroCommerce** – Ray Baker is Chair of this CSR Committee.

**European DIY Retail Association (EDRA)** – George Adams, Kingfisher's Managing Director of European Development, is the President of EDRA and Kingfisher's Public Affairs Manager participates in the EDRA Environment Group.

**Active Citizenship Network (EU funded research programme)** – Kingfisher participated in this project to identify and share good practice in developing corporate partnerships.

**DEFRA Procurement Task Force** – George Adams, Kingfisher's Managing Director of European Development, participated in this task force on behalf of Kingfisher.

**European Retail Round Table (ERRT)** – Gerry Murphy is the company's representative on the CEO Committee. Helen Jones, Director of Governance and Corporate Services, is the Business Group representative and currently chairs their meetings.

**DTI Retail Enforcement Pilot** – Gerry Murphy is the principal retail sponsor, working with the Government to deliver a more effective risk based enforcement of regulation to provide better outcomes for the consumer, local authorities and retailers. Helen Jones participates in the steering group, working with the Better Regulation Executive (BRE) personnel to move the project forward.

**British Retail Consortium (BRC)** – Ray Baker is Chair of the CSR Policy Advisory Group.

## Socially responsible investment (SRI)

The company recognises that good CR performance can benefit the business by attracting investment from SRI funds. Kingfisher seeks to engage with investors on CR issues and started a series of SRI investor roadshows in 2006. Ten investors attended roadshows in London and Paris in 2006 and further meetings are planned in 2007.

Kingfisher is included in the two major SRI indices – the FTSE4Good and the Dow Jones Sustainability Index (DJSI). The Group's score in the DJSI has significantly improved from 28% in 2002 to 65% in 2006 (compared to an industry average of 38%). Kingfisher has also been included in the ECPI Ethical Index Global.

Kingfisher is participating in the CRE Platform, set up by the London Stock Exchange and now run by ICSA (Institute of Chartered Secretaries and Administrators) Software.

## Stakeholder feedback

As part of the assurance process (see page 45), URS Verification interviewed a number of CR opinion formers to obtain an external perspective on Kingfisher's CR performance during 2006. The following are a selection of comments, chosen independently by URS.

*“Kingfisher has made good progress this year, linking CR performance to senior managers’ objectives and introducing quantitative targets for the first time in a number of areas. The challenge ahead is to ensure that the long-term sustainability strategy that’s currently under development is truly integrated in the realities of the business – and to show how performance on environmental and social issues helps to motivate staff and attract consumers.” Nick Robbins, Henderson Global Investors*

*“Kingfisher’s donations to Save the Children, including financial, staff time and materials, and its involvement in the Jin Xing Centre have helped to create a very successful project. The Centre is already making a huge difference and will have a lasting and direct impact on the lives of children in Yunan Province, China, bringing forth dramatic change for children.” Save the Children*

*“Kingfisher has developed an intelligent approach, in its Steps programme, to addressing the diverse nature of its global businesses where different regulatory requirements exist, and where different social responsibility issues are important. Kingfisher's focus on sustainability in its product range i.e. FSC certified timber and energy efficient products encourages consumers to think about sustainability issues in their purchasing decisions; they may face growing pressure to similarly remove products that will be seen by many as unsustainable but which are popular with some customers such as outdoor patio heaters. Kingfisher could be more aggressive and use its influence to encourage consumer change.” Mallen Baker, Business in the Community*

*“Kingfisher is a leader in driving the sustainable timber sourcing agenda in the UK.” Pat Venditti, Greenpeace UK*

*“Kingfisher is transparent in its communications; it has a history of sharing openly its social responsibility practices with its peers, in particular within our member network.” European DIY Retailers Association*

See Kingfisher's website for details of how Kingfisher responds to feedback.

## Kingfisher's targets

Kingfisher has set a number of specific environmental and social targets in addition to its targets on implementation of the Steps programme (see page 6). This is the first year the Group has set quantitative targets on energy, waste and timber. As a result, they have been set over a five year period to give operating companies time to make improvements.

### Environmental

**Energy** – Achieve a 10% reduction in store energy consumption per m<sup>2</sup> of total sales area by 2011/12 against the 2006/07 baseline. In addition, Kingfisher is planning to set a greenhouse gas reduction target in 2007/08 as part of its work to develop a climate change strategy. A number of operating companies will set their own specific climate change targets during 2007.

**Waste** – Achieve a 10% reduction in tonnes of store waste disposed per £ of retail sales by 2011/12 against the 2006/07 baseline.

**Timber** – 75% of timber volume sold to be proven as well managed (Kingfisher's three tiers of certification) or recycled by 2010/11.

**Chemicals** – All operating companies to have an ongoing programme to engage with vendors over the use of chemicals of concern (identified on Kingfisher's Chemical Action List) by 2010/11.

### Social

**Factory working conditions** – Introduce a Group-wide vendor/factory assessment process to check compliance with the Kingfisher Code of Conduct on Factory Working Conditions in 2007/08.

**Diversity** – Develop guidance on diversity for operating companies in 2007/08.

These targets are designed to challenge the Group to improve performance. However, it can be difficult to forecast future performance and therefore they will be reviewed on an annual basis and adapted if necessary to ensure they remain challenging.

### Developing a sustainability strategy for the future

Kingfisher recognises that global sustainability issues such as climate change and deforestation will require companies to change significantly the way they do business over the long-term. Therefore, Kingfisher has started to work with Forum for the Future to develop a sustainability strategy for the next decade.

As a first step, Forum for the Future facilitated a workshop for the Kingfisher Executive Committee in January 2007. The discussions focused on identifying what a sustainable business would look like in a changing society and the key priorities for the future. Forum for the Future is continuing to work with the Kingfisher CR team to develop a long-term sustainability strategy during 2007.

## Environmental Product stewardship

### Our aims:

- to build active partnerships with our suppliers in order to develop more sustainable supply chains for all the products we sell
- to give our customers confidence that the environmental and social issues associated with the products they buy from us are properly managed
- to ensure that our wood and paper products come either from proven, well-managed forests or recycled material
- to ensure that the products we sell do not adversely affect the health of our customers, or employees, or that of their environment



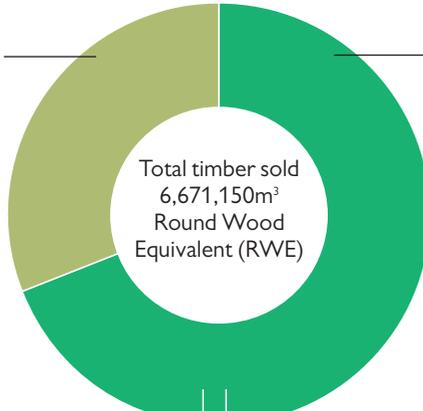
## Key performance indicators

### Timber certification

#### Timber certified or recycled 2006/07

31% Timber not certified or recycled (2.06million m<sup>3</sup> RWE)

69% Timber certified (tiers 1-3) or recycled (4.61million m<sup>3</sup> RWE)



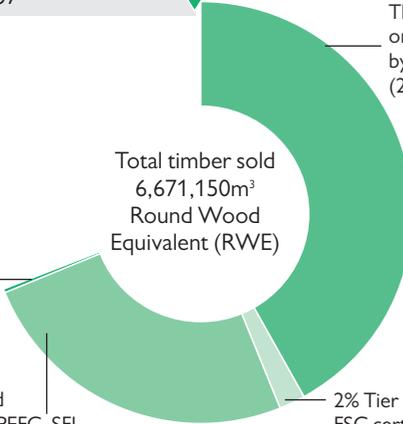
#### Breakdown of timber certified or recycled 2006/07

42% Tier 1 – sustainable forestry schemes. The FSC is currently the only scheme recognised by Kingfisher in tier 1 (2.81million m<sup>3</sup> RWE)

2% Tier 2 – working towards FSC certification, e.g. Tropical Forest Trust (TFT) (0.12million m<sup>3</sup> RWE)

25% Tier 3 – other third party certification, e.g. PEFC, SFI, Finnish Forestry Certification Scheme (1.66million m<sup>3</sup> RWE)

0.3% Recycled timber (0.02million m<sup>3</sup> RWE)



**Note:**

Data was collected from operating companies and joint ventures which account for 93% of the Group turnover.

Data covers products made entirely of timber; with the exception of data from B&Q UK which includes all products containing even a small percentage of timber.

### Chemicals

	2005/06	2006/07
Average Volatile Organic Compounds (VOCs) in own brand paint ranges (g/litre)	unavailable	99
Number of operating companies and joint ventures with an action plan to identify products that contain chemicals of concern on the Kingfisher Chemical Action List	2	6

**Note:**

This is the first year that data has been collected for VOCs in own brand product ranges. VOC data was not available for Castorama Poland; Castorama France estimated figures based on data from last year; B&Q Taiwan extrapolated data from a sample.

## Summary of progress

### Timber sourcing

Kingfisher gathered Group-wide data on the volume of certified timber sold for the first time this year.

Data was collected for the three tiers of certification (as shown in the chart opposite), which are identified in Kingfisher's Timber Buying Standards.

The data shows that 69% of timber sold is certified as well managed (tiers 1-3) or recycled.

Kingfisher's long-term goal is to ensure that all timber falls within the three tiers of certification and that operating companies progressively increase the proportion of timber in tier 1. A target has been set for 75% of timber sold to be proven as well managed (Kingfisher's three tiers of certification) or recycled by 2010/11.

The FSC is currently the only scheme recognised by Kingfisher in tier 1. However, Kingfisher has been working with the Rainforest Alliance to review if any other certification schemes meet the Kingfisher tier 1 criteria.

Kingfisher requires all operating companies to develop an action plan by the end of January 2008 to trace the country of origin and tree species of timber purchased.

This information is important to help prevent the purchase of timber from controversial sources and is already gathered by B&Q UK, Castorama France, Castorama Italy and Screwfix. Kingfisher has developed red and amber lists of timber and sources to be avoided.

A pilot workshop was run for buyers at Koçtaş to raise awareness of sustainable timber sourcing issues. The plan is to roll this out to other Kingfisher operating companies and Overseas Sourcing Offices during 2007.

Since 2004, B&Q UK has achieved the top A grade in the Greenpeace league table of garden furniture retailers. In 2006/07, 72% of all timber volume sold by B&Q UK was FSC certified (71% in 2005/06).

### Managing chemicals

Six operating companies have action plans in place to manage chemicals in products.

In 2005 Kingfisher developed a Chemical Action List which identifies chemicals of most concern to its customers and other stakeholders. Kingfisher requires all operating companies to develop an action plan by the end of January 2008 to identify products containing these chemicals and work with vendors to investigate opportunities for removal or substitution. So far B&Q China, Castorama Italy, Castorama France, Screwfix and Koçtaş have developed action plans and B&Q UK engages with vendors through its DIY Detox Initiative (see page 14).

A chemicals workshop was organised for Kingfisher operating companies to provide guidance on managing chemicals.

It is a big task to identify all the products containing substances on the Chemical Action List. Therefore, Kingfisher operating companies are encouraged to take a staged approach – focusing first on new and high risk products. Chemical Declaration Forms have been developed for Kingfisher operating companies to gather the information from vendors. The forms cover key product categories and specify the maximum permitted level of action list chemicals in different products.

## Case studies

### Castorama France

partners with the conservation organisation WWF

In March 2006, Castorama France signed a three year partnership with the conservation organisation WWF to promote sustainable products to consumers and support their campaigns on chemicals, timber and climate change. The WWF/Castorama France 'Partners for the Planet' logo is now shown on over 1,700 products. For example, these include FSC certified timber, paint with the European Eco-label and energy efficient products.

A May 2006 mail out to customers highlighted the WWF campaigns and promoted lower environmental impact products. A guide for customers "Ma Planete c'est ma Maison" (My Planet is my Home) has also been produced with WWF and will be made available in stores in May 2007.



### B&Q China

launches 'Better Home' campaign

B&Q China launched its 'Better Home' campaign in March 2007 to promote lower environmental impact products to customers seeking a more sustainable home and lifestyle. The 'Better Home' logo is shown on products such as timber obtained from sustainable sources, energy saving lighting and appliances, low VOC paints and water saving devices. The company has published a 'Better Home' catalogue of products and developed a customer education campaign including store posters and leaflets. The promotion of quality products with environmental credentials is helping to create a unique offering in the Chinese market and attracting new customers.



B&Q China is also working with Greenpeace to raise public awareness of the importance of using sustainable wood products. In-store leaflets explain to customers the benefits of certified wood and dedicated sales areas raise awareness of sustainable timber sourcing.

### B&Q UK

DIY Detox initiative

B&Q UK continues to manage chemicals through its DIY Detox initiative. All vendors are required to identify if their products contain any of the chemicals on its Detox Lists. In 2006, a chemical audit was carried out of a range of own-brand products including wallpaper, paint, varnishes, adhesives, pesticides and biological active formulations. This helped to establish the level of compliance with its Detox requirements and provided an insight into the future impact of the EU's REACH regulation.

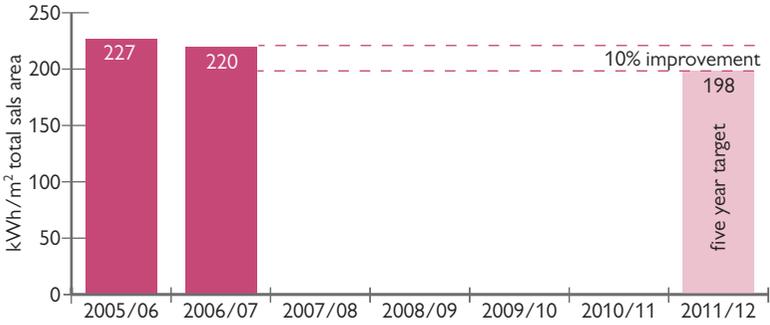
The company has worked with a number of vendors to remove key phthalates from products. It has also started work to eliminate use of PVC within own brand packaging and source alternative materials for items such as shower curtains. Collaboration with paint suppliers has also resulted in the development of water-based paint technologies and work is underway to develop a range of natural paints.



## Key performance indicators

### Store energy use

#### Energy efficiency (kWh/m<sup>2</sup> total sales area)



	2005/06	2006/07
Energy (GWh)	1,092	1,129
CO <sub>2</sub> from energy (thousand tonnes)	369	413
Energy efficiency (kWh/m <sup>2</sup> total sales area)	227	220
Energy efficiency (kWh/m <sup>2</sup> internal sales area)	unavailable	279

**Note:**

CO<sub>2</sub> has been calculated in line with the UK Government (DEFRA) Guidelines for Company Reporting on Greenhouse Gas Emissions. Country-specific CO<sub>2</sub> emission factors for electricity (outside the UK) are from the International Energy Agency (IEA), 2003.

68% of energy used was from indirect sources (electricity) and 32% was from direct sources (natural gas, gas/diesel oil, LPG).

Energy and CO<sub>2</sub> emissions for 2005/06 have been adjusted to reflect improvements to data collection systems and a switch from the IEA to DEFRA CO<sub>2</sub> emission factor for UK electricity. Total sales area includes internal and external sales areas.

### Transport – dedicated fleet

	2005/06	2006/07
Diesel (thousand litres)	13,609	15,170
CO <sub>2</sub> from diesel (thousand tonnes)	36	40
Distance travelled (thousand km)	44,432	49,818
Volume delivered (thousand m <sup>3</sup> )	4,103	4,583
Transport efficiency (km per litre)	3.3	3.3
Transport efficiency (m <sup>3</sup> delivered per tonne of CO <sub>2</sub> )	115	115

**Note:**

Transport data covers deliveries from distribution centres to stores made by Kingfisher's dedicated fleets. Deliveries made by non-dedicated fleets and suppliers are not included in the data. Dedicated fleets account for approximately 70% of store deliveries at B&Q UK and approximately 50% of store deliveries at Castorama France. Kingfisher's other operating companies and joint ventures have minimal deliveries by dedicated fleets.

Data for 2005/06 has been adjusted to reflect improvements to data collection systems.

## Summary of progress

### Store energy use

**Store energy efficiency improved by 3% – from 227 kWh/m<sup>2</sup> of total sales area in 2005/06 to 220 kWh/m<sup>2</sup> in 2006/07.**

Kingfisher spent around £70 million on store energy use in 2006/07, which accounts for approximately 1% of the Group turnover. There is therefore a strong financial incentive to save energy. The Group improvement was mainly due to initiatives at B&Q UK which led to an 8% increase in energy efficiency over the year (see page 18). Total Group store energy use and subsequent CO<sub>2</sub> emissions increased due to growth in the business.

**A target has been set to improve energy efficiency of stores by 10% by 2011/12 (from 2006/07).**

Kingfisher is developing a climate change strategy in 2007/08, including a greenhouse gas reduction target. A number of operating companies will set their own specific climate change targets during 2007. Kingfisher has started to work with the Carbon Trust to calculate the Group's carbon footprint and identify ways to reduce its impact.

**Guidance has been produced for Kingfisher operating companies on store energy use.**

This will help the businesses meet the Group requirement to develop an energy action plan by the end of January 2008. So far, B&Q UK, B&Q China, Castorama France, Castorama Italy and Koçtaş have already met this standard.

**Kingfisher is a member of the UK and EU Corporate Leaders Group (CLG) on Climate Change.** This is an alliance of businesses that are committed to taking action on climate change (see page 8).

**Kingfisher participates in the Carbon Disclosure Project (CDP).**

The CDP ([www.cdproject.net](http://www.cdproject.net)) is an initiative to encourage greater corporate disclosure on climate change backed by 284 institutional investors.

**There have been a range of new initiatives to promote energy efficient and energy saving products to customers.**

These include B&Q UK's Energy Efficiency Made Easy campaign (see page 18), Castorama France's partnership with WWF (see page 14) and B&Q China's 'Better Homes' campaign (see page 14).

**A number of stores generate their own renewable energy.**

A range of renewable energy technologies are being incorporated into the B&Q UK store in New Malden, which will open in 2008. Solar panels generate a small proportion of the energy at the B&Q UK stores in Grimsby and Sutton-in-Ashfield. Castorama France has a solar hot water system at the store in Valence and plans to install solar panels at its store in Corneilles (to open 2008). In 2007/08, Kingfisher plans to incorporate sustainable design aspects into further new store developments.

### Transport – dedicated fleet

**Transport efficiency of the dedicated fleet has remained stable over the year.**

B&Q UK and Castorama France's dedicated fleets meet the EURO III standard on emissions (as a minimum). Kingfisher requires all operating companies to have an action plan in place on logistics efficiency by the end of January 2008.

## Case studies

### B&Q UK

runs national energy efficiency campaign

In September 2006, B&Q UK worked with the Energy Saving Trust to launch a national energy efficiency campaign, 'Energy Efficiency Made Easy at B&Q – Go Green Without Going into the Red'. TV adverts were run and seven million copies of a guide on energy efficiency were produced. A roadshow on energy efficiency was attended by 1,315 employees and suppliers. During the campaign, B&Q UK introduced wind turbines and solar panels into its range of products, bringing affordable and green home energy to the mass market for the first time. The campaign has won several awards including the Retail Week Award for CSR and a Business in the Community 'Big Tick' in the Climate Change Award category.

B&Q UK has also improved energy efficiency in stores by 8% this year. In January 2006, an electricity monitoring system was introduced in all mainland UK stores and offices. Monthly performance league tables are sent to store managers to encourage improvement. The company has also put in place green travel plans at over 50 stores.

### Castorama Italy

works with AzeroCO2 on store energy saving project

Castorama Italy has started working with AzeroCO2, the licensee of The Carbon Neutral Company in Italy. As a first step, the carbon footprint of two stores in Rome has been calculated and work is underway to identify and implement energy efficiency measures in stores.

In conjunction with Legambiente, an environmental organisation, Castorama Italy has continued to participate in the national initiative to promote energy efficient light bulbs.

### Koçtaş

rolls out energy saving measures

New power saving equipment for ventilation/air conditioning systems has been rolled out across nine of the ten Koçtaş stores and is forecast to save 6-7% of annual electricity costs. In one store, the company has also started a trial of equipment to reduce electricity for lighting. Koçtaş has also introduced a new energy saving logo to promote sales of energy efficient products.

### B&Q Taiwan

launches energy efficient air conditioning

B&Q Taiwan is planning to sell an energy saving device for air conditioning units across stores in April 2007. It achieves typical energy savings of around 30% on air conditioning and has a payback period of less than a year.

### Castorama France

uses rail and shipping alternatives to road

At the new logistics centre in Chartres, near Paris (opened September 2006), the use of rail and shipping alternatives has helped to save the equivalent of around 500 truck-loads per month. Over 4,000 equivalent truck-loads were transported via barge during 2006.

# Environmental Sustainable operation

## Our aims:

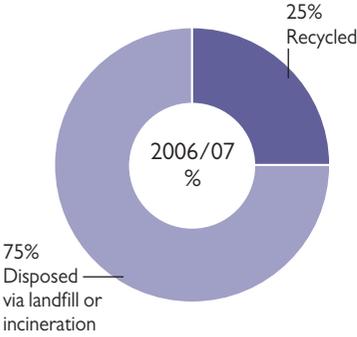
- to increase the quantity of Kingfisher products that are reused or recycled
- to reduce the amount of waste generated by our stores and other activities
- to minimise the amount of packaging associated with our products and, where packaging is unavoidable, to reduce the impact of its use



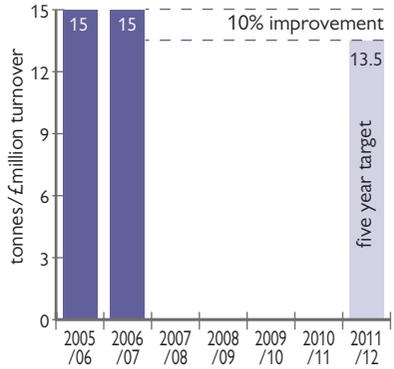
## Key performance indicators

### Store waste and recycling

Waste recycled  
2006/07 (%)



Waste disposed  
(tonnes/£million turnover)



	2005/06	2006/07
Waste disposed (thousand tonnes)	122	136
Waste recycled (thousand tonnes)	48	45
Waste recycled (% of total waste generated)	28%	25%
Waste disposed (tonnes/£million turnover)	15	15

Breakdown of materials recycled:	2005/06	2006/07
Wood (thousand tonnes)	23	19
Paper/card (thousand tonnes)	20	21
Other (thousand tonnes)	5	5

**Note:**

Waste disposed includes non-hazardous and hazardous waste to landfill and incineration. It excludes building rubble/waste.

Data was collected from operating companies and joint ventures which account for 61% of the Group turnover. Estimates have been made for the unreported element.

Data for 2005/06 has been adjusted to reflect improvements to data collection systems.

### Store water use

	2005/06	2006/07
Estimated water use (thousand m <sup>3</sup> )	unavailable	1,215

**Note:**

Store water data is collected from a combination of meter readings and cost. Data was reported by operating companies and joint ventures which account for 65% of the Group turnover. Estimates have been made for the unreported element.

## Summary of progress

### Store waste

**The store waste disposed (to landfill and incineration) has remained stable at 15 tonnes per £million turnover.**

A target has been set to reduce the tonnes of store waste disposed per £million turnover by 10% by 2011/12 (from 2006/07). The aim is to achieve this through waste minimisation and recycling initiatives.

**Guidance has been produced for Kingfisher operating companies on waste and recycling.**

The proportion of waste recycled has fallen from 28% to 25% over the year, due to a decrease in recycling rates within some operating companies which is being addressed through the development of new waste management strategies in 2007/08. Kingfisher is working to drive improvement by requiring that all operating companies develop an action plan to increase recycling by the end of January 2008.

**A number of operating companies, including B&Q UK and Castorama France, have already carried out waste management reviews.**

B&Q UK backhauls card, soft plastic, wood and metal from stores to regional distribution centres for recycling. The company has carried out a waste management review to identify ways to minimise waste and increase recycling. It is seeking to extend the range of materials recycled/reused and is planning a trial in six stores to recycle hard plastics.

Castorama France has also carried out a waste management review and plans to put in place a single waste and recycling contractor across all stores to backhaul recyclable materials. The new logistics centre in Chartres, near Paris, includes an area for handling and sorting the recycling. A reverse logistics trial has also started in Venissieux, close to Lyon, for electrical goods that require repair.

**Guidance has been produced for Kingfisher operating companies on packaging.**

This will help our businesses meet the Group requirement to develop an action plan on packaging by the end of January 2008. B&Q UK already has detailed Packaging Guidelines, which specify that own brand packaging should contain a minimum recycled content of 50% (where practical). The company has also worked with WRAP (Waste Resource Action Planning) to trial a returnable transit packaging solution for kitchen worktops delivered directly to customer homes.

**Kingfisher is working to comply with the new European directive on Waste Electrical and Electronic Equipment (WEEE).**

The Directive sets targets for retailers and manufacturers on reuse and recycling of WEEE. It has now been implemented in three countries where Kingfisher operates – the Republic of Ireland, France and Poland. Stores in these countries have set up collection points for customers to return their electrical and electronic waste. Kingfisher operating companies in the UK and Italy are preparing for implementation of the Directive in 2007/08.

In addition, Castorama France and Koçtaş have put in place battery collection boxes in stores and B&Q UK is working with WRAP and other major retailers on a battery take-back trial. New European legislation is being implemented across Europe to make this compulsory.

## Case studies

### Castorama Poland

#### increases plastic packaging recycling

Since 2002, Castorama Poland has been recycling its plastic packaging waste into garden waste bags. These are sold in store at special low prices. The stores sent over 700 tonnes of plastic packaging waste to be recycled in the 12 months until January 2007 – an increase of 150 tonnes compared to the previous year.

### B&Q UK

#### improves water efficiency

B&Q UK set a five year target in 2003/04 to improve store water efficiency by 10% by 2008/09 (from the baseline of 407 litres per m<sup>2</sup> of internal sales area). B&Q UK used an average of 333 litres per m<sup>2</sup> in 2006/07 – achieving an improvement of 18% since 2003/04 (ahead of the target) and a 2% improvement since last year. The company has been working to reduce water consumption in its garden centres through the use of more efficient irrigation systems. There are plans to incorporate rainwater harvesting systems in a number of new stores, which will collect water for use in garden centres and toilets.

In order to help customers reduce their water use, B&Q UK stock a variety of water efficient and water saving products including water butts, drip irrigation systems, mulches (to retain moisture), drought resistant plants, economy showers, dual-flush toilets, and 'A' rated electrical appliances (which are both energy and water efficient). B&Q UK ran a 'water saving' activity week in stores during 2006 to raise customer awareness of water conservation. In addition, this focused on how stores themselves could reduce their own water use and help to prevent water pollution. B&Q has also worked in partnership with Waterwise on the 'Water Efficiency Made Easy' campaign in February/March 2007. This followed its 'Energy Efficiency Made Easy' campaign in 2006.

### Kingfisher

#### participates in the e-tree initiative ([www.etreuk.com](http://www.etreuk.com))

Kingfisher was one of the founder members of this initiative which funds the planting of a tree for each shareholder that opts to receive documentation such as the Annual Report and Accounts by email instead of printed copies. The trees are planted by the Woodland Trust as part of its 'Tree for All' campaign. Over 3,300 shareholders have signed up, resulting in the planting of over an acre of woodland since 2005.

### Castorama France

#### introduces bag for life

A reusable bag for life is now available across Castorama stores to encourage customers to reduce use of plastic bags. Castorama sold a total of 347,949 of the reusable bags in 2006 (an average of 3,550 per store) at a price of €0.70 each. The bag was developed in co-operation with the environmental organisation WWF and carries their logo. WWF has calculated that the reusable bag has even less impact on the environment than a biodegradable or recycled alternative, if it's used at least ten times by the customer.

## Social Supply chain

### Our aim:

- to ensure that everyone involved in our supply chain benefits from trading with us

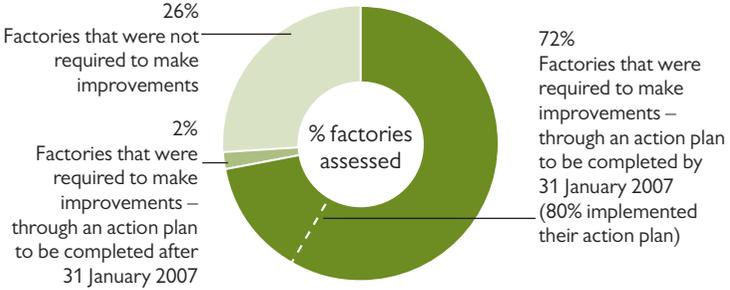


Key performance indicators

Factory audits – Kingfisher overseas sourcing offices

Factory audits	2005/06	2006/07
Total number of factories that supply products to the overseas sourcing offices	unavailable	897
Number of factories that had onsite audits to monitor compliance with Kingfisher's Code of Conduct for Factory Working Conditions	604	644

Factory action plans 2006/07



	2005/06	2006/07
Factories that were required to make improvements – through an action plan to be completed by the year end (% of factories assessed)	57%	72%
Factories that were required to make improvements – through an action plan to be completed after the year end (% of factories assessed)	4%	2%
Factories that implemented action plans (% of factories with an agreed action plan to be completed by the year end)	81%	80%

Note:

All factories are assessed at least once every three years. The 644 factories audited in 2006/07 represent 72% of the total number of factories. The remaining 28% will be re-assessed within the next two years.

Training workshops – Kingfisher Group

	2005/06	2006/07
Number of factory managers attending workshops on factory working conditions	230	211
Number of Kingfisher employees attending workshops on factory working conditions	99	192

Kingfisher's Code of Conduct for Factory Working Conditions sets out standards for suppliers on labour and environmental conditions in factories. The Code identifies nine minimum requirements that all factories must comply with. It also sets out additional standards that suppliers are expected to meet over time.

## Summary of progress

### Kingfisher overseas sourcing offices

#### Kingfisher's overseas sourcing offices audited 644 factories.

Kingfisher's overseas sourcing offices procure around 8% of products sold across the Group (including own brand and unbranded products). The rest are sourced indirectly by the Kingfisher operating companies. Kingfisher sourcing offices are based in China, Poland, India and Thailand.

Kingfisher is committed to sourcing from factories that have good social and environmental standards. To achieve this, a revised Factory Assessment Programme was introduced for its overseas sourcing offices in 2004. This ensures all new factories are audited against the Kingfisher Code of Conduct for Factory Working Conditions. Factories must agree action plans if improvements are required, which must be implemented within specified time-frames. A five-tier grading system is used to encourage factories to progressively adopt higher standards over time. All factories are reassessed on a regular basis (at least once every three years).

In order to provide support to factories, Kingfisher produced an Information Pack for Factory Managers in 2005 and workshops are held for factory managers (see below).

### Kingfisher operating companies

#### Kingfisher is working with its operating companies to extend its Factory Assessment Programme.

Kingfisher's operating companies source products through locally based suppliers or importers. They therefore need to work with suppliers and importers to ensure that the factories they source from meet Kingfisher standards.

Kingfisher is working to introduce a Group vendor/factory assessment process in 2007/08. A review has been carried out of the current monitoring processes within individual operating companies, which identified the need for a more consistent approach across the business. A new methodology for vendor assessments is being developed and a toolkit will be produced to help the operating companies apply this locally.

Examples of vendor/factory assessments in 2006/07:

- B&Q China carried out 165 factory audits in 2006/07 – up from 37 the previous year.
- Castorama France carried out 240 factory audits in 2006/07 – up from 54 the previous year. These focused on own brand products and importers.
- B&Q UK uses a combination of site audits, self assessment questionnaires and factory record book reviews to monitor factory working conditions. In 2006/07, 424 vendors were monitored for compliance with the Kingfisher Code and a further 141 assessments were carried out.

#### Workshops for factory managers were held in China and India.

Last year Kingfisher introduced training workshops for factory managers and Kingfisher buyers/commercial teams in China. In 2006/07, it continued to run workshops in China which were attended by 178 factory managers and 100 buyers. The training programme was also extended into India, with managers from 30 factories and 12 buyers participating (see page 26). There are plans to carry out other workshops next year.

## Case studies

### Kingfisher

promotes better health and safety in Chinese factory

Kingfisher's overseas sourcing office in China is working with a local NGO to improve health and safety at a factory that manufactures bathroom accessories. In 2006, over 700 employees at the factory received health and safety training. New safer machinery has also been installed for sand-casting, which has led to a 10% increase in productivity in this area.

### Kingfisher

supports HIV/AIDS project in South Africa

Kingfisher has continued its involvement in a project to tackle HIV/AIDS in the Kwa-Zulu Natal region of South Africa. The company launched the project in 2003, working in partnership with the Government, supplier factories and a local consultancy (TLC). Since the project started, training has been provided for around 170 factory managers and 80 peer educators.

Kingfisher has helped to sponsor a mobile clinic for factory workers and their families offering voluntary and confidential HIV/AIDS testing, counselling and treatment as well as primary health care. The clinic saw around 5,150 people in 2006.

### Kingfisher

extends workshops for factory managers to India

Following the introduction of successful workshops for factory managers in China, this training has been extended into India. A workshop was held in November 2006 for factories that supply products to Kingfisher's overseas sourcing office (Aricia) in India. The workshop was co-ordinated by the Kingfisher CR team working with Aricia and was facilitated by an independent organisation, Business Trading Ethically (BTE). It was attended by factory managers/owners from all of the 30 factories that Aricia source products from in India. In addition, 12 buyers/employees from Aricia attended the workshop. It focused on key environment and social issues within the supply chain including factory working conditions, health and safety and chemicals.

The objective of the workshops in both China and India is to provide guidance and support to the factories – helping them understand the issues and find solutions. Specific fact sheets on workplace laws and regulations in India and China were circulated at the workshops.

The factory managers that attended the training in India were asked to evaluate processes at their factories to identify ways to improve. Progress is being reviewed by Aricia and BTE have audited one factory since the workshop. A second workshop is planned in 2007/08 in order to further strengthen understanding of environment and social issues in the factories.

# Social Community investment

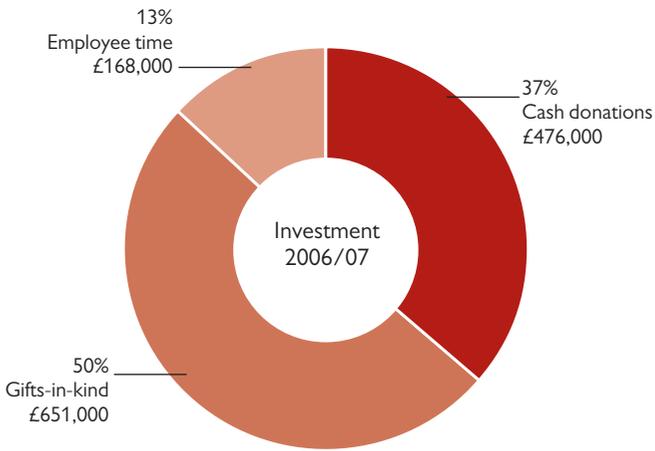
## Our aim:

- to make every Kingfisher store a good neighbour in the community it serves



Key performance indicators

Community investment



	2005/06	2006/07
Cash donations (£ thousand)	399	476
Gifts-in-kind (£ thousand)	873	651
Employee time (£ thousand)	90	168
<b>Total community investment (£ thousand)</b>	<b>1,362</b>	<b>1,295</b>

Note:

Cash donations include charitable giving of £337,000 and commercial initiatives in the community of £139,000.

Gifts-in-kind include retail product donations of £466,000 (valued at retail cost) and other gifts (including unsaleable goods donated to local communities) of £185,000. The data for unsaleable goods is an estimate made by individual stores.

Employee time includes management time of £63,000 and volunteering in company time of £105,000.

## Summary of progress

### Community investment

Kingfisher made contributions to charity/community projects worth an estimated £1.295 million in 2006/07 – equivalent to 0.3% of pre-tax profits. This included cash donations, gifts-in-kind and employee time (see *table opposite*).

The total community investment fell by 5% – from £1.362 million in 2005/06 to £1.295 million in 2006/07 – mainly due to a reorganisation of community investment at B&Q UK.

Gifts-in-kind (including product donations) accounted for 50% of the total community investment.

Examples of gifts-in-kind:

- B&Q UK donated new products to local communities through its two schemes – the Better Neighbourhood Grants (whereby each store can offer up to £1,000 of materials to local community projects) and the You Can Do It awards (which provide 20 projects each year with up to £5,000 worth of materials). The total value of the grants and awards was £247,338 in 2006/07. Unsaleable goods and other unwanted materials worth £167,701 were also donated to local community projects. In 2006, B&Q UK carried out a formal evaluation of the grant and award schemes – obtaining feedback from 228 employees and 230 community organisations.
- B&Q China donated gifts-in-kind of around £35,000 in 2006/07. This included product donations for the Save the Children Activity Centre (see *page 30*).
- Castorama Italy and Castorama Poland each donated gifts-in-kind of around £15,000 in 2006/07.

Group employees spent around 26,490 work hours volunteering in the local community.

Examples of volunteering:

- Koçtaş employees spent around 1,500 hours on local community activities. This included painting a children's home, improvements to a local recreational facility and gardening at a care home for the elderly.
- B&Q China employees spent around 12,000 hours on community activities, ranging from the B&Q China-UK School Link programme to the Make a Difference Day volunteering scheme, co-ordinated by the American Chamber of Commerce (AmCham).
- Kingfisher corporate head office introduced a new volunteering policy, enabling employees to take a day off work each year for community activities.

Group employees raised approximately £329,601 for charity in 2006/07.

In the UK, employees donated another £169,105 to charity through payroll giving.

Kingfisher corporate head office developed a new Charities Policy and Good Practice Guidance for developing commercial partnerships.

Kingfisher corporate head office donated £57,680 to charity partners in 2006/07 (see *page 30*).

B&Q UK has continued to implement its five year community regeneration strategy (see *page 30*).

## Case studies

### Kingfisher and B&Q China

work in partnership with Save the Children and local government on Youth Justice project

The project aims to divert vulnerable young people from crime and to protect young offenders from harsh and inappropriate punishments (especially custodial sentences in China's adult jails). A new Community Activity Centre has been built in the district of Jinxing in Yunnan Province where there is a large migrant population. This provides training for vulnerable young people and a safe and supportive environment in which to learn and play.

In addition to Kingfisher and B&Q China funding of the project, the store near Jinxing has donated building materials for constructing the Activity Centre. Between October 2006 and March 2007, over 1280 children and 172 college volunteers participated in activities run by the Youth Justice Project. B&Q China has also provided free office space for Save the Children in Shanghai since 2003.

### Kingfisher corporate head office charity partnerships

Kingfisher started working with a number of new charity partners in 2006/07 including Save the Children (see above), Action for Blind People and Community Payback (part of the Safer Neighbourhoods Programme). Existing partnerships have also continued with Motivation, the Juvenile Diabetes Research Foundation (JDRF) and a South African consultancy (TLC)/local government on HIV/AIDS (see page 26).

Kingfisher has participated in the Active Citizenship Network (an EU funded research programme) to identify and share good practice in developing corporate partnerships.

To encourage employee involvement in community initiatives, Kingfisher corporate head office operates a match funding scheme, payroll giving and volunteering programme. Further details are available on Kingfisher's website ([www.kingfisher.com/charity](http://www.kingfisher.com/charity)).

### B&Q UK community regeneration strategy

B&Q UK is making progress in implementing its five-year community regeneration strategy launched in 2003. The focus is on using the DIY skills and expertise of employees to make a difference in their local communities. Initiatives include DIY training for housing trust tenants and skills training courses for the unemployed. This initiative was awarded the Business in the Community 'Big Tick' (re-accreditation) in the 2006 Healthy Communities Award category.

B&Q UK is also seeking to promote sport and wellbeing in local communities – an initiative which is closely linked to its sponsorship of athletes participating in the Beijing Olympics in 2008. In return for support, Team B&Q athletes become involved in a range of community outreach programmes, including in-store motivational talks and coaching programmes at local schools/ community centres. In 2006 this initiative reached 8,772 people (3,298 adults, 3,963 children and 1,511 employees).

## Social Equality and diversity

### Our aim:

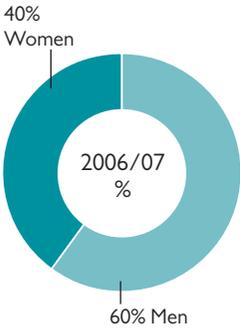
- to treat both employees and customers with dignity and respect, and to value the differences people bring to our business



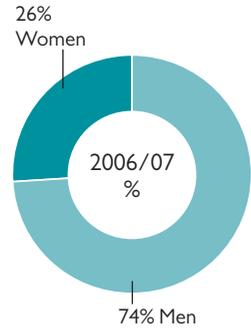
Key performance indicators

Equality and diversity

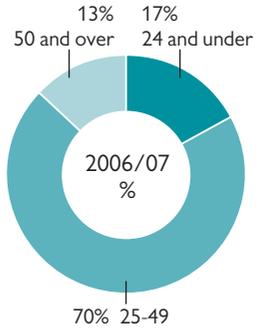
Women employees (% of employees)



Women in management positions (% of managers)



Age of employees (% of employees)



Gender	2005/06	2006/07
Total employees – men (%)	60	60
Total employees – women (%)	40	40
Management positions – men (%)	75	74
Management positions – women (%)	25	26

Age	2005/06	2006/07
Employees 24 and under (%)	20	17
Employees 25-49 (%)	67	70
Employees 50 and over (%)	13	13

Disability	2005/06	2006/07
Employees who have declared a disability (%)	2	2

Ethnic minorities – UK only	2005/06	2006/07
Employees who have declared they are from an ethnic minority (%)	8	9

Note:

Data is for full-time equivalents, as at 31 January 2007.  
 Data on women in management positions and UK ethnic minority employees from 2005/06 has been adjusted to reflect improvements to data collection systems.

## Summary of progress

### Equality and diversity

#### Kingfisher is developing Group-wide diversity standards.

These will help Group operating companies meet the diversity requirements within Kingfisher's Steps programme. It will provide guidance on managing diversity within the context of different legislation and cultures across Kingfisher's 11 countries of operation.

#### Women in management positions increased from 25% in 2005/06 to 26% in 2006/07.

The nature of Kingfisher's business as a DIY retailer has traditionally attracted more male employees. Across the Group, women accounted for 40% of total employees and 26% of managers in 2006/07. Kingfisher recognises that it needs to do further work to increase the proportion of women in management and this is an area that will be specifically addressed in the Group diversity standards. B&Q UK has made further progress with its Women in Management initiative – holding a series of workshops with female managers to help understand and address gender diversity issues. The company was included in the Times/Aurora list of top 50 places where women want to work, published in October 2006.

#### B&Q UK takes lead to encourage employment of over 50's.

In 2006/07 25% of B&Q UK employees were over 50 – significantly higher than the Group average of 13%.

B&Q Taiwan also has an age diversity programme to ensure that its employees fairly reflect the demographic profile of its customers (see page 34).

#### The proportion of employees declaring a disability remained stable at 2%.

The following had disability levels above the Group average – B&Q UK (3%), Castorama France (3%) and Castorama Italy (4%).

Most operating companies have a store design specification which sets out measures to improve accessibility for disabled customers and employees.

In conjunction with the government's WORKSTEP scheme, B&Q UK provides placements for disabled people who are looking to enter mainstream employment.

#### UK employees from ethnic minorities have increased from 8% to 9%.

Data on ethnicity has been gathered from the UK (B&Q UK, Screwfix, Trade Depot and Kingfisher corporate head office). It has not been gathered in other countries either because of legal constraints or cultural factors.

The figures are in line with the 8% of adults in the UK who are from ethnic minorities (UK Census 2001). B&Q UK encourages employees who are multilingual to wear badges to help customers who do not speak English as a first language.

#### Kingfisher's inclusive design guidelines help operating companies provide user-friendly products.

B&Q UK's 'Daily Living Made Easier' range of products includes essential household items that meet an 'easy to use' standard such as lightweight garden tools, handrails and smoke alarms with visual warnings.

## Case studies

### B&Q UK

wins a number of awards for initiatives to promote diversity

B&Q UK received two prestigious awards in 2006:

- the Age Positive Retailer of the Year Award at the People in Retail Awards (run by The Retail Bulletin)
- the Enhanced Accessibility Award for excellent customer service at the RADAR (Royal Association for Disability and Rehabilitation) People of the Year Awards.

B&Q UK participates in the annual Race for Opportunity (RFO) benchmarking survey conducted by Business in the Community. In the 2006 survey, B&Q achieved Gold Status, and was ranked number 8 out of 68 companies in the private sector – the only retailer to make it into the top 10.

The company also participates in the annual Opportunity Now gender benchmarking survey, and was awarded Gold Status in the 2006 survey – an improvement from Silver the previous year. The overall score was 89%, above the average for the retail sector of 80%.

### B&Q Taiwan

makes progress on age diversity

Since 2004, B&Q Taiwan has been working to promote age diversity within its stores. With only 6% of store employees aged over 40 before the project started, the company recognised that it needed to attract employees from a wider age bracket in order to fairly reflect the demographic of its customers. The project has harnessed the experience that older employees can bring to the company and encourages them to join B&Q by offering them training (for example in computer and communication skills). The scheme is showing signs of success, with 14% of employees over the age of 40 at the end of 2006.

### Castorama Poland

introduces new mobility trolley for use by elderly and disabled customers

These new electric trolleys are now available in every store. The design specification for stores also incorporates a range of measures to improve accessibility for disabled customers and employees.

# Employment

Our aim:

- to provide rewarding careers and personal development opportunities for our employees



## Key performance indicators

## Training

	2006/07
Training hours (total)	1,371,738
Training hours per employee (number)	16

## Note:

Training data covers formal training courses and excludes on-the-job training.

Data on training per employee is calculated using the total headcount average over the year (not full-time equivalent employees).

## Employee turnover

	2006/07
Employees who left (number)	21,531
Rate of employee turnover (%)	26%

## Note:

Data on employee turnover is calculated using the total headcount average over the year (not full-time equivalent employees).

## Summary of progress

### Training and development

#### Kingfisher invested around £23 million in formal training for employees.

Kingfisher places significant emphasis on training and development of employees. The majority (around 87%) of employees received a formal performance appraisal and review. Across the Group, there was an average of 16 hours formal training per employee.

Kingfisher runs a number of senior management programmes to retain the best international talent and develop leaders of the future.

#### The rate of employee turnover was around 26%.

The lowest employee turnover rates were within Brico Dépôt France (13%) and Castorama France (16%).

### Communication and consultation

#### Employee engagement surveys were carried out in seven operating companies.

These included B&Q UK, B&Q Taiwan, Castorama Italy, Castorama France, Koçtaş, Screwfix and Trade Depot. In addition, Kingfisher seeks to promote good internal communication across the Group through its intranet (Kingnet), internal newsletter and specific communication initiatives.

B&Q UK measures employee engagement twice a year through a Gallup engagement survey. The results from the latest survey conducted in November 2006 show that the company has one of the most engaged workforces in the world – achieving an overall engagement level of 4.16 out of 5. In recognition of this, B&Q UK has been awarded the Gallup Great Workplace Award.

#### Around a quarter of all employees are covered by collective bargaining agreements.

Kingfisher recognises the right of employees to join trade unions or collective bargaining arrangements. All employees in France and Italy are covered by collective bargaining arrangements – in line with national regulations. The Kingfisher European Forum, set up in 2003, briefs and consults with employee representatives on pan-European issues and meets annually.

### Pay and benefits

#### 11,826 employees participated in ShareSave schemes.

Kingfisher encourages employees to become shareholders in the business through its ShareSave schemes. Across its international businesses, salary levels are competitive within local markets and are supplemented with healthcare and performance-related bonus schemes.

## Case studies

### **B&Q UK**

participates in partnership project to promote the return of long-term unemployed back into the workplace

B&Q UK has started to work in partnership with the Government and Jobcentre plus on an initiative to aid the long-term unemployed back into work. Other corporate partners include Tesco, Asda, Sainsbury's and M&S.

The initiative will seek to ensure that application, training and development processes are designed to encourage the recruitment and retention of the long-term unemployed.

### **Kingfisher**

Group-wide management development programmes

Kingfisher's size and international spread provides unique career and personal development opportunities in retailing for staff, as well as an excellent international talent pool for the business.

To identify the senior managers of tomorrow, a Kingfisher Talent Group (KTG) has recently been launched. The 60 members of the KTG are the 'rising stars' within the organisation which Kingfisher aims to encourage and nurture in a structured way. This includes personal development training, mentoring and project work outside their home market.

The Kingfisher Executive Group (KEG) consists of around 150 of the most senior managers across Europe and Asia. Members of the KEG share their considerable knowledge and experiences by participating in Group-wide initiatives, working forums and internally published case studies.

# Health and safety

Our aim:

- to maintain a safe and healthy store environment for all our customers and staff



## Key performance indicators and summary of progress

**Work-related employee accidents**

Accident numbers	2006/07
Major accidents (number)	97
Over three day lost time accidents (number)	2,772
Accident rate	2006/07
Major accident rate (number per 100,000 full-time equivalent employees)	147
Over three day lost time accident rate (number per 100,000 full-time equivalent employees)	4,195
UK businesses – Over three day lost time accident rate (number per 100,000 full-time equivalent employees)	1,220

## Note:

Operating companies have used their own country-specific regulatory definition of what constitutes a major accident.

Over-three-day lost time accidents include all work-related accidents/injuries to employees that lead to absence from work, or inability to do their usual job, for over three days. They include major accidents/injuries which have resulted in over three days away from work. Data in Italy and France includes accidents on the way to work – in line with local regulations.

Data was collected from operating companies and joint ventures which account for 98% of the Group turnover.

**Group-wide data on accidents has been collected for the first time this year.**

There are some significant variations in accident rates across the Group – partly driven by differences in legislation, mandatory reporting requirements, social security systems and cultures. The accident rates are highest in France and Italy where companies are required to report and claim accidents through insurance/social security systems.

The over three day accident rate in the UK (B&Q UK, Screwfix, Trade Depot and Kingfisher corporate head office) is 1,220 per 100,000 full-time equivalent employees – significantly below the Group average of 4,195.

**Group health and safety standards in development.**

Kingfisher's approach to health and safety is set out in its Code of Conduct. As part of a project to update the Code, a health and safety review was carried out in 2006. The review identified the need to move beyond compliance with local regulations.

Following the review, Kingfisher has started a project to develop a Group-wide policy and standards on health and safety. It is also working to identify further key performance indicators (KPIs) to monitor progress. This work will be completed by the end of 2007.

**Work has started to identify key health and safety risks for the new Kingfisher CR risk register (see page 42).**

**We deeply regret that during 2006/07 there were two work-related fatalities.**

At B&Q Taiwan, an employee died in an electrical accident. At B&Q UK, an employee was struck by falling objects and fatally injured. A full investigation has been carried out into both incidents to ensure that lessons are learned.

# Governance and ethics

Our aim:

- to maintain the highest standards of corporate governance and ethics



## Summary of progress

**Governance and ethics**

**Kingfisher has complied with the requirements of the Combined Code on corporate governance.**

The Board endorses the principles set out in the Combined Code 2003 and the Company has complied in full with the requirements of the Code throughout the year. Kingfisher anticipates that it will be able to confirm compliance with the latest revisions set out in the Combined Code 2006. See the Corporate Governance section of the Kingfisher Annual Report and Accounts for further details.

**Group Code of Conduct for Ethical Business Practice revised.**

Kingfisher's Code of Conduct sets out minimum standards for ethical business practice. The Code applies to all employees/contractors across the Group and has been translated into the local language of each business. A review of the Code was carried out in 2006 and a number of revisions were made in early 2007. These provide further clarification on ethical business conduct, including supplier relationships and procedures to prevent bribery and corruption (e.g. supplier funded trips are now specifically prohibited). Communication sessions on the revised Code have been held for relevant senior management across all Kingfisher operating companies.

In line with EU law and UK corporate governance best practice, it is Group policy not to make donations directly to political parties or politicians.

As part of Kingfisher's ongoing commitment to effective governance, Kingfisher is also working to review all Group policies to ensure they are relevant, clear and effectively communicated. A Group-wide review of control processes and related documentation is also being undertaken.

**CR Risk Register in development.**

Kingfisher is developing a CR risk register to ensure a common approach to the way CR risks are identified and managed across the Group. An initial 'risk set' has been established and work is underway to expand the range of issues to be included in the register. The register will identify the mitigating controls required to minimise the potential impact of the risks. The company is also considering extending the register to cover all risks to the Group, not only CR risks.

**Kingfisher's public affairs/lobbying activities have been consistent with its CR objectives.**

In 2006, specific public affairs activities relating to CR issues have included:

#### Climate change

- Kingfisher is involved through B&Q UK in the UK Corporate Leaders Group (CLG) on Climate Change – working with UK Government to combat climate change (see page 8).
- Kingfisher has responded to the consultation on the DEFRA Draft Climate Change Bill (March 2007) and is in support of a long-term legal target to move towards a 'low carbon economy'.
- Kingfisher has signed up, through its membership of the European Retail Round Table (ERRT), to a Joint Memorandum on energy efficiency with the European Commission.
- B&Q UK continues to lobby the UK Government to reduce and eventually remove VAT on energy efficient products, in an effort to make them more affordable to consumers. Although VAT has been reduced from 17.5% to 5% on certain products installed by a professional tradesman, the company

would like to see a similar reduction on all energy efficient products. The company also believes that ultimately the VAT should be completely removed from energy efficient products.

#### Anti-dumping

- Kingfisher together with other major retailers, continues to lobby through the British Retail Consortium (BRC) for reform of the European trade defence instruments (including the Anti Dumping Agreement which enables EU countries to impose tariffs on the imports of goods dumped at prices that are deemed to threaten European industry and jobs). The BRC is calling for the European Commission to introduce greater transparency of the process for setting tariffs and to take into account the way modern supply chains operate. In addition, a balance is needed to ensure the needs of the consumer are taken into account. For example, Kingfisher has raised concerns relating to continued imposed tariffs on energy efficient bulbs which conflicts with CR objectives to promote sales of these products.

#### Other CR issues

- Kingfisher has contributed to a number of CBI positions in relation to CR issues including the CBI response to the DFID White Paper on World Poverty, the Eddington Transport study and the DEFRA consultation on sustainable products.
- Kingfisher has worked with EuroCommerce to form a position on a number of European Directives and regulations covering CR issues including WEEE, RoHS, REACH, the European Eco-label and the European Commission Green Paper on Energy Efficiency.
- Kingfisher has worked with the British Retail Consortium (BRC) to form a position on CR issues such as the European Directives on WEEE, RoHS and REACH.

## About this Summary Report

This Summary Report covers the financial year 29 January 2006–3 February 2007. The full report is published on the Group's website at [www.kingfisher.com/CR06](http://www.kingfisher.com/CR06). There is also a section on CR in the Business Review section of the Kingfisher Annual Report and Accounts.

We publish a CR Report with key performance indicators on an annual basis. The report is targeted at a range of audiences, in particular CR specialists and opinion formers. We also produce more targeted CR communications for specific audiences including employees (see page 7), investors (see page 9) and customers (examples throughout the report).

Our website includes a country-specific reporting tool (which shows the progress of each operating company on the 12 key issues within our Steps programme). It is updated on a regular basis.

### How we identify key issues

We aim to report on the issues that are of most concern to our external stakeholders. Our CR policy identifies six key environment and social focus areas.

Following feedback from stakeholders, we have extended our CR Report to include a number of new sections including health and safety, employee issues and governance. Our web report also contains a section on our economic impact. We now refer to corporate responsibility (rather than social responsibility) to reflect the broader range of issues we report on.

### Scope of data

The data covers Kingfisher's operating companies and joint ventures (see page 2) with the exception of the following new businesses which are still developing their data collection systems – Castorama Russia and Brico Dépôt Spain. Hornbach, an associate business in which Kingfisher has a 21% stake, is excluded.

We have reported Group-wide figures and have indicated the few instances where data from operating companies has been estimated or is unavailable. The data for joint ventures – B&Q Taiwan and Koçtaş – covers the total impact of joint ventures, not just Kingfisher's 50% share.

This year we have been working to extend our Steps environmental and social management programme to our newest operating companies. These include Trade Depot (4 stores), Castorama Russia (3 stores) and Brico Dépôt Spain (10 stores). The data in this report covers Trade Depot and we will be working to gather figures for the other operating companies next year.

### Reporting guidelines

We have taken into account the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3) in the development of our report. We have provided a GRI index table on our website at [www.kingfisher.com/CR06\\_Index](http://www.kingfisher.com/CR06_Index) to aid comparison with other company reports.

Kingfisher's Chief Executive, Gerry Murphy, participates in Business in the Community's Marketplace Taskforce and has helped to contribute to the development of the Marketplace Responsibility Principles. We seek to report against each of the Principles and have included an index table on our website.

We welcome your comments and feedback –  
[corporateresponsibility@kingfisher.com](mailto:corporateresponsibility@kingfisher.com)

# Independent assurance

URS Verification Limited has been commissioned by Kingfisher plc to provide independent assurance of its corporate responsibility strategy and this report. For the objectives, assurance activities and our opinion please see our Independent Assurance Statement on the Kingfisher website at [www.kingfisher.com/CR06\\_Assurance](http://www.kingfisher.com/CR06_Assurance)

The logo for URS, consisting of the letters 'URS' in a bold, blue, sans-serif font.

Verification



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Visit our website at: [www.kingfisher.com/CR](http://www.kingfisher.com/CR)

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This report is available in alternative formats.

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Writing: CR Futures

Design: Martin Lock Associates

Printing & Paper: Printed by Aldridge Print Group, who are FSC certified and ISO 14001 (certificate no. 536/94E).

This report has been printed using vegetable oil inks on Greencoat Plus Velvet which has been manufactured in accordance with FSC standards and contains 80% recycled post-consumer fibre, 10% TCF (Totally Chlorine Free) virgin fibre, 10% ECF (Elemental Chlorine Free) fibre and has been awarded the NAPM recycled mark. Also, the laminate used on the cover is derived mainly from sustainable, non-fossil fuel resources. Its cellulosic origin provides environmental options for packaging waste recovery.

