

An introduction to Kingfisher

An introduction to Kingfisher's businesses is an introduction to sustainability. At Kingfisher we do not distinguish between the two, as being sustainable is integral to the company's business model.

Kingfisher has grown to become the leading home improvement retail group in Europe and Asia and the third-largest in the world. At the end of the financial year, the business operated over 800 stores in eight countries and served around 6 million customers a week. With this size, scale and reach comes a range of responsibilities which we interpret in a broad, not a narrow way.

We recognise that we operate in – and our customers live in – a resource-constrained world but the implications of this are being felt in different ways across our markets. However, there are common themes: the need to economise and the need for advice and answers.

Our customers are increasingly looking for products, services and information to help them create more sustainable homes. There is now a heightened recognition that the homes that are more resource efficient are also more cost efficient. So for Kingfisher, putting sustainability at the heart of the company's commercial agenda creates tremendous opportunities. Using our position as one of the world's leading home improvement retailers, we can help our customers create more eco-efficient homes.

CR is part of our heritage. For example, B&Q UK was one of the pioneers of sustainable business practice in the early 1990s, adopting policies on issues such as timber, paints and the employment of older workers. Our long-standing commitment now puts us in good stead for the future.



Castorama France has developed a new merchandising campaign – La Maison Éco – to promote sustainable living.

Future Homes

We aim to help customers create homes for the future that enable them to achieve a more sustainable balance in how they live. That is why we call our Corporate Responsibility (CR) strategy, Future Homes. We want to be the customer's first choice for sustainable products and services.

At Kingfisher we practise what we preach. We are busy making our own operations more sustainable so that our brands will be the first choice for customers seeking sustainable living: something which starts at home.

We are embedding sustainability in our business, including the products we sell and our own operations. This is driven by our firm belief it generates shareholder and stakeholder value. Our Future Homes strategy is designed to integrate sustainability into our commercial operations.

There is now a near global consensus about the need to change our behaviours to reduce the pressures on natural resources. The challenge is how. We acknowledge and address this in our stores and in our supply chain, and through our Future Homes strategy we are working to influence the behaviours of our stakeholders.



B&Q China's Better Home marketing campaign promotes products which have environmental and health benefits.

Governments will increasingly reward businesses that have a reputation for sound ethical standards and penalise those that do not. Market research shows that customers increasingly want to shop with retailers that can make their lives easier, greener and more affordable. A number of our operating companies have launched extensive eco-ranges, including B&Q UK's One Planet Home® range and Castorama France's La Maison Éco (Eco House) products.

We know there are no quick fixes or easy solutions, but we are committed to driving reform through the supply chain. We have a process in place to deliver the Future Homes strategy: seven CR goals implemented through our 'Steps' programme and measured through key performance indicators. This is designed to ensure that all our businesses – from Europe to China and Russia – achieve a defined level of performance within specific timeframes.



In early 2009, B&Q UK opened its greenest-ever store in New Malden, Surrey. It includes the largest building-mounted wind turbine in the UK.



Our Products and Services

Future Homes Goal 1:

to enable sustainability in all our product and services categories.

Kingfisher is committed to helping customers live in homes that have a lower impact on the environment. A key focus of Future Homes is to make sustainable living more affordable and accessible.



Castorama France in-store poster to promote timber certified by the Forest Stewardship Council™ (FSC™).

Our progress during the year

Making our products sustainable

- Eco products accounted for 7% of our total sales.
- We started to develop eco-design guidelines for seven popular products sold across the Group.
- 72% of reported timber volume sold was from proven, well-managed forests or recycled sources. Our target is to increase this to 75% by 2010/11.
- Our businesses have embarked on programmes to identify and substitute chemicals of concern which are on the Kingfisher Chemical Action List.

Key challenges

- Endeavour to work more closely with suppliers to extend the range of innovative and affordable eco products.
- Ensure that eco products are defined consistently across the Group, according to robust criteria.

Visit www.kingfisher.com/CR



Our Stores and Operations

Future Homes Goal 2:

to ensure our stores and operations are efficient and sustainable.

We seek to minimise the carbon footprint and other environmental impacts associated with our stores and operations. We do this through initiatives to improve energy and transport efficiency and by focusing on reducing waste and water use.



In July 2008, Castorama France opened its first eco store, in Cormelles-en-Parisis, near Paris. It has more than 2,000m² of solar panels.

Our progress during the year

Reducing our carbon footprint

- Whilst our overall carbon footprint has increased in line with business growth, we achieved an 11% reduction in our CO₂ emissions per £ million retail sales since 2006/07. The main area of progress has been in improving store energy efficiency. In addition, there has been a decrease in the volume delivered by our dedicated transport fleets which has also contributed to the reduction in CO₂.

Cutting waste

- We have achieved a 35% reduction in tonnes of waste disposed per £ million retail sales since 2006/07. A revised target was introduced to achieve a 50% reduction by 2011/12.

Key challenges

- To achieve more ambitious carbon reductions in the future through a switch to renewable and lower carbon energy sources.
- Find ways to make our new stores 'zero carbon' – building on the progress at our two recently opened eco stores at New Malden and Paris.
- Radically re-think our approach to waste management in order to achieve 'zero waste'.



B&Q UK's long-term ambition is to achieve a 90% reduction in direct CO₂ emissions by 2023 against the 2006/07 baseline. It aims for all new stores to be 'zero carbon' from 2012 and for all existing stores to be 'zero carbon' by 2023.



B&Q UK's One Planet Home® eco shower head. Water is mixed with air to give the same invigorating shower performance with up to 75% less water.



B&Q UK launched its One Planet Home® range in October 2008. This is part of the company's commitment to One Planet Living® with the aim of operating, and helping its customers live, within the resources of our one planet. See www.diy.com/oneplanethome



Our Customers

Future Homes Goal 3:
to make it easy for our customers to create their homes in a sustainable way.

We are encouraging consumers to reduce their carbon and environmental footprint through marketing campaigns, price promotions and guidance.

B&Q China set up marquees in stores to promote energy-saving messages to consumers.



Our progress during the year
Promoting sustainable living

Our businesses have run some high-profile marketing drives to engage consumers. For example:

- B&Q UK's One Planet Home® range of products is being specifically marketed through sponsorship of home improvement TV programmes.
- Castorama France developed a new merchandising campaign – La Maison Éco (Eco House). Information is provided throughout stores, including special merchandising displays at entrances, posters in aisles and labels on individual eco products.
- B&Q China promotes products which have environmental and health benefits through its Better Home marketing campaign.

Key challenges

- To provide information to customers to help them understand the long-term financial and environmental benefits of eco products.
- To change customer purchasing habits through effective marketing.



Our People

Future Homes Goal 4:
to engage employees to be champions of sustainability across our business.

We need to engage each and every employee to encourage them to become champions of sustainability. Our colleagues, like our suppliers and customers, are on a journey with us to achieve a more sustainable way of living.

Our progress during the year
Sustainability training

- B&Q UK, Castorama France and Screwfix brief all new members of staff on CR. Our target is to include information on CR issues in employee induction programmes across all our businesses by 31 January 2011.
- Training programmes on eco products are in place for store employees at B&Q UK and Castorama France.
- Kingfisher's CR team promotes sharing of best practice across the Group.

Providing incentives

- Specific CR criteria have been included in performance reviews for Kingfisher's most senior management.
- A number of our businesses have put in place programmes to recognise achievement, e.g. B&Q China's CR competition for stores.

Key challenges

- To reach every single employee so they understand their role in achieving our CR objectives and delivering change.
- Establish systems to track employee engagement on CR across all businesses.



B&Q UK relaunched its store Environment Champion scheme in 2008.



Our Community

Future Homes Goal 5:

to be a good neighbour in all the communities we serve.

We want to help create lasting improvements and benefits in the communities we serve. Our focus is on community partnerships and programmes that align with our Future Homes strategy.

Our progress during the year

Investing in the community

- We made contributions to charity/ community projects worth an estimated £1.39 million in 2008/09. In addition, employees raised £553,000 for charity partners through store collections and other fundraising initiatives.
- Our employees spent around 29,000 work hours volunteering in the local community.
- During 2008, we developed guidelines on community investment for our operating companies.



Castorama Russia raised money for building renovations at a local orphanage through sales of 'Kind Repair' branded products.

Key challenges

- In tough economic times, we need to focus on community activities that bring real benefit to local communities and the business.
- As the level of community giving varies significantly across the Group, we need to ensure an effective community investment strategy is in place across each one of our businesses.



Our Suppliers and Partners

Future Homes Goal 6:

to work with our suppliers, governments and other stakeholders to make sustainability easy and to find solutions to common sustainability problems.

To deliver our strategy, we work with suppliers to improve labour and environmental conditions in the supply chain through factory audits, training and partnership projects. We also engage with a range of other partners including non-governmental organisations (NGOs) and governments in a two-way dialogue on CR issues.

The Kingfisher sourcing office in Asia has worked with a number of supplier factories to put in place employee welfare programmes, coordinated by World Vision.



Our progress during the year

Ethical sourcing

- The Kingfisher Sourcing Organisation continued to audit all new factories and reassess existing factories on a two- to three-year cycle. A total of 411 audits were conducted in 2008/09.
- To address key issues we adopt a collaborative approach. For example, B&Q UK has participated in the Quarry Working Group project run by Business Trading Ethically. In 2008, Kingfisher joined the Local Resources Network (LRN) to engage with locally-based organisations to find solutions.

Key challenges

- To increase the scope and reach of supplier partnership projects.
- To put in place a consistent approach to ethical auditing across all our businesses. To achieve this, a new Quality Management Tool is in development which will incorporate ethical and environmental criteria.



Brico Dépôt France has worked with suppliers to offer special price promotions on energy-saving light bulbs. A logo has also been developed to help customers easily identify energy-saving products.

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The Kingfisher Sourcing Organisation is taking a more hands-on approach, through workshops in China and India and a number of partnership projects. In 2008/09, 472 factory managers attended workshops run by the KSO.

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Our Economic Growth

Future Homes Goal 7: to use our sustainability strategy to create value for the benefit of our business and shareholders.

Through Future Homes, we aim to create value for our shareholders and the stakeholders in our supply chain. This means making the most of commercial opportunities and managing CR risk.



In 2008, B&Q UK was rated as the home improvement retailer that does the most to help customers reduce their environmental impact (Ipsos MORI survey commissioned by B&Q UK).

Our progress during the year

A sustainable business case

- We collected data for the first time on the contribution of eco products to total sales (7% in 2008/09). This gives us a baseline from which to measure future progress.
- It's smart to be sustainable. Our focus on minimising energy and waste has reduced costs. For example, Brico Dépôt France and Castorama France achieved combined savings of over €1.8 million through waste reduction initiatives.
- There are growing opportunities to use our CR credentials and reputation to win new trade contracts. For example, B&Q UK's commitment to sustainable timber sourcing helped to win a contract with the UK Environment Agency.

Key challenges

- To factor in the long-term benefits of investing in sustainability during times of economic recession.
- To get customers to use more and more energy-saving products – to reduce their carbon/environmental footprint and save them money.

Recognition

- Awarded a Ruban d'Honneur in both the Corporate Sustainability and Environmental Awareness categories of the European Business Awards.
- Ranked second in the Observer Good Companies Guide 2008, and was the highest scoring retailer.
- Retained Platinum ranking in the Business in the Community (BITC) 2008 CR Index.

Kingfisher is also included in a range of socially responsible investment indices, including the FTSE4Good and Dow Jones Sustainability Indexes. In the Corporate Sustainability Assessment conducted by SAM (Sustainable Asset Management), Kingfisher was rated Gold Class and leader of the general retail sector. The company is also included in the Oekom Global Challenges Index and has achieved Prime status (i.e. absolute best-in-class) in the Oekom CR rating for the retail sector.



FTSE4Good



Assurance

Our CR Report 2008/09 (comprising this Summary Report and our full-length web-based report) has been reviewed by an independent Stakeholder Panel. Members of this year's Panel were:

- **Mallen Baker**
Business Respect (Chair)
- **Linda Jackson**
Confederation of British Industry
- **Jo Daniels**
Business in the Community
- **Craig Bennett**
University of Cambridge Programme for Sustainability Leadership
- **Paul Skehan**
European Retail Round Table (ERRT)
- **Seb Beloe**
Henderson Global Investors
- **Rune Marki**
Osram

As part of the assurance process, URS Corporation Limited conducted a review of our CR programme and performance and provided commentary on its findings to assist the Stakeholder Panel in developing an overall opinion statement. URS also reviewed evidence to support the claims made in our report.

In addition, our Group CR data has been independently reviewed by Ernst & Young. The Ernst & Young logo denotes data that falls within the scope of their review process.

The statements from the Stakeholder Panel and Ernst & Young can be found on our website

www.kingfisher.com/CR_Assurance

Key Performance Indicators (KPIs)

Kingfisher plc
Corporate Responsibility
Summary Report
2008/09

| | 2006/07 | 2007/08 | 2008/09 |
|--|---------|---------|---------|
| Eco products | | | |
| Contribution of eco products to total sales (% of total sales) | u/a | u/a | 7% |
| Timber | | | |
| Reported timber volume sold from proven, well-managed forests or recycled sources (% of timber volume sold) | 69% | 71% | 72% |
| Chemicals | | | |
| Average volatile organic compounds (VOCs) in own-brand paint ranges (g/litre) | 97 | 81 | 77 |
| Carbon footprint | | | |
| Total CO ₂ from energy and transport (tonnes CO ₂ per £ million retail sales) | 61 | 57 | 54 |
| Energy | | | |
| Store energy efficiency (kWh/m ² total sales area) | 225 | 216 | 214 |
| Transport | | | |
| Fleet efficiency (litres per m ³ delivered) for our own/dedicated store delivery vehicles | 4.04 | 4.31 | 4.25 |
| Waste | | | |
| Store waste disposed (tonnes/£ million retail sales) | 18.9 | 16.4 | 12.3 |
| Store waste recycled (% of total waste generated) | 25% | 29% | 38% |
| Health and safety | | | |
| Total lost-time accident rate – major and over three-day lost-time accidents (number per 100,000 full-time equivalent employees) | 4,276 | 3,759 | 3,403 |
| Diversity | | | |
| Women in management positions (% of managers) | 25 | 27 | 27 |
| Community | | | |
| Total community investment (£ thousand) | 1,160 | 1,330 | 1,391 |
| Suppliers | | | |
| Number of individuals within the supply chain attending workshops on factory working conditions or supply chain environmental issues | 211 | 170 | 771 |
| Number of Kingfisher employees attending workshops on factory working conditions or supply chain environmental issues | 192 | 272 | 371 |

Data assurance



The KPIs on this page have been reviewed by Ernst & Young LLP, May 2009.



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Kingfisher's full CR Report is at:
www.kingfisher.com/CR

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corporateresponsibility@kingfisher.com

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