

KINGFISHER

# steps for a sustainable future

Corporate Responsibility Summary Report 2007/08



[www.kingfisher.com/CR07](http://www.kingfisher.com/CR07)

a vision for the future

# Welcome

to Kingfisher's Corporate Responsibility (CR) Summary Report 2007/08 which covers the financial year 4 February 2007 to 2 February 2008.

The full report is published on the website at [www.kingfisher.com/CR07](http://www.kingfisher.com/CR07)

Our CR country reporting tool ([www.kingfisher.com/crt](http://www.kingfisher.com/crt)) sets out the progress of each operating company.

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.

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# Snapshot of the year 2007/08

■ During 2007, Kingfisher worked with the sustainable development charity Forum for the Future to develop a set of forward-thinking sustainability goals (see page 5) and a revised strategy will be introduced during 2008/09 to incorporate them into company thinking. The new goals establish CR as fundamental to the long-term success of the business as customer demand for sustainable products increases.

■ The company seeks to deliver change through its environmental and social management programme, Steps to Responsible Growth. As a first milestone, operating companies were challenged to achieve the 'minimum action' level of performance on all issues by 31 January 2008. This target has now been met for 97% of all possible issues across the businesses (up from 57% the previous year). The next step is for operating companies to meet the 'policy target' level by the end of January 2011 (see page 6).

■ To encourage open dialogue, an independent stakeholder panel has been established to help provide assurance of this report (see page 48). Members of the panel include representatives from non-governmental organisations, investment funds, industry organisations and suppliers.

■ B&Q UK, Kingfisher's largest operating company which accounts for 46% of Group retail sales, is one of the first major businesses to commit to One Planet Living. This initiative aims to ensure people live within the resources of this planet (see page 14).



■ Castorama France, Kingfisher's second-largest operating company, has continued to work with WWF to extend its range of products that carry the 'Partners for the Planet' logo (see page 14).



■ A guide to the world's greenest companies, published by *The Independent* newspaper in co-operation with EIRIS (Ethical Investment Research Services), placed Kingfisher number one in the UK and seventh in the world.

■ The Observer Good Companies Guide ranked Kingfisher in fourth place – with an overall score of 86.85 out of 100.

■ Kingfisher achieved Platinum status (the highest ranking) in the Business in the Community UK CR Index 2007, with a score of 95%.



■ B&Q UK's Eco-Wool insulation, manufactured from recycled bottles, won the Retail Week Award for Product Innovation. The product, which uses less energy to manufacture than mineral fibre, was introduced in October 2007 as part of B&Q UK's Energy Efficiency Made Easy campaign.

■ Securing ethical investment is an ongoing goal for Kingfisher. The company continues to be included in the FTSE4Good and Dow Jones Sustainability Indexes (DJSI) – two of the main socially responsible investment indices. Kingfisher's score in the DJSI has significantly improved from 28% in 2002 to 70% in 2007.



FTSE4Good



# About Kingfisher

Kingfisher is the leading home improvement retail group in Europe and Asia, and the third-largest in the world. Kingfisher operated 780 stores in nine countries at the end of the 2007/08 financial year. These included:



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



## UK



- B&Q – 323 stores
- Screwfix – 93 stores
- Trade Depot – 6 stores

## France



- Castorama – 98 stores
- Brico Dépôt – 89 stores

## Rest of World



- B&Q China – 62 stores
- Castorama Poland – 40 stores
- Brico Dépôt Poland\* – 2 stores
- Castorama Italy – 28 stores
- Brico Dépôt Spain – 11 stores
- B&Q Ireland\* – 8 stores
- Castorama Russia – 5 stores
- Koçtaş, Turkey (joint venture) – 15 stores

■ **Strategic alliance.** Kingfisher also has a 21% interest in Hornbach, which operates over 120 stores in Germany and seven neighbouring countries. Hornbach is not included in this report.

■ In 2007/08, B&Q Korea was closed and B&Q Taiwan was sold – they are therefore not included in this report.

\* Information/data for B&Q Ireland and Brico Dépôt Poland is included within B&Q UK and Castorama Poland respectively.

## Key figures

	2005/06	2006/07	2007/08
Retail sales (£million)	8,010	8,676	9,364
Retail profit (£million)	533	504	498
Employees (thousand full-time equivalents)	66	70	71

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



■ Kingfisher  
■ Hornbach, strategic alliance

See page 47 for details of the scope of the data within this report.

# Introduction from the Group Chief Executive

## ■ As Kingfisher's new Chief Executive, what are your key priorities on CR?

As the former Chief Executive of B&Q UK and a long-standing member of the Kingfisher Board of Directors, I have been closely involved in shaping the Group CR strategy and developing our new sustainability goals (see page 5).

Our customers are increasingly looking for products, information and services to help them create more sustainable homes. Putting sustainability at the heart of our commercial agenda therefore brings tremendous opportunities. We need to mobilise our business and engage all our employees to deliver on our aim "to be the customer choice for sustainable products and services".

It's also clear that our customers expect us to demonstrate that our own house is in order if we are to be seen as offering credible products and advice on sustainability.

## ■ How will Kingfisher help customers create more sustainable homes?

There are a number of ways – through our products, information and services. In terms of products, we have made a start to develop more sustainable alternatives. For

example, B&Q UK has recently introduced an innovative insulation product – eco-wool, made from recycled plastic bottles – and many more products are being introduced under the new One Planet Homes brand (see page 14). At Castorama France, eco-products carrying the 'Partners for the Planet' logo (developed in conjunction with WWF) now account for around 8% of total sales (see page 14). We are increasingly seeking to develop new products which provide solutions, e.g. micro-generation for the home.

We can also make a difference by providing guidance to consumers on how to make their homes more sustainable. For example, B&Q UK is doing this through its in-store Environment Champions and Castorama France has introduced energy-saving workshops.

Increasingly, our customers are also looking for us to provide services to help them install products, such as insulation in their homes.

## ■ What are the main sustainability challenges for the future?

I think there are three key challenges. The first is to put our own house in order and to do this we have set stretching targets, for example to reduce

our CO<sub>2</sub> emissions per £million retail sales by 10% by 2011/12 (against the 2006/07 baseline). Meeting our targets will require a significant change in the way we work and we recognise that this is not going to be easy to achieve.

The second challenge is to ensure we engage all our employees in delivering change across the entire business. Everyone needs to be aware of the issues and how they can contribute.

Lastly and most significantly, I think the greatest pressing challenge is the speed at which we need to make these changes. Climate change and sustainability are the challenges of our generation – if we don't get it right in the next ten to fifteen years, it may be too late. This means we need to start now to deliver year-by-year visible progress.

This report sets out how we are rising to these challenges and making the most of opportunities to deliver real change.

Ian Cheshire  
Group Chief Executive

Ian Cheshire's video introduction can be viewed at [www.kingfisher.com/CR07\\_CEO](http://www.kingfisher.com/CR07_CEO)

# Review of progress during the year

During the past year we have seen an enormous public shift in the attention given to environmental and social issues, primarily driven by concerns about climate change. Our focus has therefore been to concentrate on implementing our Steps to Responsible Growth programme across all of our businesses, while also looking to the future and developing our long-term sustainability strategy.

Our Steps programme is now delivering visible results and we are proud to report that our operating companies have now achieved the 'minimum action' level of performance (or above) for 97% of all possible issues across the businesses. The next milestone is for operating companies to meet the 'policy target' level by the end of January 2011 (see page 6). In 2008, we plan to review our Steps programme in the light of our new sustainability strategy and goals.

Kingfisher recognises that CR is an essential part of effective governance. During 2007, a new UK Companies Act came into force and brought with it a requirement for directors to have regard to social and environmental impacts when making business decisions. Kingfisher

enables its directors to comply with this requirement through its CR management processes which set out clear lines of responsibility from the Board level down to the individual operating companies (see page 6). The company also meets the Act's requirements on CR reporting by including progress on CR within the Business Review section of the Annual Report and Accounts – the Business Review will be further enhanced over the coming year. A new CR risk register was developed in 2007 to ensure a common approach across the Group to the way risks are identified and managed.

Last year we published a number of specific environmental and social targets in addition to setting deadlines for meeting the Steps requirements. These included quantitative targets on store energy use, store waste and timber sourcing to be achieved over a five-year period. We're pleased to report improved performance on all three issues and our operating companies have now put in place action plans to drive further progress. On social issues, Kingfisher has met its targets to develop further guidance for operating

companies on supply chain and diversity – producing a Supply Chain Toolkit and Diversity Guidance Pack. A number of new targets have also been set (see page 10).

Addressing climate change has been a key focus during the year, and we have been working with the Carbon Trust and EnviroS to measure and manage our carbon footprint and have set a new CO<sub>2</sub> target (see page 17).

This is the first year that Kingfisher has set up an independent stakeholder panel to review its CR Report as part of the assurance process. Gathering external perspectives on our report has been a valuable and challenging exercise which will help us to develop our future reporting and build on the progress already achieved.

Our new sustainability goals set out a clear direction for the business, and we look forward to reporting next year on our new strategy and progress towards achieving our goals.

**Nick Folland**  
Company Secretary and Director of Governance & Corporate Services

**Ray Baker**  
Director of Corporate Responsibility



# Sustainability strategy and goals

Kingfisher has been working for a number of years to embed sustainability across the Group through its Steps to Responsible Growth environmental and social management programme. However, feedback from stakeholders identified the need to set a long-term strategic direction on CR that takes into account the way the world is changing and more explicitly links to overall business strategy.

During 2007, Kingfisher worked with the sustainable development charity, Forum for the Future, to develop a revised sustainability strategy. As a first step, research was undertaken to understand key factors that will influence the business by 2020. This helped to identify sustainability opportunities and challenges for the business over the next ten years – highlighting that a leading sustainability strategy will bring clear business benefits.

To prepare for these changes, the company has introduced a new overall aim on sustainability and a set of goals to deliver this (see opposite). These were produced following consultation with the Kingfisher Board and other stakeholders. The new aim is twofold: to promote sustainability within Kingfisher's own operations

and also to enable customers to create more sustainable homes. Kingfisher recognises that taking a leading position in the marketplace for sustainable home improvement products has the potential to enhance profits in line with its core business strategy.

In 2008, Kingfisher plans to embed the new sustainability goals within the business – it will develop a set of success factors and KPIs. The company will also revise its Steps programme (see page 6) and it will become the principal tool to monitor progress across the Group.

## Our aim

*“To fully integrate sustainability into business thinking and be the customer choice for sustainable home improvement products and services.”*

## Sustainability goals

	<b>Our products and services</b>	Enable sustainability in all our product and service categories
	<b>Our customers</b>	Make it easy for our customers to create their homes in a sustainable way
	<b>Our stores and operations</b>	Ensure our stores and operations are efficient and sustainable
	<b>Our people</b>	Engage employees to be champions of sustainability across our business
	<b>Our economic growth</b>	Use our sustainability strategy to create value for the benefit of our business and shareholders
	<b>Our community</b>	Be a good neighbour in all the communities we serve
	<b>Our world: suppliers and partners</b>	Work with our suppliers, governments and other stakeholders to make sustainability easy and to find solutions to common sustainability problems

# Implementing the sustainability strategy

## Responsibility

Kingfisher's Chief Executive has overall responsibility for CR and under his direction the Retail Board sets the strategy and reviews progress. The Chief Executive of each operating company is responsible for policy implementation within their respective business.

Each operating company has a representative who co-ordinates day-to-day management of environment and social issues. The Kingfisher CR Steering Group, which meets twice a year, brings together the representatives from each operating company to discuss progress and share best practice.

Objectives are linked to remuneration for a number of directors and senior managers. In addition, the Chief Executive of each operating company is required to report progress on key CR issues in its internal Strategic Operating Review.

## Steps to Responsible Growth

Kingfisher seeks to embed and monitor sustainability across the Group through its Steps to Responsible Growth programme. In 2008, Kingfisher plans to review its Steps programme in the light of the new sustainability goals (see page 5).

Steps currently identifies six focus areas: product stewardship, climate change, sustainable operation, supply chain, community investment, equality and diversity. It also sets out policy commitments and specific criteria that the operating companies must meet on 12 key issues within the six areas. For each issue, it identifies three levels of progress – 'minimum action', 'policy target', 'leadership position'.

Kingfisher has set clear targets to drive improvement. The first milestone was for operating companies to meet the 'minimum action' level of performance on all 12 issues by the end of January 2008. This target applied to 8 of Kingfisher's operating companies – the exceptions were Kingfisher's newest businesses (Trade Depot, Brico Dépôt Spain and Castorama Russia), which have an extra year to achieve the target. There has been good progress, with 6 out of 8 operating companies achieving at least the 'minimum action' level of performance on all 12 issues.

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

B&Q China achieved 'minimum action' on 11 of the 12 issues and Castorama Poland on 10 of the 12 issues. Kingfisher is working with these businesses to ensure action plans are in place to address these remaining issues within six months. Across all 8 operating companies, the 'minimum action' level has been met for 97% of all possible issues (up from 57% the previous year).

Some operating companies have gone beyond the 'minimum action' level of performance on specific issues – reaching 'policy target' level on 13% of all possible issues and 'leadership position' on 6% of all possible issues.

The next milestone is for operating companies to meet the 'policy target' level on all 12 issues by the end of January 2011.

## Monitoring performance

There are 165 criteria to monitor progress across the 12 Steps issues. The progress of each operating company is tracked twice a year



through an online questionnaire. Operating companies are asked to identify if the action is completed (2 points), in progress (1 point) or not yet started (0 points).

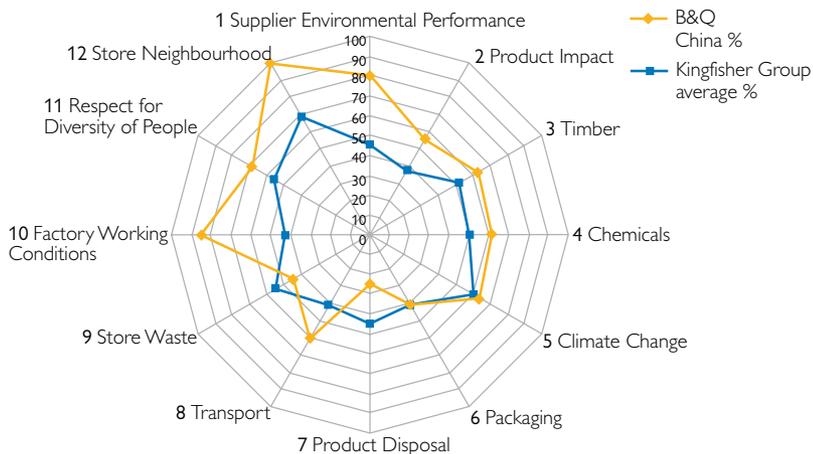
An assurance process has been put in place with the Group internal audit department who will work together with local audit teams

to review the Steps positions. The first audits are planned for Screwfix and Castorama Poland in early 2008. In December 2007, the audit team in China conducted a review of the B&Q China Steps answers. Kingfisher's CR Report is also subject to an independent assurance process (see page 48).

## Country reporting tool

Kingfisher's web-based country reporting tool ([www.kingfisher.com/crt](http://www.kingfisher.com/crt)) gives details of progress made by each operating company. It includes the Steps scores (see example chart below) and level reached for each of the 12 environment and social issues. It is updated twice a year.

Example chart: B&Q China (% score for the Steps questions as at 02.02.08)



## Example of the Steps questions

### MINIMUM ACTION

Requirement

LIST SUPPORTING EVIDENCE  
e.g. titles of procedures, action plans, data sets etc.

FOR VERIFICATION PURPOSES:  
Where is the information held?  
Who is responsible?

2. Provide data on CO<sub>2</sub> emissions associated with annual energy consumption.

YES   
IP   
NO

3. Provide an action plan to identify opportunities for energy saving in company buildings.

YES   
IP   
NO

## Training and awareness

To raise internal awareness of CR issues, Kingfisher produced a CR update specifically for employees. This was given to all employees at the Kingfisher corporate head office and also distributed at the Kingfisher management conference in January 2008, which is attended by around 300 senior managers from across the Group.

During the year, internal training sessions and workshops have been run on a range of CR issues including timber, chemicals, factory working conditions and climate change. To provide further guidance to operating companies, a Supply Chain Toolkit was developed and also a Diversity Guidance Pack. CR representatives from Kingfisher's operating companies attend the CR Steering Group twice a year to share best practice.

# Engaging with stakeholders

Kingfisher and its operating companies are committed to engaging with stakeholders to identify and understand issues of importance to them.

Kingfisher has a public affairs profile strategy, now in its second year, to ensure effective stakeholder engagement and consistency in communication across the Group. In 2007, a formal evaluation of the strategy was carried out. This identified a number of key areas of progress:

- A stakeholder mapping exercise was conducted to promote a joined-up approach across the Group when communicating CR messages to stakeholders. The exercise identified the main CR forums in which Kingfisher and its operating companies participate – ensuring the Group's key priorities are addressed and enabling better sharing of information.
- Kingfisher's participation in the Corporate Responsibility Exchange (CRE) Platform owned by ICOSA (Institute of Chartered Secretaries and Administrators) has enabled the business to manage external requests for information on CR more effectively.

- Stakeholder engagement helped to identify the need for a more co-ordinated approach across the Group to the way CR risks are identified and managed. In response, Kingfisher has developed a new CR risk register (see page 44) and improved internal communication on CR risk management across departments, e.g. Corporate Risk Management and CR/Public Affairs.

## Stakeholder panel

A new independent stakeholder panel has been set up for the first time this year to review this report as part of the assurance process and encourage an open dialogue (see page 48).

## CR networks and forums

Kingfisher is involved in the following CR networks and forums:

- **Forum for the Future** – Kingfisher is a member of Forum's Business Network and has worked with the organisation during 2007 to formulate its new sustainability strategy and goals (see page 5).
- **Business in the Community (BITC)** – Kingfisher is a member of BITC and participates in the annual CR Index (achieving Platinum status in the 2007 Index). The company also sits on the BITC Marketplace Impact Taskforce.

- **Corporate Leaders Group (CLG) on Climate Change** – Ian Cheshire, Kingfisher's Group Chief Executive, represents Kingfisher on both the UK and EU CLG on Climate Change. Ray Baker, Kingfisher's Director of CR, sits on the UK Working Group and Caroline McCarthy-Stout, Kingfisher's Public Affairs Manager, sits on the EU Working Group.

- **EuroCommerce CSR and Environment Committees** – Caroline McCarthy-Stout is Chair of the CSR Committee. Becky Coffin, Kingfisher's CR Manager, is a member of the Environment Committee.

- **European DIY Retail Association (EDRA)** – Ray Baker participates in the EDRA Business Group and Caroline McCarthy-Stout is a member of the Environment Group.

- **European Retail Round Table (ERRT)** – Kingfisher participates in the ERRT Leaders and Business Group.

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

Kingfisher also participates in a number of policy advisory groups including the British Retail Consortium (BRC) and the Confederation of British Industry (CBI).

## Engaging with employees

To raise awareness of CR issues internally, Kingfisher produced a CR update specifically for employees (see page 7 for details of distribution). The Kingfisher CR team works closely with the internal communications department to promote messages across the Group, e.g. via the intranet, internal newsletters and other specific communication initiatives. See page 7 for further details on CR training and awareness.

A number of operating companies have developed their own internal CR communication initiatives. For example:

- **Castorama France** has developed a web-based training session on environmental issues associated with garden centres. The two-hour e-learning module is aimed at in-store managers and sales teams in garden centres and is designed to help employees guide customers on ways they can make their gardens more sustainable. The aim is for at least one employee per store to complete the e-learning module by the end of 2008.
- **B&Q UK** relaunched its 'Environment Champion' scheme in stores. Champions are tasked with helping promote awareness among their colleagues of environmental

issues and products that offer solutions. To engage employees on sustainability issues, the company ran a competition on World Environment Day (5 June 2007) called 'Tread Lightly'. This challenged employees to explore ways to minimise their own and the company's environmental impact and the winners were awarded between £50 and £1,000 for a 'green' home makeover.

## Engaging with customers

Over the past year, Kingfisher's operating companies have run a number of high-profile campaigns to promote sustainable products to customers. Examples include:

- **Castorama France's** continued partnership with WWF to promote low environmental impact products through the 'Partners for the Planet' logo (see page 14).
- **B&Q UK's** Energy Efficiency Made Easy campaign which has been run for the second consecutive year (see page 18). B&Q UK's new One Planet Living initiative will also see the introduction in 2008 of a range of One Planet Home products (see page 14).
- **B&Q China's** ongoing Better Homes initiative to promote sustainable products to consumers.

The Better Homes logo is shown on products, and the campaign includes in-store posters and leaflets.

## Socially responsible investment (SRI)

The company recognises that good CR performance can benefit the business by attracting investment from SRI funds. Kingfisher seeks actively to engage with investors on CR issues and has continued to hold SRI investor roadshows in 2007. The events were held in London and Zurich and were attended by around 30 investors.

The company continues to be included in the FTSE4Good and Dow Jones Sustainability Indexes (DJSI) – two of the main socially responsible investment (SRI) indices. Kingfisher's score in the DJSI has significantly improved from 28% in 2002 to 70% in 2007. Kingfisher is also included in the Oekom Global Challenges Index and achieved a AAA rating in the 2007 Innovest Intangible Value Assessment (IVA).

To enable information-sharing among investors, Kingfisher participates in the CRE Platform owned by ICSA.

# 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).

## Five-year environment targets

In 2006/07 Kingfisher set environment targets over a five-year period to give operating companies time to make improvements. A new CO<sub>2</sub> target was set in 2007/08.

### ■ Climate change

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. See page 17 for progress to date.

Kingfisher has also set a new target to reduce CO<sub>2</sub> emissions per £ million retail sales by 10% by 2012/13 against the 2006/07 baseline. See page 17 for further details.

### ■ Waste

Achieve a 10% reduction in tonnes of store waste disposed per £ of retail sales by 2011/12 against the 2006/07 baseline. See page 21 for progress to date.

### ■ Timber

75% of timber volume sold to be proven as well managed (Kingfisher's three tiers of certification) or recycled by 2010/11. See page 12 for progress to date.

### ■ Chemicals

All operating companies to have an ongoing programme to engage with suppliers over the use of chemicals of concern (identified on Kingfisher's Chemical Action List) by 2010/11. See page 13 for progress to date.

## Social targets

In 2006/07, Kingfisher set two one-year targets which have now been achieved.

### ■ Factory working conditions

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

### Progress: Target achieved

A Supply Chain Toolkit has been developed which sets out the factory assessment process. See page 27 for further details.

### ■ Diversity

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

### Progress: Target achieved

A Diversity Guidance Pack was developed to help operating companies meet the Group diversity requirements within the Steps programme. See page 34 for further details.

The following new targets have been set:

### ■ Health and safety

Achieve a 5% reduction in the total lost-time accident rate (major and over three-day lost-time accidents) by 2010/11 against the 2007/08 baseline.

### ■ Community

Develop guidance on community engagement for operating companies in 2008/09.

### ■ Responsible marketing

Develop Group standards on responsible marketing in 2008/09.

### ■ Supply chain

Embed the Group-wide supplier/factory assessment process by training all Kingfisher commercial teams on factory working issues by 2011/12.

The 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.

# Product stewardship



## At a glance

### ■ Timber

71% of reported timber sold (m<sup>3</sup> round wood equivalent) is certified as well managed (tiers 1–3) or recycled. Kingfisher's target is to increase this to 75% by 2010/11.

### ■ Chemicals

The majority of operating companies now have an action plan to identify products that contain chemicals of concern on the Kingfisher Chemical Action List. A Steering Group has been set up to help prepare for the forthcoming EU Directive on REACH (Registration, Evaluation and Authorisation of Chemicals).

### ■ Eco-design

Kingfisher and B&Q UK have started a project to improve the eco-design of products. The first step has been a detailed study of two key products to identify principles of eco-design that can be applied across other product categories.

## Performance

### ■ Timber sourcing

Kingfisher's long-term goal is to ensure that all timber is sourced from proven, well-managed forests. Given the ongoing debate over what constitutes a credible timber certification scheme, Kingfisher categorises the timber it purchases into three tiers of certification (see table) – with tier 1 representing the most stringent criteria. The Forest Stewardship Council (FSC) is currently the only scheme recognised by Kingfisher in tier 1. Kingfisher's operating companies are encouraged to increase progressively the proportion of timber in the higher tiers.

The company's target is for 75% of timber sold to be certified as well managed (tiers 1–3) or recycled. The current figure stands at 71% – up from 69% last year. The overall volume of timber in tier 1 has increased from 2.36 million m<sup>3</sup> RWE to 2.61 million m<sup>3</sup> RWE. However, the extension of the data collection to cover an increased range of timber product lines has led to a 1% fall in the proportion of timber in tier 1, which the Group is working to address.

Kingfisher's operating companies now have action plans in place to improve performance on this

issue (with the exception of two of Kingfisher's newest operating companies, Trade Depot and Castorama Russia, which are required to do so by January 2009).

In 2007, workshops on timber sourcing, run by the Tropical Forest Trust (TFT), have been held for buyers at Koçtaş, Brico Dépôt Spain and Kingfisher's overseas sourcing office in China (Kingfisher Asia Ltd). Further workshops and

training, led by Kingfisher's timber adviser, are planned during 2008.

B&Q UK's entire kitchen range is now 100% FSC-certified. Across its UK stores, the company is working to obtain chain-of-custody certification for all products that carry the FSC and Programme for the Endorsement of Forest Certification (PEFC) logos. This is one of the world's largest multi-site chain-of-custody certification

Timber certification	2006/07	2007/08
<b>Timber certified or recycled</b>		
Timber certified (tiers 1–3) or recycled	69% (3.57 million m <sup>3</sup> RWE)	71% (4.18 million m <sup>3</sup> RWE)
Timber not certified or recycled	31% (1.58 million m <sup>3</sup> RWE)	29% (1.68 million m <sup>3</sup> RWE)
<b>Breakdown of timber certified or recycled</b>		
Tier 1 – sustainable forestry schemes. The Forest Stewardship Council (FSC) is currently the only scheme recognised by Kingfisher in tier 1	45.9% (2.36 million m <sup>3</sup> RWE)	44.5% (2.61 million m <sup>3</sup> RWE)
Tier 2 – working towards Tier 1 e.g. Tropical Forest Trust (TFT), SMARTSTEP (SMARTWOOD), WWF (GFTN)	1.5% (0.08 million m <sup>3</sup> RWE)	0.6% (0.04 million m <sup>3</sup> RWE)
Tier 3 – other third-party certification e.g. PEFC, SFI, CSA	21.7% (1.12 million m <sup>3</sup> RWE)	26.1% (1.53 million m <sup>3</sup> RWE)
Recycled timber	0.4% (0.02 million m <sup>3</sup> RWE)	0.1% (0.01 million m <sup>3</sup> RWE)

■ The data is reported in volume (m<sup>3</sup>) of round wood equivalent (RWE), using RWE conversion factors from WWF.

■ Data was collected from operating companies and joint ventures which account for 94% of the Group turnover in 2007/08 (93% in 2006/07).

■ 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:

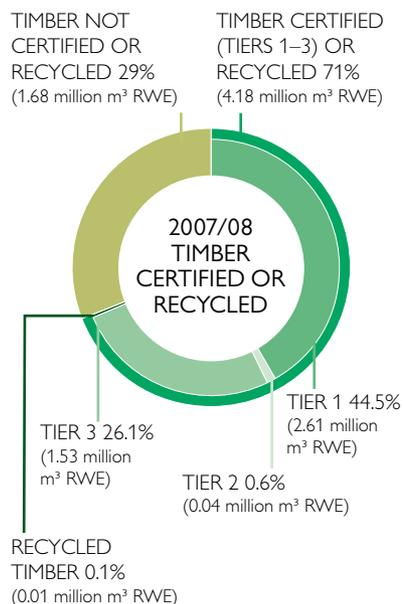
■ Products are counted as FSC and PEFC only if suppliers have proof of chain-of-custody certification.

■ Tier 2 includes some verification programmes.



projects to date, covering over 300 stores and 18,000 product lines. The audit, which started in 2005, is being carried out by the Rainforest Alliance and is expected to be completed by June 2008. It will enable the company to demonstrate that FSC and PEFC-certified products sold are traceable from the store right back to the forests. This evidence is becoming increasingly important to meet the requirements set by some local authorities and business customers.

### Timber certification



In June 2007, B&Q China and Greenpeace held a joint press conference to raise public awareness of the importance of sustainable timber sourcing. B&Q China has introduced FSC flooring ranges and has also removed flooring made from some tropical hardwood species after it was unable to gain sufficient assurance that the wood was coming from legal operations.

### Chemicals

Kingfisher's Chemical Action List identifies chemicals that are of concern to stakeholders. All operating companies are required to have a programme to engage with suppliers over the use of chemicals of concern by 2010/11 – focusing on suppliers of high-risk products. Kingfisher's operating companies have now put in place action plans towards meeting this commitment (with the exception of one of Kingfisher's newest operating companies, Castorama Russia, which is required to do so by January 2009).

During 2007, Kingfisher developed a Chemicals Toolkit for its operating companies to provide guidance on managing chemicals.

A Steering Group has also been set up to help prepare for the forthcoming EU Directive on REACH (Registration, Evaluation and Authorisation of Chemicals). In 2008, Kingfisher plans to review its Chemical Action List in the light of the 'substances of high concern' identified under REACH. Kingfisher's operating companies and overseas sourcing offices are working together with suppliers to identify products that will fall within the scope of the regulations.

Kingfisher measures the level of Volatile Organic Compounds (VOCs) in own-brand paint ranges. The average VOC content has fallen by 18% in the past year, driven by reformulation of paint products at a number of operating companies and the extension of ranges that carry the EU Eco-label.

### Chemicals

	2006/07	2007/08
Average Volatile Organic Compounds (VOCs) in own-brand paint ranges (g/litre)	99	81
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	6 (out of 13 businesses)	10 (out of 11 businesses)

■ Data on VOCs was collected from operating companies and joint ventures which account for 97% of the Group turnover in 2007/08 (94% in 2006/07).



## Case studies

### ■ Eco-design

Kingfisher and B&Q UK have started a project to improve the eco-design of products. The first step has been to carry out an in-depth eco-design study of two products in the B&Q range: an air-conditioning unit and a domestic electric drill. The study identified improvements to reduce the environmental impact of the products throughout their life cycle, covering aspects such as energy efficiency, ease of recycling and use of recycled materials in both the product and the packaging. It was also designed to help prepare for the forthcoming EU Directive on eco-design of Energy-using Products (EuP). The project has identified principles of eco-design that can be applied across other product categories. Kingfisher is planning to produce an eco-design guide in 2008 for use by buyers across the Group.

The Group Commercial department has also begun to engage with suppliers of power tools to reduce their environmental impact. A project has started to design a new range of power tools (to be launched in early 2009) which will, for example, incorporate around 15–20% recycled material compared to previous models.



### ■ B&Q UK – commitment to One Planet Living

B&Q UK is one of the first major businesses to commit to One Planet Living, an initiative launched by WWF and the environmental organisation BioRegional. One Planet Living aims to ensure people live within the resources of this planet – if everyone in the world lived as people do in the UK, three planets would be required to support humankind.

The initiative sets out ten ambitious guiding principles – for example zero carbon, zero waste, sustainable transport, equity and fair trade. B&Q is working with BioRegional to develop two sustainability action plans: one is to implement the principles within its own operations and the other is to launch a series of products to help its customers live in One Planet Homes.

### ■ Castorama France – extending its range of eco-products

Castorama France is continuing to work in partnership with the conservation organisation WWF to promote 'Partners for

the Planet' products with lower impact on the environment. These include energy-saving products, FSC-certified timber and paint with the European Eco-label. In 2007/08, eco-products represented 8% of the company's total sales and included more than 2,000 product lines. A 24-page guide for customers, *Ma Planète c'est ma Maison* (My Planet is my Home), featuring solutions for more sustainable living, was made available in stores in May 2007 and can also be viewed on the Castorama website.

Castorama France plans to build on this work by introducing a new merchandising display – 'La Maison Éco' (The Eco Home) – in new stores during 2008. An energy efficiency CD-Rom is also planned, which will enable customers to calculate energy consumption in their homes and find alternative products to reduce their impact.



# Environmental Climate change



## At a glance

### ■ Carbon footprint

Kingfisher has been working with the Carbon Trust and Enviros on a methodology for measuring its carbon footprint – it has calculated 548,000 tonnes of CO<sub>2</sub> in 2007/08 arising from selected business activities.

### ■ Store energy efficiency

There has been a 7% improvement in store energy efficiency (kWh/m<sup>2</sup> total sales area) over the past year – making progress towards the target of a 10% improvement by 2011/12 (from 2006/07). The majority of operating companies have developed energy action plans to drive progress.

### ■ Energy-saving products

A number of operating companies have developed campaigns to promote energy-saving products to consumers, for example B&Q UK's Energy Efficiency Made Easy campaign and Castorama France's energy-saving workshops for customers.

## Performance

### Kingfisher's carbon footprint

#### Understanding Kingfisher's carbon footprint

Kingfisher's business activities generate carbon emissions in a variety of different ways. These range from product manufacturing and the running of retail spaces to the eventual home use of products by customers. The following table summarises the main sources of CO<sub>2</sub> emissions associated with Kingfisher's operations.

#### What Kingfisher currently measures

In 2007, Kingfisher started working with the Carbon Trust and Enviro to measure its carbon footprint. The initial focus has been to measure CO<sub>2</sub> emissions within Kingfisher's own business operations. Over the next few years, the company is planning to broaden progressively the project to cover the supplier and customer activities it can influence. A model for calculating the company's carbon footprint was first developed for UK operations (using data for 2006/07) and then extended to the Group businesses in 2007/08.

Kingfisher's own CO<sub>2</sub> emissions arising from selected business activities in 2007/08 were 548,000 tonnes – equivalent to the annual

Kingfisher's suppliers	Kingfisher's own operations	Kingfisher's customers
<ul style="list-style-type: none"> <li>■ Sourcing of raw materials</li> <li>■ Manufacture of products</li> <li>■ Haulage – distribution of products to Kingfisher</li> </ul>	<ul style="list-style-type: none"> <li>■ Buildings – stores, distribution centres and offices</li> <li>■ Haulage – distribution/ transportation of products</li> <li>■ Business travel and staff commuting</li> </ul>	<ul style="list-style-type: none"> <li>■ Use and disposal of Kingfisher's products</li> <li>■ Customer transportation from stores to homes</li> </ul>

#### Carbon footprint of Kingfisher's own business operations

Kingfisher's own CO <sub>2</sub> emissions	2005/06	2006/07	2007/08
<b>Scope 1 activity – direct CO<sub>2</sub> emissions (thousand tonnes)</b>			
Buildings: fuel consumption, e.g. gas and oil	75	77	72
<b>Scope 2 activity – indirect CO<sub>2</sub> emissions (thousand tonnes)</b>			
Buildings: electricity	338	378	349
<b>Scope 3 activity – other indirect CO<sub>2</sub> emissions (thousand tonnes)</b>			
Buildings: waste	59	66	63
Buildings: water use and effluent	u/a	1	1
Haulage: own/dedicated fleet deliveries from distribution centres to stores	36	40	48
Haulage: home deliveries by own/dedicated fleet	u/a	u/a	15
<b>Scope 3 total (thousand tonnes)</b>	<b>95</b>	<b>107</b>	<b>127</b>
<b>Sub-total: Kingfisher's own CO<sub>2</sub> emissions (thousand tonnes)</b>	<b>508</b>	<b>562</b>	<b>548</b>
<b>Sub-total: Kingfisher's own CO<sub>2</sub> emissions (tonnes per £ million retail sales)</b>	<b>62</b>	<b>64</b>	<b>58</b>
<b>Additional CO<sub>2</sub> emissions from third-party haulage (thousand tonnes)</b>			
Haulage: third-party non-dedicated fleet deliveries from distribution centres to stores	u/a	u/a	12
Haulage: estimated imports arranged by overseas sourcing offices	u/a	u/a	62
<b>Sub-total: third-party haulage (thousand tonnes)</b>	<b>u/a</b>	<b>u/a</b>	<b>74</b>

- The data is reported in line with the WRI/WBCSD Greenhouse Gas (GHG) Protocol, which identifies three types of activities (Scope 1, 2 and 3).
- The company has used the CO<sub>2</sub> emission factors for energy and transport published by the UK Government (Defra), with the exception of country-specific CO<sub>2</sub> factors for electricity (outside the UK) and emission factors for third-party haulage which are from the WRI/WBCSD GHG Protocol.
- Kingfisher has amended the data for the past three years to reflect the updated CO<sub>2</sub> emission factors published by Defra in June 2007. For UK electricity, it has switched from the long-term marginal factor of 0.43 kg CO<sub>2</sub>/kWh to the rolling average factor of 0.523 kg CO<sub>2</sub>/kWh. For direct energy e.g. gas,

it has switched from gross calorific values to net calorific values.

- Waste is reported as CO<sub>2</sub> equivalent and calculated using a US-specific emission factor from the WARM 8 study (the most appropriate emission factor available at present). This factor has been applied to the waste data collected for the past three years. Water use and effluent are reported as CO<sub>2</sub> equivalent and calculated using UK-specific emission factors from Water UK. This factor has been applied to the water data collected for the past two years.
- Third-party haulage data covers the majority of relevant businesses.
- u/a – unavailable.



CO<sub>2</sub> arising from energy use in around 89,000 UK households\*. The total CO<sub>2</sub> emissions have fallen by 2.5% since last year, due to a reduction in store energy use (see energy table on page 18) and also the sale of B&Q Taiwan. The table (left) shows the breakdown of these CO<sub>2</sub> emissions.

Since 2005/06, Kingfisher has gathered data on CO<sub>2</sub> emissions from the following activities: store fuel consumption, store electricity use and haulage by its own/dedicated fleet. In 2007/08, the carbon footprint project led to the extension of the data to include CO<sub>2</sub> emissions from store waste, store water use, haulage by third-party non-dedicated fleets, imports by its overseas sourcing offices, home deliveries by own/dedicated fleet vehicles, and energy use from Kingfisher's office-based activities (Kingfisher's corporate head office and overseas sourcing offices). Next year the company plans to extend the data collection to cover CO<sub>2</sub> from business air travel.

### CO<sub>2</sub> reduction target

Kingfisher has set a more stretching target to reduce CO<sub>2</sub> emissions per £ million retail sales by 10% by 2012/13 (against the 2006/07 baseline of 64). The company

aims to work towards this by improving energy and transport efficiency and also by switching to lower carbon energy sources.

In line with B&Q UK's commitment to the 'zero carbon' principle of One Planet Living (see page 14), the company is working to put in place a long-term strategy on energy use within its buildings.

### ■ Energy and transport efficiency

The Group achieved a 7% improvement in store energy efficiency (kWh/m<sup>2</sup> sales area) over the past year – making progress towards the five-year target of a 10% improvement by 2011/12 (from 2006/07). Kingfisher's operating companies have developed energy and transport action plans to help drive improvement in efficiency (with the exception of two of Kingfisher's newest operating companies, Brico Dépôt Spain and Castorama Russia, which are required to do so by January 2009). Predicted energy demands and weather fluctuations mean the 10% target remains challenging. As part of B&Q UK's store revamp programme to create a modern shopping environment, the business is looking at innovative solutions to save

energy and has already revised its store design specification to include a number of new technologies.

Energy efficiency also helps to reduce costs – the amount spent on energy during 2007/08 was £55 million (approximately 0.6% of the Group turnover).

As part of the carbon footprint project, Kingfisher has worked with the Carbon Trust and Enviros to identify ways to reduce store energy use. Group Property meetings (which bring together property directors from across the business and are led by the Group property director) are used as a forum to share best practice on energy efficiency.

A number of operating companies are working to increase the amount of renewable energy they generate. For example:

■ **B&Q UK** has revised its design specification for new stores to include solar thermal water heating, rainwater harvesting and other sustainability criteria. A planning application has been submitted to install a 2MW wind turbine at its distribution centre in Worksop, East Midlands, which would provide approximately 50% of the building's required energy. The two new stores in Halifax, West Yorkshire,

\* Source: UK government Act on CO<sub>2</sub> calculator (Defra methodology paper; June 2007) states 6.125 tonnes of CO<sub>2</sub> arise from energy use in an average UK household.

and New Malden, south-west London (to open in 2008) are being equipped with a range of renewable technologies including wind turbines and solar thermal water heating.

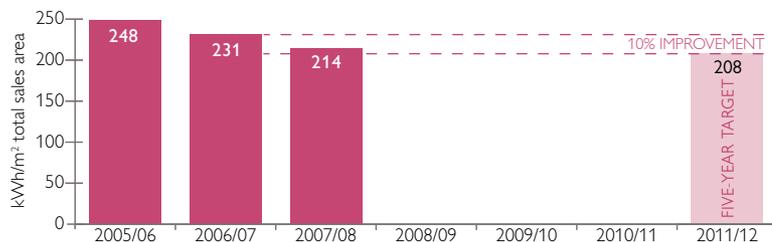
■ **Brico Dépôt Spain** has installed solar thermal water heating at two stores, and plans to extend this to a further five new stores in line with recent legislation.

■ **Castorama Poland** has put in place a ground source heat pump for heating and cooling at the store in Zielona Gora, western Poland. It plans to install further heat pumps in other stores and put in place solar panels in one store by 2011.

■ **Koçtaş** is investigating the use of solar electricity and has installed street lights powered by solar (photovoltaic) cells at two stores.

Kingfisher measures the transport efficiency of dedicated fleet vehicles used for store deliveries. Over the past year, vehicle efficiency (km per litre) has remained stable. However, the loading efficiency (m<sup>3</sup> delivered per tonne of CO<sub>2</sub>) has fallen by 15% due to a logistical issue with storage equipment which is being addressed. In 2007, B&Q UK introduced new transport planning software to minimise mileage and has started a trial of double deck trailers to increase vehicle fill per trip.

## Store energy efficiency



Store energy efficiency	2005/06	2006/07	2007/08
Energy (GWh)	1,099	1,159	1,116
Energy efficiency (kWh/m <sup>2</sup> total sales area)	248	231	214
Energy efficiency (kWh/m <sup>2</sup> internal sales area)	u/a	277	272

■ In 2007/08, 69% of energy used was from indirect sources (electricity) and 31% was from direct sources (e.g. natural gas, gas oil, diesel, LPG).

■ Total sales area includes internal and external sales areas.

Transport efficiency – own/dedicated fleet	2005/06	2006/07	2007/08
Diesel (thousand litres)	13,609	15,170	18,397
Distance travelled (thousand km)	44,432	49,818	60,966
Volume delivered (thousand m <sup>3</sup> )	3,891	4,403	4,533
Transport efficiency (km per litre)	3.3	3.3	3.3
Transport efficiency (m <sup>3</sup> delivered per tonne of CO <sub>2</sub> )	109	110	94

■ Transport data covers deliveries from distribution centres to stores made by Kingfisher's dedicated fleets. Four operating companies have dedicated fleets – Screwfix (100% of store deliveries), B&Q UK (approximately 80%), Castorama France (approximately 50%), and Koçtaş (approximately 10%).

## Energy-saving products

A number of operating companies have developed campaigns to promote energy-saving products to consumers, for example:

■ **Castorama France** has introduced a series of workshops for customers on energy-saving (see case study).

■ **B&Q UK's Energy Efficiency Made Easy** campaign, developed in partnership with the Energy Saving



## Case studies

Trust, has been run for a second year. This has included TV adverts and printed flyers on energy-efficient products. The company has also introduced buying standards on energy-using products (see case study to the right).

■ **Castorama Italy** has helped drive up sales of energy-saving light bulbs by offering customers a €3 discount on high-quality eco-bulbs. The company is partially reimbursed for the discounts by government. It's the third year that the annual campaign (which lasts one month) has been run.

In response to environmental concerns about the inefficiency of traditional (incandescent) light bulbs, Kingfisher is working to phase out their sales across the Group. This will ensure the business is prepared for forthcoming legislation – for example, governments in Ireland and Italy have already announced phase-out dates and the UK government has introduced voluntary agreements with retailers. In 2008, Kingfisher plans to develop Group buying standards on lighting and to introduce a range of own-brand energy-efficient light bulbs.

■ **Castorama France – workshops for customers on energy saving**

To help customers reduce energy use in their homes, a series of workshops on energy-saving have been held in stores. These workshops are part of the weekly 'Casto-stages' training courses which take place every Saturday morning. Over 500 people attended the two energy-saving sessions held in September and November 2007. Further sessions are planned during 2008.

■ **Kingfisher corporate head office – employees pledge to reduce their climate change impact**

Kingfisher's corporate head office developed an internal awareness campaign on climate change called 'Get your House in Order' – launched during Energy Saving Week in October 2007. Employees were asked to make a series of pledges to reduce their climate change impact. The company encouraged participation by donating £5 to Save the Children for every participant.

■ **B&Q UK – phasing out sales of patio heaters**

As part of B&Q UK's commitment to One Planet Living (see page 14), the company took the decision to phase out sales of patio heaters. B&Q UK, formerly the largest seller of patio heaters in the UK, will not restock the items once its seasonal stock runs out in 2008. It is the largest home improvement retailer to make this radical commitment. Patio heaters have fuelled concern from environmental campaigners over the past few years and the move to withdraw voluntarily from this market was important to demonstrate the company's commitment to the 'zero carbon' principle of One Planet Living.

To drive an increase in energy-efficient product ranges, the company introduced buying standards on energy-using products, water-using products and lighting in 2007. Specific deadlines have been set – for example, to sell only A rated white goods (i.e. large electrical household appliances) by 2010 and to phase out traditional incandescent light bulbs (40 watts and above) by 2011, in line with the retail industry's voluntary agreement with the government.

# Environmental Sustainable operation



## At a glance

### ■ Store waste

There has been an 11% reduction in store waste disposed per £ million turnover over the past year. The majority of operating companies have developed waste action plans to drive progress.

### ■ Plastic bags

A number of operating companies have started work to introduce more sustainable alternatives and, for example, two types of reusable bags and a biodegradable bag are now available at Castorama France.



## Performance

### ■ Store waste

Kingfisher set a target last year to reduce the tonnes of store waste disposed per £million turnover by 10% by 2011/12 (from 2006/07).

The company has in fact already achieved an 11% reduction since 2006/07 and work is underway to set a more challenging target next year. The reduction has been mainly due to a 28% improvement at B&Q UK which has put in place a new waste strategy – helping to enhance awareness in stores of waste minimisation and increase recycling of materials during product range reviews (see further details below). Operating companies recycled 28% of store waste in 2007/08, up from 25% the previous year.

To improve performance, Kingfisher's operating companies have developed waste and packaging action plans (with the exception of two of Kingfisher's newest operating companies, Brico Dépôt Spain and Castorama Russia, which are required to do so by January 2009). An important first step for a number of operating companies has been to centralise waste management to improve data quality and drive progress. For example, Trade Depot has switched to a single waste contractor during 2007. Castorama France and Brico Dépôt

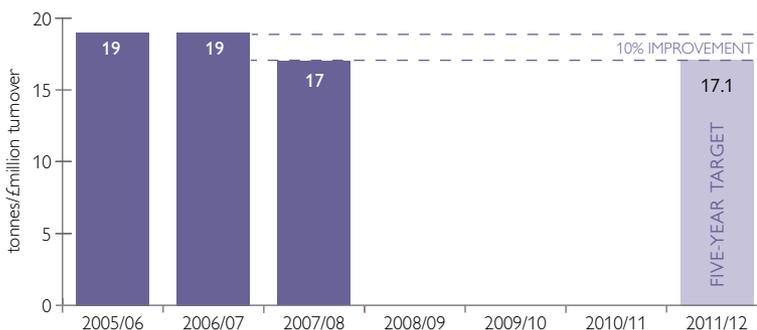
### Waste recycling

72% DISPOSED  
VIA LANDFILL OR  
INCINERATION



28%  
RECYCLING

### Waste disposed



### Store waste and recycling

	2005/06	2006/07	2007/08
Waste disposed (thousand tonnes)	154	171	164
Waste recycled (thousand tonnes)	59	58	64
Waste recycled (% of total waste generated)	28%	25%	28%
Waste disposed (tonnes/£million turnover)	19	19	17
<b>Breakdown of materials recycled</b>			
Wood (thousand tonnes)	30	27	30
Paper/card (thousand tonnes)	22	24	25
Other (thousand tonnes)	7	7	9

■ 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 91% of the Group turnover in 2007/08 (61% in 2006/07). Estimates have been made for the unreported element.

France are planning to take a more co-ordinated approach to waste management in 2008.

### Examples of progress during 2007/08:

- **Screwfix** has put in place a new waste strategy (see page 23).
- **Castorama Poland** has continued to recycle plastic packaging waste into bin liners for use in the garden. These are sold in-store at special low prices. The stores sent nearly 900 tonnes of plastic packaging waste to be recycled in the 12 months up until January 2008.
- **B&Q UK** has developed a new waste strategy, which will continuously evolve, and aims over the long term to work towards the One Planet Living principle of 'zero waste'. The company is planning a trial to remove large skips from stores to encourage segregation of waste for recycling. From mid-February 2008, the store in Farnborough, Hampshire, will be the first to dispense with the use of skips.

### ■ Store water use

Kingfisher's estimated total water use in 2007/08 was over one million m<sup>3</sup>. The most significant use of water is for watering plants in garden centres. A number of

operating companies are working to reduce water use by installing rainwater collection systems – examples include the Koçtaş store in Karsiyaka (Aegean region of Turkey), the Castorama France store in Le Cannet (Provence-Alpes-Côte d'Azur) and B&Q UK stores in Stevenage (Hertfordshire) and Norwich (East Anglia). B&Q UK has revised its design specification for new stores to include rainwater collections systems which will provide at least 50% of the water needed for the garden centres and toilets. It has also achieved a 13% improvement in water efficiency in the past year (litres/m<sup>2</sup> sales area) due to a combination of more proactive monitoring/investigation of leaks and a relatively wet summer.

Store water use	2005/06	2006/07	2007/08
Estimated water use (million m <sup>3</sup> )	unavailable	1.2	1.1

- Store water data is collected from a combination of meter readings and cost.
- Data was collected from operating companies and joint ventures which account for 64% of the Group turnover in 2007/08 (65% in 2006/07). Estimates have been made for the unreported element. Kingfisher recognises that further work is needed to improve the scope of the data next year.

### ■ Plastic bags

In response to environmental concerns surrounding the habitual use of plastic bags within the retail sector, Kingfisher's operating companies are working to reduce consumption of plastic bags. For example:

- **B&Q China** is working to develop a strategy in response to the forthcoming Chinese regulations which will place a ban on free plastic bags.
- **At Castorama France**, the bags given away in-store are now biodegradable and compostable. The company has also introduced two types of reusable bags which carry a small charge: a 'bag for life' made from polypropylene woven plastic and a reusable bag made from recycled plastic.

- **Castorama Poland** offers two alternatives at a small fee: a 'bag for life' and a paper bag.

B&Q UK is working to roll out a reusable, multi-trip packing solution (known as Carrierpac) for delivery of kitchen worktops to customer homes – it is estimated that this will reduce cardboard packaging waste by over 1,000 tonnes per year.



## Case studies

### ■ Product disposal

Kingfisher's European operating companies are required to comply with the EU Directive on Waste Electrical and Electronic Equipment (WEEE). Kingfisher's UK businesses have joined compliance schemes which fund the provision of local authority collection points for recycling electrical and electronic equipment. The other European businesses have established collection points in stores for customers to return such waste.

Four operating companies (Castorama France, Brico Dépôt France, Castorama Poland and Koçtaş) have also put in place battery collection boxes in stores, in line with local legislation. B&Q UK has continued to work with the Waste and Resources Action Programme (WRAP) and other major retailers on a battery take-back trial (ahead of legislation which will make this compulsory in 2008).

### ■ Screwfix – implementing a new waste minimisation strategy

Following a waste management review in 2007, Screwfix is working to implement a new waste minimisation strategy. The long-term goal is to send zero waste to landfill. The company has put in place new recycling arrangements – these include backhauling recyclable materials from its Trade Counters (stores) to its distribution centre and installing new equipment to compress cardboard and plastic for recycling.

A key priority is to minimise transit packaging waste. Screwfix has started to work with suppliers to increase the use of reusable plastic tote boxes rather than cardboard boxes. It has set a target for 30% of stock (that is suitable for tote storage) to be delivered in this way by the end of 2008. The company is also switching to more robust pallets for deliveries, aiming for 85% of deliveries to be made on reusable pallets by the end of 2008. Any broken pallets are crushed and sent for reuse, e.g. as garden mulch.

### ■ Koçtaş – recycling products at the end of their life

Koçtaş has started to work with Beko, a manufacturer of white goods, to recycle products at the end of their life. A campaign has begun in stores which encourages the customer to return their old white goods for recycling by giving a discount on new items purchased.

Products returned by customers are reused where possible. For example, furniture is reconditioned and sold at a discount and store maintenance teams use returned power tools (or parts).

### ■ Trade Depot – taking action on waste

In 2007, Trade Depot put in place a contract with a single waste contractor and introduced recycling collections across all stores. It has also started to monitor waste and recycling data to identify potential areas for improvement.

A review of hazardous waste management has been carried out. A new procedure has been introduced on the storage and disposal of hazardous waste (within the company's Operations Procedure Manual).

Social

# Supply chain



## At a glance

### ■ Kingfisher overseas sourcing offices

433 factories were audited by Kingfisher's overseas sourcing offices in 2007/08 to assess compliance with the Kingfisher Code of Conduct for Factory Working Conditions. Kingfisher's overseas sourcing office in China (Kingfisher Asia Ltd) has worked with partners to provide a mobile health and welfare service for factory workers.

### ■ Kingfisher operating companies

A Supply Chain Toolkit was developed to help operating companies assess suppliers and their factories for compliance with the Code. Across Kingfisher's operating companies, 214 suppliers/factories had an onsite assessment in 2007/08 and 435 received a desktop assessment on factory working conditions.

### ■ Training

Workshops/training for factory managers continued in China and India, attended by 170 individuals.



## Performance

Customers want quality and innovative products at affordable prices, but not at the expense of the welfare of workers or the environment. 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 (referred to as critical failure points) that all factories must comply with. It also sets out additional standards that suppliers are expected to meet over time.

Kingfisher's approach to assessing compliance with the Code is tailored for its different types of sourcing operations. Kingfisher's overseas sourcing offices buy directly from factories and procure almost 10% of products sold across the Group (including own-brand and exclusive brand products). Kingfisher's operating companies source products through suppliers (agents or manufacturers).

### ■ Kingfisher's overseas sourcing offices

Kingfisher overseas sourcing offices are based in Brazil, China, Hong Kong, India and Poland. A revised Factory Assessment Programme for the overseas sourcing offices was introduced in 2004. This ensures all new factories are audited against the Kingfisher Code of Conduct

for Factory Working Conditions and all critical failure points must be resolved before any orders can be placed. All factories are reassessed on a regular basis (at least once every three years). Factories must agree action plans if improvements are required, which must be implemented within specified time-frames. A five-tier

Factory audits – Kingfisher overseas sourcing offices			
	2005/06	2006/07	2007/08
<b>Factory audits</b>			
Total number of factories that supply products to the overseas sourcing offices	unavailable	897	854
Number of factories that had onsite audits to monitor compliance with Kingfisher's Code of Conduct for Factory Working Conditions	604	644	433
<b>Factory action plans</b>			
Factories that were required to make improvements – through an action plan to be completed by the year end (% of factories assessed)	57%	72%	89%
Factories that were required to make improvements – through an action plan to be completed after the year end (% of factories assessed)	4%	2%	1%
Factories that implemented action plans (% of factories with an agreed action plan to be completed by the year end)	81%	80%	87%

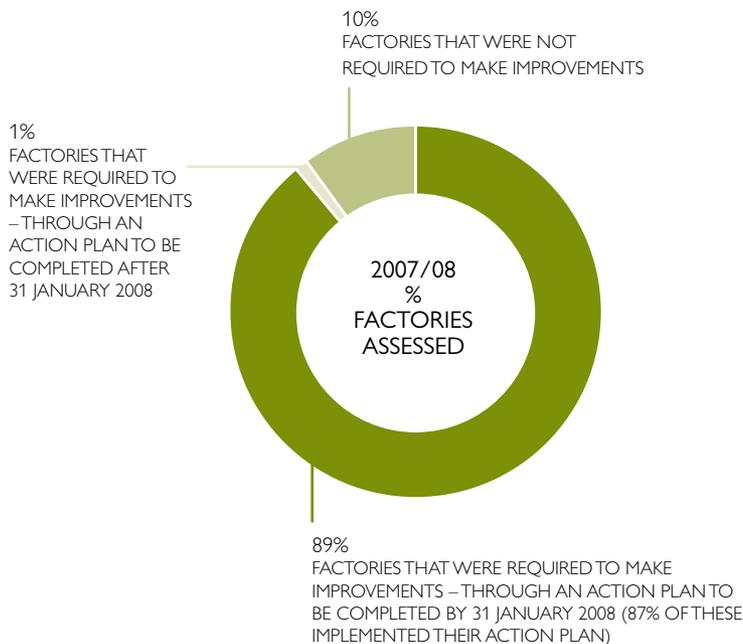
grading system is used to encourage factories to progressively adopt higher standards over time.

In 2007/08, 433 factories were audited – these included first time audits for 100% of all new factories used by the overseas sourcing offices and repeat audits for 35% of existing factories (in line with

the three-year re-audit cycle). The other existing factories will be reassessed within the next two years. 89% of the 433 factories that were audited were required to make improvements through an action plan to be implemented by the end of the year, and 87% did so within the agreed time-frame. Following implementation of these

action plans, there was a significant improvement in grades – the proportion of factories achieving grades 1–4 (out of the factories that implemented their action plans) increased from 18.2% to 99.7%. A number of specific projects are also underway to help improve health and welfare for factory workers (see case studies on page 28).

### Factory action plans following audit by Kingfisher overseas sourcing offices



To promote awareness, Kingfisher has an Information Pack for factory managers, which includes a handbook, a series of CR fact sheets and guidance on workplace laws in China and India. In 2007, four new fact sheets were added to clarify Kingfisher's standards on hygiene, first aid boxes, zero tolerance of child labour and the prohibition of deposits which make it difficult for employees to leave. The guide to workplace laws in China was also updated.



## ■ Kingfisher operating companies

In 2007, Kingfisher completed a review of supplier/factory assessment processes within individual operating companies. Following this, a Supply Chain Toolkit was developed which sets out a methodology for engaging with suppliers on factory working conditions to ensure a more consistent approach across the Group.

The toolkit provides templates for conducting assessments, including initial desktop assessments and onsite factory audits. It also sets out a process for going beyond monitoring to engage with suppliers in other ways, e.g. workshops and specific improvement projects. The toolkit recommends a phased approach – focusing first on high-risk suppliers, including those that supply own-brand products and those based in countries where ethical standards are not enforced by law.

The majority of Kingfisher's operating companies have developed action plans on supplier assessments (with the exception of Castorama Poland and Kingfisher's three newest operating companies,

Trade Depot, Brico Dépôt Spain and Castorama Russia, which are required to do so by January 2009).

Across Kingfisher's operating companies, 214 suppliers/factories had an onsite assessment in 2007/08 and 435 received a desktop assessment on factory working conditions. Examples include:

■ **B&Q China** – 186 factories were audited and three training workshops were held which were attended by around 100 factory managers.

■ **B&Q UK** – 385 assessments were carried out on factory working conditions. These included a combination of self-assessment questionnaires (337 suppliers), site audits (15 suppliers) and factory record book reviews (33 factories). In 2007, B&Q UK joined Sedex (Supplier Ethical Data Exchange), a web-based database to promote the sharing of data on ethical audits.

## ■ Training workshops

Workshops/training for factory managers have continued in China and India. Koçtaş is also planning a similar workshop in early 2008.

Training workshops – Kingfisher Group	2005/06	2006/07	2007/08
Number of individuals within the supply chain (e.g. factory managers) attending workshops on factory working conditions	230	211	170
Number of Kingfisher employees attending workshops on factory working conditions	99	192	272



## Case studies

### ■ Kingfisher Asia Ltd (KAL) – mobile health and welfare service for factory workers

Kingfisher's overseas sourcing office in China (KAL) has launched a new project to promote the health and welfare of factory workers. During 2007, it started to work with the China Labour Support Network (CLSN), a local non-governmental organisation, to provide a mobile health and welfare service for migrant workers, the Occupational Safety and Health (OSH) Express. The mobile unit visited three factories used by KAL – spending a day at each factory conducting health checks for workers (e.g. blood pressure and eyesight tests) and also carrying out an evaluation of health and safety on the factory floor.

Feedback was provided to both factory workers and the management teams with recommendations on how to improve conditions. The visits were jointly funded by Kingfisher and the factories themselves.

### ■ Aricia – promoting health and safety in Indian factories

Kingfisher's overseas sourcing office in India, Aricia, is working with factories it sources from to promote health and safety. An initial workshop was held for factory managers on working conditions in November 2006. Following the workshop, the 24 participants were asked to complete a 13-point audit questionnaire on health and safety and to prepare an action plan for improvement.

A follow-up telephone survey was conducted during 2007/08 by an independent organisation, Business Trading Ethically, to get a more detailed understanding of progress in this area. Six of the factories had identified specific areas for improvement and had completed these actions by the end of the year. The remaining factories had confirmed their commitment to the principle of 'continual improvement'. A further workshop was held in March 2008.

### ■ Kingfisher – continued support to HIV/AIDS project in South Africa

Kingfisher continued to contribute funding for a mobile clinic which visits factory workers and their families in the KwaZulu-Natal region of South Africa. This offers voluntary and confidential HIV/AIDS testing, counselling and treatment as well as primary healthcare to workers at participating factories. Since the clinic was set up in 2004, over 15,000 patients have received primary healthcare and around 4,500 people visited the clinic in 2007. A peer education programme is also run, with 81 peer educators trained to date.

The project is co-ordinated by a local consultancy (TLC) and run in cooperation with the government. The project is also being extended to help orphans and children (in partnership with Save the Children) and women in the rural area of Impendle (in partnership with Women in Business).

Social

# Community investment



## At a glance

■ **Charitable contributions**  
Kingfisher made contributions to charity/community projects worth an estimated £1.56 million in 2007/08.

■ **Volunteering**  
Kingfisher employees spent around 34,400 work hours volunteering in the local community in 2007/08.

■ **Fundraising**  
Group employees raised approximately £471,000 for charity partners in 2007/08 through store collections and other fundraising initiatives.

## Performance

### ■ Community strategy

Kingfisher's Steps programme sets out specific criteria for operating companies on community investment and store neighbours. Kingfisher's corporate head office has a Charities Policy and Good Practice Guide for developing commercial partnerships. The Group aims to build on this by developing guidance on community engagement for operating companies in 2008/09.

### ■ Inputs/investment in the community

Kingfisher made contributions to charity/community projects worth an estimated £1.56 million in 2007/08 – equivalent to 0.4% of pre-tax profits. This included cash donations, gifts-in-kind and employee time (see table).

There was a 20% increase in the total community investment over the year, primarily due to an increase in gifts-in-kind.

Group employees also raised approximately £471,000 for charity partners in 2007/08 through store collections and other fundraising initiatives. In the UK, employees donated another £169,000 to charity through payroll giving. In 2007, Kingfisher corporate head office set up a fundraising committee.

Around 66% of the total community contributions during the year were product donations and other gifts-in-kind including unsaleable goods. Examples of gifts-in-kind:

■ **Koçtaş** donated 6,000 seeds a month to reforestation projects run by the Turkish Foundation for Combating Soil Erosion (TEMA). This is in recognition of the impact

that paper use (e.g. product catalogues) has on deforestation.

■ **Trade Depot** donated products to a number of local colleges which run building courses or trade apprenticeships.

■ **B&Q UK** donated products to local communities worth £278,000 in 2007/08 through its You Can Do It Awards and Better Neighbour Grant scheme. In January 2008, these initiatives were replaced with the new One Planet Living awards and grants.

Kingfisher employees spent around 34,400 work hours volunteering in the local community. Kingfisher's corporate head office enables and encourages employees to take a day off work each year for community activities.

Community input	2005/06	2006/07	2007/08
Cash donations (£)	399,000	476,000	298,000
Gifts-in-kind (£)	873,000	651,000	1,021,000
Employee time (£)	90,000	168,000	238,000
<b>Total community investment (£)</b>	<b>1,362,000</b>	<b>1,295,000</b>	<b>1,557,000</b>

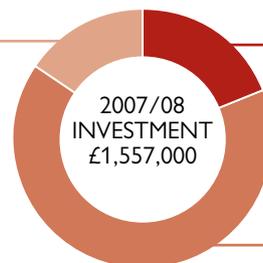
■ Cash donations for 2007/08 include charitable giving of £232,000 and commercial initiatives in the community of £66,000.

■ Gifts-in-kind for 2007/08 include retail product donations of £621,000 (valued at retail cost) and other gifts (including unsaleable goods donated to local communities) of £400,000. The data for unsaleable goods is an estimate made by individual stores.

■ Employee time for 2007/08 includes management time of £86,000 and volunteering in company time of £152,000.

### Community investment

15%  
EMPLOYEE  
TIME  
£238,000



19%  
CASH  
DONATIONS  
£298,000

66%  
GIFTS-IN-KIND  
£1,021,000



## ■ Outputs/benefits of community contributions

Kingfisher aims to ensure that its community activities are focused on projects that deliver real

benefits – both for the business, Kingfisher employees and local communities. It therefore seeks to evaluate formally the impact of its key community projects on an annual basis through qualitative

and quantitative evidence. In 2007/08, Kingfisher corporate head office and B&Q UK evaluated community projects which accounted for 23% of the Group's total community investment.

### Examples of community evaluation findings 2007/08

Community/charity activity	Inputs	Community benefit	Business benefits
<b>Kingfisher corporate head office</b>			
Partnership with Action for Blind People (national UK charity) to support a mobile outreach service for blind/partially sighted people.	Cash donation of £10,000	<ul style="list-style-type: none"> <li>Mobile outreach service was extended to cover 63 locations in England and received 2,418 visitors.</li> </ul>	<ul style="list-style-type: none"> <li>PR benefits through Kingfisher logo fitted to the mobile unit.</li> <li>Promotes greater understanding of disability issues across the business, an important CR topic for the Group (see page 34).</li> <li>Review of Kingfisher website by Action for Blind People helped to improve the accessibility of the website for visually impaired people.</li> </ul>
Partnership with Community Payback London – a joint operation between the Metropolitan Police and National Probation Service which organises community service for offenders.	Cash donation of £5,000	<ul style="list-style-type: none"> <li>Purchase of additional tools and equipment to expand the scheme.</li> <li>Funding helped contribute to doubling of monthly project hours from 12,500 to 26,500.</li> </ul>	<ul style="list-style-type: none"> <li>Met Kingfisher corporate head office objective to support local community projects in London.</li> <li>Contributes to Kingfisher's public affairs programme to promote good relations with government – supporting national objectives such as rehabilitating and providing skills to offenders.</li> <li>Encourages community schemes to purchase tools and equipment from local Kingfisher stores.</li> </ul>
<b>B&amp;Q UK</b>			
Award and grant schemes.	Product donation £278,000 (retail price)	<ul style="list-style-type: none"> <li>820 grants awarded to community projects.</li> <li>49% of grants awarded to sports clubs, youth clubs and other membership groups.</li> <li>22 awards made – a third of these promoted social inclusion by improving accessibility for people with disabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Over 60% of grant recipients said they returned to B&amp;Q stores as repeat customers – some of them getting to know staff by name and inviting them to visit their projects.</li> <li>Enhanced employee satisfaction.</li> </ul>
Volunteering at B&Q UK's central office (known as the Store Support Office).	Employee time worth £17,000	<ul style="list-style-type: none"> <li>Improvements made at nine schools (including a special needs school) plus a housing project.</li> </ul>	<ul style="list-style-type: none"> <li>A survey showed that 99% of employees felt that the volunteering gave them a sense of pride in their work, and 95% said that taking part gave them a sense of pride in their community.</li> <li>Employees see volunteering as being most beneficial for team building – bonding to achieve team goals which they can all be proud of.</li> </ul>

#### Scope of the evaluation

- Kingfisher charity partnership projects – Feedback from charity partners and employees at Kingfisher corporate head office.
- B&Q UK award and grant schemes – Feedback from over 260 community organisations and over 200 employees.
- B&Q UK Volunteering – Feedback from over 130 employees at B&Q UK's central office.

## Case studies



### ■ B&Q China and Kingfisher – helping children in China

Kingfisher and B&Q China have continued to work in partnership with Save the Children on a youth justice project in Jinxing, Yunnan Province. A new Community Activity Centre was built in 2006, which provides a range of activities and facilities for children in a safe and supportive environment. Between November 2006 and September 2007, over 4,000 children and 500 college volunteers participated in activities run by the youth justice project.

B&Q China also donated £2,000 to the children's emergency fund set up by Save the Children following the cyclone in Bangladesh in November 2007.

### ■ Kingfisher Asia Ltd (KAL) – awarded the Caring Company Logo

Kingfisher's overseas sourcing office in China (KAL) has been awarded the Caring Company Logo for 2007/08 by the Hong Kong Council of Social Service. The company was nominated for the award by the Hong Chi Association HK and WWF HK for its activities in four areas: volunteering, community giving, caring for the environment (e.g. office recycling) and employee welfare (e.g. flexible working hours).

### ■ Kingfisher corporate head office – charity partnerships

Kingfisher has continued to work with the following charity partners in 2007/08:

- **Save the Children** – money donated to a youth justice project in China (see left).
- **Action for Blind People** – funding contributed for a mobile Information and Sight Loss service which tours the UK.
- **Community Payback (part of the Safer Neighbourhoods Programme)** – cash given to help provide tools and equipment for community projects in London, e.g. cleaning up graffiti.
- **TLC (a South African consultancy)** – funding contributed to an HIV/AIDS project run in partnership with local government in South Africa (see page 28).
- **Motivation** – money donated to help provide wheelchairs to people in developing countries. This is a long-term partnership project which started in 2000.

# Equality and diversity



## At a glance

### ■ Diversity standards

A Diversity Guidance Pack was developed during 2007 to help operating companies meet the diversity requirements within the Steps programme.

### ■ Gender diversity

Women accounted for 40% of total employees and 27% of managers in 2007/08.

### ■ Products

B&Q UK has launched a new Can Do™ range of over 500 products, designed to make daily living easier for anyone who has a difficulty with their dexterity, vision or mobility.

## Performance

### ■ Diversity standards

In 2007, a Diversity Guidance Pack was developed to help operating companies meet the Group diversity requirements within the Steps programme. With businesses spread across nine countries, the guidance pack takes into account the need to manage diversity within the context of different national legislation and cultures.

The majority of operating companies have now met the Steps 'minimum action' criteria on diversity (with the exception of two of Kingfisher's newest operating companies, Brico Dépôt Spain and Castorama Russia, which are required to do so by January 2009). In order to achieve 'minimum action', the businesses must have a diversity policy, monitor the diversity profile of employees and have customer complaints procedures. B&Q UK has a well-established diversity programme and has achieved the 'leadership position' within Steps. A key focus for B&Q has been to promote a culture of equal opportunities. For example, each store has a Diversity Champion to help raise awareness of diversity issues and Diversity Champion Days are held to share best practice and ideas. Drama-based diversity training was provided for Customer Services employees in 2007.

### ■ Employee diversity

#### Gender

In 2007/08, women accounted for 40% of employees. There was a 2% increase in the proportion of women in management positions, from 25% in 2006/07 to 27% in 2007/08.

A number of operating companies are working to attract/recruit more women by providing flexible working arrangements. B&Q UK has continued with its Women in Management initiative, which has included workshops to help understand and address gender diversity issues. For the second year running, B&Q was included in the Times/Aurora list of top 50 places where women want to work, published in October 2007.

#### Age

B&Q UK has continued to encourage the employment of people over 50, through initiatives such as a flexible retirement policy. In 2007/08, 26% of B&Q UK employees were over 50 – significantly higher than the Group average of 13%. In October 2007, B&Q UK won the Award for Recruitment at the annual Employers Forum on Age Awards. Brico Dépôt France is developing a project to attract and retain employees over 50.

#### Disability

In 2007/08, the proportion of employees with a declared disability was 2%. Castorama France has an action plan on disability to encourage the recruitment and retention of disabled employees. Brico Dépôt France is planning a campaign on equal opportunities and employment of disabled people in 2008.

In conjunction with the government's WORKSTEP scheme, B&Q UK provides placements for disabled people who are looking to enter mainstream employment. In November 2007, the Employers Forum on Disability awarded B&Q UK the Chief Executive's Diamond Award for its vision and commitment to the inclusion of disabled people.

#### Ethnic minorities

Data on ethnicity has been gathered from UK operating companies (B&Q UK, Screwfix and Trade Depot). It has not been gathered in other countries, either because of legal constraints or cultural factors. The UK figures are in line with the 8% of adults who are from ethnic minorities (UK Census 2001).



Employee diversity	2005/06	2006/07	2007/08
<b>Gender</b>			
Total employees – men (%)	60	60	60
Total employees – women (%)	40	40	40
Management positions – men (%)	75	75	73
Management positions – women (%)	25	25	27
<b>Age</b>			
Employees 24 and under (%)	20	17	20
Employees 25–49 (%)	67	70	67
Employees 50 and over (%)	13	13	13
<b>Disability</b>			
Employees who have declared a disability (%)	2	2	2
<b>Ethnic minorities – UK only</b>			
Employees who have declared they are from an ethnic minority (%)	7	8	8

- Data is for full-time equivalents, as at the year end.
- Data for ethnic minorities covers UK operating companies (B&Q UK, Screwfix and Trade Depot).
- Data for ethnic minorities and disability is not available for the Kingfisher corporate head office in the UK.

## Store accessibility

Most operating companies include criteria on accessibility for disabled customers and employees within their store design specification.

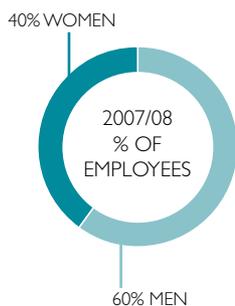
As well as working to improve the accessibility of new stores, B&Q China has developed an action plan to enhance accessibility of existing stores, following a review of facilities in 2007. At Castorama Poland, an electric wheelchair is provided in each store.

## ■ Inclusive products

A number of operating companies have introduced simple-to-use products for people who have difficulty with their mobility, dexterity or vision. For example, Brico Dépôt France, Castorama Poland and Trade Depot all sell adapted products for the bathroom e.g. baths, showers.

B&Q UK has launched a new Can Do™ range of over 500 products (see page 36).

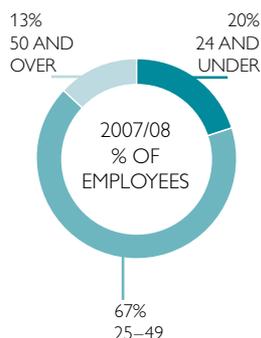
### Women employees (% of employees)



### Women in management positions (% of managers)



### Age of employees (% of employees)



## Case studies

### ■ B&Q UK – launch of Can Do™ products

B&Q has launched a Can Do™ range of simple-to-use products, designed to make daily living easier for anyone who has a difficulty with their dexterity, vision or mobility. This has been developed in co-operation with the Disabled Living Foundation (DLF) and includes over 500 products such as adapted kitchens, bathrooms and garden equipment.



### ■ Kingfisher – improving accessibility of kingfisher.com website

In 2007, Kingfisher relaunched its corporate website to give it a fresh look and to improve the functionality/usability. The new site was designed and built in line with the Web Content Accessibility Guidelines (WCAG), which aim to enhance accessibility for all people, including those with disabilities.

For example, the site is compatible with adaptive technologies e.g. screen readers which are used by visually impaired people. Site visitors can control the size of the text, import their own style sheets and navigate using the keyboard rather than relying on a mouse.



The site also uses hidden navigation and access keys (keyboard shortcuts which conform to the UK Government Access Keys Standard). These enable people using screen readers or other forms of adaptive technology to jump to useful sections of the site e.g. page content, navigation, search function and the site map.

Kingfisher's charity partner, Action for Blind People, also conducted a review of the website during the development process. The site is tested regularly for any errors and is also submitted to a thorough validation process (using the W3C Markup Validation Service).

# Employment



## At a glance

### ■ Training

An average of 19 hours of training were provided per employee.

### ■ Employee turnover

The rate of employee turnover was 30%.

### ■ Consultation

Employee engagement surveys were carried out in six operating companies.

## Performance

### ■ Training and development

Kingfisher places significant emphasis on the training and development of employees, with around £28 million invested in formal employee training in 2007/08. A total of 1.7 million training hours were provided – an average of 19 hours per employee. B&Q UK received an award for its learning and development strategy at the HR Excellence Awards 2007 (see page 40).

Training	2006/07	2007/08
Training hours (total)	1,372,000	1,653,000
Training hours per employee (number)	17	19

■ 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).

The majority (around 88%) of employees received a formal performance appraisal and review.

Kingfisher runs a number of senior management programmes to attract and retain the best international talent (see page 40).

The rate of employee turnover was 30% – the lowest employee turnover rates among operating companies were Brico Dépôt France (15%) and Castorama France (15%).

Employee turnover	2006/07	2007/08
Employees who left (number)	23,200	26,300
Rate of employee turnover (%)	29%	30%

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

### ■ Communication and consultation

Employee engagement surveys were carried out at Kingfisher corporate head office and six Group businesses. These included B&Q UK, Brico Dépôt Spain, Koçtaş, Castorama Italy, 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. In 2007 B&Q became the first

company outside the United States, and the first retailer in the world, to win the Gallup Worldwide Engagement award for outstanding employee engagement. In 2008, Kingfisher plans to extend the Gallup engagement survey to members of the two most senior leadership groups, the Kingfisher Leadership Group and the Kingfisher Executive Group.

Castorama France has encouraged open dialogue between employees and management by launching a webcast debate, En Vizavi, on its intranet site. A group of nominated employees and a panel of senior managers, including the Chief Executive, participate in regular discussions outside of hierarchical lines.

Kingfisher recognises the right of employees to freedom of association. In line with national regulations, all employees in France, Italy, Spain and India are covered by collective bargaining arrangements. In total this amounts to around a quarter of all employees. The Kingfisher European Forum, set up in 2003, briefs and consults with employee representatives on pan-European issues and meets annually.



## Case studies

### ■ Pay and benefits

Kingfisher encourages employees to become shareholders in the business, with around 7,000 employees participating in its ShareSave schemes. Across its international businesses, salary levels are competitive within local markets and healthcare and performance-related bonus schemes are available to some employees.

The Group operates defined benefit and defined contribution pension schemes for its employees, some of which are required by local legislation. The Board's policy is to encourage pension fund managers to engage with companies on environmental, social and governance considerations where possible.

### ■ B&Q UK and Trade Depot – encouraging the return of long-term unemployed back into the workplace

B&Q UK is working in partnership with the government, Jobcentre Plus and other corporate partners on an initiative to aid the long-term unemployed back into work. Trade Depot is also working with Jobcentre Plus on a special work placement scheme for the long-term unemployed. This aims to help individuals regain some experience in the workplace, while giving them the same level of training as full-time recruits. At the store in Hanley, Stoke-on-Trent, the scheme has been a success – five individuals participated in the placement scheme, two of whom decided to stay with the company as permanent Sales Associates.

### ■ B&Q Korea – helping employees to move on after trial stores close

In September 2007, Kingfisher withdrew from the market in Korea – closing its two trial stores in the capital Seoul, which had employed around 180 people. To help employees prepare for the future, the company carried out consultation with each individual and provided outplacement services to help them find new jobs. Employees were offered a form of early retirement under South Korean law and a retention plan was put in place to encourage individuals to stay with the company until the end of their contracts.



#### ■ B&Q China – human resource management award

B&Q China received a Gold accolade for its human resources practices at the China Human Resource Management Grand Awards. The company has continued to invest significantly in staff training and development to attract and retain talented people. Last year around 100 employees successfully completed Fast Track training and assessment, thereby earning promotion to key management positions in the company's 60-plus stores.

#### ■ B&Q UK – learning and development award

B&Q won an award for its learning and development strategy at the HR Excellence Awards 2007, organised by the HR Magazine. B&Q received the award in recognition of the effectiveness of its learning and development programme which engaged B&Q staff from across the entire organisation. B&Q's approach is to provide flexible learning and focus on ensuring that every member of staff knows what is expected of them. Pay is linked to performance – to drive a culture of high achievement across the business.

#### ■ Kingfisher – management development programmes

The Kingfisher Executive Group (KEG) and the Kingfisher Talent Group (KTG) were both established in 2006/07 to help identify, retain and cultivate the next generation of business leaders within Kingfisher. Their role is to underpin and provide a succession pipeline to the well-established Kingfisher Leadership Group (KLG).

The KEG's membership is drawn from the 150 most senior roles below the KLG, while the KTG seeks to promote 'rising stars' within the business. A number of training programmes were run during the year, including an event for the entire KTG in January 2008. A set of Leadership Attributes were also created by a cross-company working group.

Management development is also a focus within the operating companies. For example, at Koçtaş nearly 100 employees from different managerial levels took part in a year-long development programme. In the UK, Trade Depot laid the groundwork for a new initiative – 'Leaders of the Future' – to identify and develop talented people within the business, while Screwfix introduced a fast-track development programme for Trade Counter managers.

# Health and safety



## At a glance

### ■ Compliance review

An independent review of compliance with local health and safety regulations during 2007 found acceptable levels of compliance across the Group.

### ■ Health and safety standards

Following the compliance review, Kingfisher developed a Group policy and standards on health and safety, which are in line with International Labour Organization (ILO) requirements. All operating companies are required to achieve the Group standards by 31 January 2009.

### ■ Reducing accidents

There was a 12% reduction in total lost-time accidents (major and over three-day accidents) per 100,000 full-time equivalent employees over the past year.



## Performance

### Health and safety standards

During 2007, an independent review of compliance with local health and safety regulations was conducted across all operating companies and joint ventures. This found acceptable levels of compliance across the Group.

Following the review, Kingfisher developed a Group policy and standards on health and safety in late 2007, which are in line with International Labour Organization (ILO) requirements. A target has been set for all operating companies to achieve the Group standards by 31 January 2009. Guidance will be produced in early 2008 to help Group businesses put in place international health and safety management systems to meet this target. The company also plans to set more detailed key performance indicators to monitor progress on a regular basis.

### Accidents

There was a 12% reduction in total lost-time accidents (major and over three-day accidents) per 100,000 full-time equivalent employees over the past year. This was driven by increased focus on health and safety across the business following the compliance review and the introduction of Group health and safety standards. The company is committed to further improvement and has set a three-

year target to reduce the total lost-time accident rate by another 5% by 2010/11 (from 2007/08). This target will be reviewed on an annual basis to ensure it remains challenging.

There are some significant variations in accident rates across the Group. This is partly due to differences in legislation, mandatory accident reporting requirements and health and safety cultures across countries. The accident rates are highest in France and Italy where companies are required to report and claim accidents through insurance/social security systems. The total lost-time accident rate in the UK (B&Q UK,

Screwfix, Trade Depot, Kingfisher corporate head office) is 890 per 100,000 full-time equivalent employees – significantly below the Group average of 3,811.

We deeply regret that there were two work-related fatalities during 2007/08. At Castorama France, an employee was struck by falling stock. At Koçtaş an employee suffered a fatal fall. A full investigation has been carried out into both incidents to ensure that lessons are learned. In 2007/08, there were two health and safety prosecutions. See page 44 for details.

Work-related employee accidents	2006/07	2007/08
<b>Fatalities</b>		
Work-related fatalities (number)	2	2
<b>Accident numbers</b>		
Major accidents (number)	97	81
Over three-day lost-time accidents (number)	2,677	2,615
<b>Total accidents – major and over three-day lost-time accidents (number)</b>	<b>2,774</b>	<b>2,696</b>
<b>Accident rate</b>		
Major accident rate (number per 100,000 full-time equivalent employees)	151	115
Over three-day lost-time accident rate (number per 100,000 full-time equivalent employees)	4,168	3,697
<b>Total lost-time accident rate – major and over three-day lost-time accidents (number per 100,000 full-time equivalent employees)</b>	<b>4,319</b>	<b>3,811</b>
<b>UK businesses – total lost-time accident rate (number per 100,000 full-time equivalent employees)</b>	<b>1,313</b>	<b>890</b>

■ 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 exclude major accidents/injuries. 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 100% of the Group turnover in 2007/08 (98% in 2006/07).

# Governance and ethics



## At a glance

### ■ CR governance

Kingfisher has governance and CR management processes in place to enable its directors to comply with the new duties on environment and social issues within the revised Companies Act.

### ■ Code of Conduct for ethical business practice

A series of workshops have been run for senior management across Kingfisher operating companies to raise awareness of the revised Code.

### ■ CR risks

A CR risk register has been developed and a trial undertaken with Koçtaş.

## Performance

### ■ CR governance and reporting

The UK Companies Act 2006 came into force in 2007. For the first time in statute, directors are required to take account of social and environmental impacts in their business decisions. Kingfisher enables its directors to comply with this requirement through its corporate governance and CR management processes (see page 6). Kingfisher's Chief Executive has overall responsibility for CR – under his direction the Retail Board sets the CR strategy and reviews progress on a regular basis. The Board also formally reviews progress on an annual basis.

The Act also requires publicly listed UK companies to produce a Business Review within their Annual Report, which includes information on environmental and social risks and opportunities. Kingfisher has done so for the past two years by including a section on CR issues within the Business Review.

### ■ Code of Conduct for Ethical Business Practice

Kingfisher's Code of Conduct sets out minimum standards for ethical business practice and applies to all employees/contractors across the

Group. It is reviewed on a regular basis and a number of revisions were made in 2007 – these provide further clarification on ethical business conduct, including supplier relationships and procedures to prevent bribery and corruption. A series of workshops have been run for senior management across Kingfisher operating companies to raise awareness of the revised Code. Non-compliance with the Code can result in disciplinary action for employees or termination of contract for vendors and contractors.

During 2007, a review of the Group policies, which are outlined in the Code, was also carried out. As Kingfisher businesses increasingly use CR messages in their customer communications, it is important that any claims are clear, accurate and informative. Kingfisher therefore plans to develop standards on responsible marketing in 2008.

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

### ■ CR risks

Kingfisher has developed a CR Risk Register (with an external

consultancy The Virtuous Circle), to ensure a common approach across the Group to the way CR risks are identified and managed. An initial set of risks has been identified and a trial of the register was carried out with Koçtaş in January 2008. The register is designed to be used by Kingfisher's operating companies to help them identify their own specific risks, including the magnitude and probability of occurrence and the range of mitigating controls in place to minimise the potential impacts of the risks. The company plans to finalise the register and roll it out across the Group during 2008.

As part of its approach to ensuring good governance, the company has put in place a new process for identifying its top ten major strategic risks.

### ■ Environment, health and safety prosecutions

In 2007/08 there were two health and safety prosecutions across the Group. B&Q UK was prosecuted in June 2007 for a forklift truck incident which occurred in 2003 (and fined £80,000), and was also prosecuted in October 2007 for an incident regarding falling stock in 2004 (and fined £15,000). There were no prosecutions relating to environment issues.



## ■ Public affairs

Kingfisher has a public affairs profile strategy, now in its second year, to promote engagement with stakeholders, including policy makers. The strategy helps to provide a co-ordinated approach across the Group on stakeholder engagement, and ensures key messages are consistent with the company's CR objectives. See page 8 for further details.

In 2007, there were a number of specific public affairs activities relating to CR issues. For example:

### VAT on energy-efficient products

Kingfisher and B&Q UK have for many years raised concern that the scope of the current European VAT Directive should be extended to allow the lower rate of VAT to apply to energy-saving goods that customers fit themselves. Currently the rate of VAT is lowered when such goods are installed by tradesmen, thereby discriminating against those who are unable to afford for a professional to do the work. Research undertaken reveals that affordability is one of the key barriers preventing people from carrying out energy-saving improvements to their homes. The Group will continue to lobby UK and European governments in an effort to reduce and eventually remove

VAT on energy-efficient products to make them more affordable and help combat climate change.

### Anti-dumping

Kingfisher, together with other major retailers, continues to lobby through the British Retail Consortium (BRC) and European Retail Round Table (ERRT) for reform of the European trade defence instruments, including anti-dumping measures. Kingfisher supports the retail industry's position that there needs to be greater transparency in the way tariffs are set. In 2007, European anti-dumping tariffs were again imposed for a further year on energy-efficient lighting – Kingfisher has raised concerns that this conflicts with CR objectives to promote sales of these products.

### Sustainable consumption and production

Kingfisher has worked with ERRT and the trade association, EuroCommerce, to help formulate a response to the European Commission's consultation on sustainable consumption and production and sustainable industrial policy. As a retailer, Kingfisher is able to help its customers move towards sustainable consumption and is therefore supportive of progressive policy suggestions.

### Carbon Reduction Commitment (CRC)

In October 2007, Kingfisher submitted a response to the UK Government's proposals on a Carbon Reduction Commitment (CRC). The Carbon Reduction Commitment was announced in the 2007 Energy White Paper and is part of the government's strategy to cut carbon emissions. Kingfisher is supportive of the idea of carbon trading provided the government creates a workable system.

In 2008, a key focus of the public affairs strategy will be to communicate the Group's new sustainability strategy and goals.



# About this summary report

This Summary Report covers the financial year 4 February 2007–2 February 2008. The full report is published on the website at [www.kingfisher.com/CR07](http://www.kingfisher.com/CR07). There is also a summary of CR activities in the Business Review section of the Kingfisher Annual Report and Accounts.

The web-based report includes additional information on economic impact and stakeholder engagement as well as index tables to show compliance with CR reporting guidelines. The website also includes a country reporting tool ([www.kingfisher.com/crt](http://www.kingfisher.com/crt)) which shows the progress of each operating company on the 12 key issues within the Steps programme. The country reporting tool is updated on a regular basis.

Kingfisher publishes 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. In addition, more targeted CR communications are produced for specific audiences. For example, a CR update for employees was published in January 2008, and CR roadshows continued to be held for investors. This report contains a range of examples of how Kingfisher's operating companies communicate with customers on environmental and social issues. See page 8 for more on stakeholder engagement.

## How we decide what to report

Kingfisher aims to report on the issues that are of most concern to its external stakeholders. This report is structured around the six key environment and social focus areas identified in Kingfisher's CR Policy. Two years ago, the report was extended to cover other issues of interest to stakeholders including employment, health and safety, and governance and ethics.

With the introduction of Kingfisher's new sustainability goals (see page 5), next year's report will be restructured to focus on implementation of the goals.

Kingfisher's CR Report undergoes an independent assurance process. This checks that the report is material, complete and responsive to stakeholder concerns – in line with the AA1000 Assurance standard (see page 48). This is the first year that Kingfisher has set up an independent stakeholder panel to review the report as part of the assurance process.

## Scope of data

The data covers Kingfisher's operating companies and joint ventures (see page 2). This report refers to a total of eleven operating companies and joint ventures which include:

- **UK businesses** – B&Q UK, Screwfix, Trade Depot
- **French businesses** – Castorama France, Brico Dépôt France
- **Rest of World** – B&Q China, Castorama Poland, Castorama Italy, Brico Dépôt Spain, Castorama Russia, Koçtaş (joint venture)

Information/data for B&Q Ireland and Brico Dépôt Poland is included within B&Q UK and Castorama Poland respectively.

This report (and the data) also covers Kingfisher's overseas sourcing offices and the Kingfisher corporate head office. However, these are not covered within the scope of Kingfisher's Steps programme.

Hornbach, an associate business in which Kingfisher has a 21% stake, is excluded.

Businesses are included in this report if they have been owned for the full financial year. In 2007/08, B&Q Korea was closed and B&Q Taiwan was sold and are therefore not covered in this report.

Group-wide figures are reported throughout unless otherwise indicated. The data for Koçtaş covers the total impact of the joint venture, not just Kingfisher's 50% share.

## Changes since last year

This is the first year that the report has included Kingfisher's newest businesses, Brico Dépôt Spain and Castorama Russia. It excludes the two businesses that were closed/sold during the year, B&Q Korea and B&Q Taiwan, although the data for these two businesses for 2005/06 and 2006/07 remains in the Group baseline.

Kingfisher has been gathering Group-wide CR data for three years and has been working to progressively improve the quality and scope of the data. A number of amendments have been made to data for previous years due to improvements in data collection systems.

## CR reporting guidelines

Kingfisher takes into account the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3) and seeks to report against the indicators which are relevant to its business. This report is in accordance with the B+ level of the GRI guidelines. A GRI index table is available on the website at [www.kingfisher.com/CR07\\_Index](http://www.kingfisher.com/CR07_Index).

Kingfisher participates in Business in the Community's Marketplace Taskforce and seeks to report against each of the marketplace principles. An index table for the Marketplace Principles is also available on the Kingfisher website.

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

# Assurance

## A new approach to assurance

To enhance responsiveness, Kingfisher set up a new stakeholder panel as part of the assurance process for its CR Report 2007/08. URS Corporation Limited was commissioned to review Kingfisher's CR programme to assist the panel in developing an overall opinion statement. A review of the CR data was also undertaken by Ernst & Young. The assurance process was conducted in line with key elements of the AA1000 Assurance Standard.

## Independent review by our Stakeholder Panel

The Stakeholder Panel is diverse in background and experience, but united in its response to Kingfisher's latest report.

The Panel appreciates Kingfisher as a leading company that has made a serious commitment to operating its business responsibly, particularly as a global retail group that faces a number of diverse global trading environments. Kingfisher's 'Steps' system is a smart approach, and the group has particular strengths on how it develops processes to manage its impacts.

## Good process

The Panel agreed that the company has good governance of CR with solid leadership on the issues from the very top. The Chief Executive's

commitment to go beyond legal compliance and position the company as a leader in sustainable consumption is clear and impressive. This also indicates Kingfisher is well positioned to benefit from growing consumer interest in affordable green products. CR is integrated into corporate functions at various levels within the company and the success of this is helped by the company's commitment to engaging employees and use of internal training.

Kingfisher's commitment to ensure that its values are put into practice across its operating companies is key. The business environments and customer interest in sustainability may vary, but the company has shown determination in seeing progress made in all markets in which it operates, including in emerging markets such as China and transition economies such as Poland. It is embedding this expectation through employee engagement and internal audit and risk management processes.

The Panel did have a question around how senior management is motivated to focus on corporate responsibility. CR objectives could be better reflected in the formal performance objectives set for executives.

## Important issues

In common with many others, Kingfisher has placed a high priority

in making progress on its approach to climate change. The Panel believed that the company's policies and practices on climate change are on the right footing with clear metrics and direction for reducing emissions. We liked the focus on product issues, particularly with the focus on eco-design and enabling customers to reduce their carbon footprint. B&Q UK showed courage in this area with the decision in the preceding year to phase out the sale of outdoor patio heaters – not an easy decision to make.

The Panel did feel that there are other issues that, in the context of this report, were not covered to the extent we would have expected. A key one amongst these is the issue of labour standards, particularly (but not exclusively) in the supply chain where companies like Kingfisher have a particularly strong set of expectations to meet.

## The mechanics of reporting

The Kingfisher report does a good job of communicating the company's CR strategy, its progress against some of its key targets, and where it expects to be in the future. Inevitably, there are some areas for improvement. The Panel has included some further observations on these in its longer statement which can be found on the Kingfisher website.

## Listening to stakeholders

Kingfisher's decision to form a stakeholder panel this year is a step in the right direction towards better engagement with stakeholders.

That said, Kingfisher has more work to do in relation to how it listens, and responds to, key stakeholders. In particular, it needs to show that it is able to hear the voice of the customer with regard to its CR strategy and priorities, and that it has analysed stakeholder feedback and can show how this has fed into the company's decision making.

The Panel also wanted to see the company's suppliers given a more active role as stakeholders of the company. It is one thing to require compliance from suppliers with key standards – and the company does this well – but another to actually engage suppliers on some of the measures that could be taken to drive green product development, improve labour standards and process efficiency.

## Conclusion

The Stakeholder Panel is clear that Kingfisher has shown considerable initiative in leading the way in a number of important areas. We would certainly encourage the company to continue its journey in this regard.

## Background

The Stakeholder Panel comprised:

**Mallen Baker** –

Business in the Community

**Sagarika Chatterjee** –

F&C Management Ltd

**Sumi Dhanarajan** –

Oxfam GB

**Linda Jackson** –

Confederation of British Industry

**Paul Skehan** –

European Retail Round Table

**Colin Thirlaway** –

Black and Decker Europe

All members served in a personal capacity, rather than as representatives of their organisations. The Panel met twice during the last year, along with one further conference call.

The Panel was asked to provide commentary and review on the company's report, and its process in producing and assuring this report. The Panel was not responsible for any aspect of checking data or verifying factual statements, which was the remit of the other agents employed by the company detailed elsewhere.

## Kingfisher's response to the Stakeholder Panel statement

Kingfisher is committed to taking a leadership position on CR

and has this year become one of a number of companies to use a stakeholder panel as part of the assurance process.

Gathering external perspectives has been an extremely valuable exercise; the Panel's independent scrutiny of the report has helped to challenge the business and has provided a thorough insight into the expectations of our stakeholders. We welcome the Panel's feedback at this key point in the development of our new sustainability strategy and look forward to using it to strengthen our approach. A more detailed response is on our website.

## Data assurance

Ernst and Young have reviewed the 2007/08 environmental and social data presented in this Summary Report and the online Kingfisher Corporate Responsibility Report 2007/08 to provide conclusions on its accuracy and completeness. Our scope of work and conclusions can be found on the Kingfisher website ([www.kingfisher.com/CR\\_Assurance](http://www.kingfisher.com/CR_Assurance)).

**Ernst and Young LLP**

London, May 2008



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