

Kingfisher | np

BETTER
HOMES,
BETTER
LIVES



Net Positive Report 2014/15
Delivering our strategy sustainably

Kingfisher exists to help and inspire millions of people to improve their homes. We believe that because people's homes are so central to their lives, improving their homes means improving their lives. We operate 1,200 stores in 11 countries in Europe and Asia. Our main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix and we operate the Koçtaş brand, a 50% joint venture in Turkey with the Koç Group.

Our core focus is to deliver value for customers, by improving our offer and developing innovative new products that meet their needs, in formats that are convenient, easy and relevant. As we create value for our customers, we will create growth for our business, which in turn will create value for our employees, communities and shareholders – we are completely committed to achieving growth in a sustainable way.

Net Positive is our restorative ambition to fully integrate sustainability into our business to create value – financially, socially and environmentally. Our journey has begun. This report summarises our progress to date. There is still much to do.

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At a glance



* Full time equivalent

Our key figures

Total sales

£11.0bn

Stores

1,202

Employees

79,415

Eco product sales

£2.4bn

Adjusted pre tax profit

£675m

Responsibly sourced timber in products

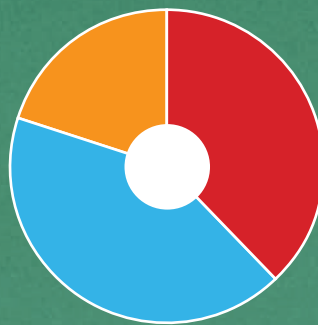
92%

Property (at market value)*



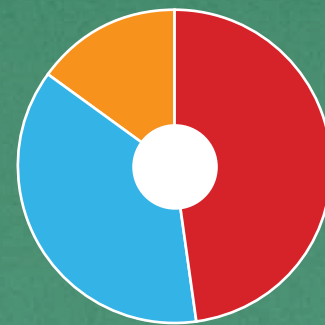
France	£1.3bn	41%
UK	£0.8bn	24%
Other	£1.1bn	35%

Group sales



France	£4.1bn	38%
UK	£4.6bn	42%
Other	£2.3bn	20%

Group retail profit



France	£349m	48%
UK	£276m	37%
Other	£108m	15%

* On a sale and leaseback basis with Kingfisher in occupancy



“Emerging trends, such as the sharing economy, are revolutionising the retail landscape.”



Our business is built on a passion for helping people improve their homes and through doing so to improve their lives. Sustainability is core to our purpose because homes cannot be better without being more sustainable.

We need to understand the reality of how our customers live today and how changes in the world will affect how we live in the future.

Technology is fundamentally altering the way we live, shop and work. Many established businesses have been disrupted and emerging trends, such as the sharing economy, are revolutionising the retail landscape. Technology is enabling people to run their homes smarter, using less energy and creating less waste.

At the same time other global megatrends, such as changing demographics, increasing demand for resources and accelerating urbanisation, are having an impact on how we live. In many cities, housing is getting more expensive and smaller. In some countries, the population is ageing,

there is a rise in single person households, and growing inequality. People and businesses everywhere are increasingly feeling the impact of environmental changes, especially the scarcity of precious resources and the consequences of climate change.

To grow, we need to be grounded in the reality of our customers' needs. And we need to recognise how these global trends will affect their lives and our businesses across our geographies.

Our long-term ambition is to create a positive impact in the wider world. We want to play our part in creating a society that is better for all. We can only do this by making sustainability part of every business decision we take. It is a great endeavour and I'm confident our new strategic direction for Kingfisher will enable us to achieve that.

Focusing on our customers' needs means we will create a unique, leading and effective offer, which is sustainable. It also gives us the opportunity to integrate and make our supply chains more efficient and transparent, in order

to address associated sustainability impacts. Standardising our store formats, channels and processes enables us to roll out best practice to maximise the sustainability of our operations.

We have begun on that journey but there is still much to do. That's why we are committed to inspiring and developing our people to sustainably grow our business and, as we do so, to help change homes and lives for the better.

Véronique Laury
Chief Executive Officer

Awards and Partners



Building Public Trust Awards 2014
Winner of Sustainability Reporting in the FTSE 100



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM





We firmly believe that by integrating sustainability across our business, we can create a more innovative, resilient and successful company, one that creates value socially, environmentally and financially.

As we work towards our Net Positive goals we need to look to the long term and focus on the detail of implementation today. This will enable us to take advantage of new opportunities created by a changing business environment. This year has been one of practical action and we have taken important steps to further integrate sustainability into our processes and decision-making.

We are taking a systematic approach, tackling issues in our operations and by working with external partners and suppliers. For example, we use timber in around 40% of our products. We updated our timber sourcing standards, introducing a global policy this year. We worked with suppliers to increase the volumes of responsibly sourced timber, and collaborated with businesses and NGOs to advocate for structural change beyond our business. This included a new partnership to assess the impact of certification on forests and biodiversity. This joined-up approach is having an impact – we reached 92% responsibly sourced timber in our products, with B&Q UK at 100%.

We continue to develop our energy efficiency offer for customers, while investing in renewable energy generation for our operations and tackling the small inefficiencies around the business that together can have a big impact. We have reduced our energy intensity by 17% and

our customers are now saving an estimated £600 million a year through the energy efficient products and services they've purchased from us since 2011/12. Altogether, sales of products with a lower environmental impact were worth a significant £2.4 billion to the business this year.

To help make sustainability part of daily decision-making, we established our Group Sustainability Committee, with representatives from the Group Executive and senior leadership from every operating company board, and we rolled out our executive education module on Net Positive to over 100 of our most senior leaders.

We aim to strike a balance between standardisation and local relevance. To speed up progress in key areas we are developing common standards and policy frameworks. We now have global policies on timber, waste and packaging, and are looking to unify our approach to areas such as ethical sourcing. At the same time we are developing local implementation plans that will bring Net Positive to life across our markets and make it meaningful and relevant to our people at the local level.

We are pleased that our efforts to ensure transparency in reporting were recognised at the Building Public Trust awards, where we topped the FTSE 100 for best sustainability reporting.

As our business evolves, we need to ensure we respond to any new social and environmental impacts. For example, work wear is a relatively new and growing category for us. We are developing our approach and sourcing standards in this

area to ensure we address the specific safety and ethical challenges associated with manufacturing in the apparel industry. We have made a number of significant acquisitions in recent years, and we are taking steps to embed sustainability into their policies and processes.

Net Positive is already generating business value from efficiency, productivity gains and new revenue streams, while reducing our environmental impact and benefiting customers and communities.

We need to keep our focus as we must increase our rate of change to reach our 2020 targets. Doing so will enable us to bring customers the innovative solutions they need to create homes which are more comfortable, more affordable and ultimately more sustainable, and help make our communities better places to live.

Richard Gillies
Group Sustainability Director

Home. It's a hub for family and friends, the place where we belong. We believe that because people's homes are so central to their lives, improving their homes means improving their lives. Our business exists to help and inspire millions of people to do just that.

Our core focus is to deliver value for our customers – improving our offer by developing innovative new products that meet their needs, in formats that make it convenient, easy and relevant for them. As we create value for our customers, we will create growth for our business, which will benefit our employees, communities and shareholders. We are completely committed to that and to creating growth in a sustainable way.

We must understand the reality of how our customers live so we can develop the products and services that really meet their needs. That means we have to look at external trends and understand the impact they are having on our customers and our business so we can seize new opportunities – that includes the significant trends around sustainability and our stewardship of the environment.

Urbanisation means living space is smaller, the population is ageing and single households are growing. The cost of housing is increasing, with the young staying at home longer and homes being used not only for living but working. Digital technology is enabling smart homes and connecting people, with information anytime anywhere, and trends like the sharing economy are changing business models.

Increasingly, a better home is more sustainable: one that is easier and healthier to live in; that is adaptable to our changing lifestyles and family needs; and that is less wasteful and more energy efficient. When we asked 17,000 householders across Europe last year about their homes, we discovered their biggest fear is high energy bills. People are now eight times more likely to prioritise energy efficiency projects than they were just two years ago. This insight, coupled with our energy efficiency innovations, is helping people make their homes warmer and more affordable to run. It's an example of how we're embedding sustainability into our strategy.

A new leadership team and sustainability

Under the leadership of our new Chief Executive Officer, Véronique Laury, who took up post in December 2014, the senior management team reviewed Kingfisher's business and strategy.

They provided a strategic update and set of guiding principles. Read more on our strategic update in our more integrated Annual Report and Accounts 2014/15.

Strategic update:

- Home improvement is a great market with great potential
- We are right to focus on Europe+
- We can achieve significant benefits from developing a more unified, unique and effective offer
- There is no one, clear winning format or channel in our market today
- We can achieve significant benefits from unifying activities and standardising processes

Guiding principles:

1. Customer needs come first
2. Create unique and leading offer
3. Same products across Europe presented to customers in the same way
4. Limited number of formats and omnichannel everywhere
5. Low cost always
6. One company culture

How we're integrating sustainability

Our business model (page 5) shows how our business creates value for society, shareholders and customers. We help people to have better homes for themselves and their families and we have a long heritage of helping them do this in a more sustainable way.

We operate in the heart of local communities, supporting local projects, positively impacting the environment and, importantly, providing local employment.

Over 79,000 people work in our businesses and many more work for our suppliers. In addition, we contributed £1.7 billion in 2014/15

to the economies in which we operate through taxes paid and collected. We aim to do more than minimise our impact; instead we aspire to have a positive one. We call this sustainable ambition Net Positive and we believe it supports our long term business success and 'licence to operate'.

In 2014/15 we developed a commercial model to help us deliver Net Positive in a way that creates value for our business. Our companies are using this to establish implementation plans for delivering on our targets in a locally relevant way. Our commercial model is shown on page 6.

Our business model



To view and download the business model go to <http://annualreport.kingfisher.com/2014-15/strategic-report/our-business-model.html>



We have a commercial model for delivering Net Positive. Our companies are using this to develop implementation plans which will integrate sustainability into their core business in a locally relevant way – and contribute to our Net Positive targets overall.

Each company's local implementation plan identifies how integrating sustainability will generate value for the business in four areas:

- Revenue opportunities
- Customer preference
- Supply chain resilience
- Efficiency and productivity



In store

Actions that are visible and valuable for customers

Revenue opportunities

Our strategy is to generate new revenues by developing products and services that meet evolving customer needs and expectations – giving us the opportunity to help customers make their homes and lives more sustainable.

For example, B&Q's sustainable easyGrow bedding plant innovation is easier and less messy for gardeners and virtually eliminates peat and polystyrene.

Customer preference

We want to build long-term customer preference and brand loyalty – and believe we can differentiate Kingfisher through our commitment to sustainability and our ambition to become Net Positive.

For example, Castorama France is piloting a new in-home energy efficiency service at its Hénin-Beaumont store with specially trained advisors helping customers to reduce their energy costs and access government subsidies.



Efficiency and productivity

Designing waste out of the system delivers operational efficiencies and smart resource management promotes innovation and increased productivity.

For example, Screwfix's head office is fitting Solar PV which will supply up to 14% of the site's electricity.

Supply chain resilience

Increasing pressure on resources means we must take a long-term view of our strategic raw materials. The business benefit is building a more resilient supply chain and secure supplies of vital raw materials.

For example, by working closely with suppliers, B&Q UK has reached its timber goal. All its products containing wood and paper are now responsibly sourced.

In business

How we are transforming our business behind the scenes

Net Positive is our sustainability ambition. It means transforming our business to have a restorative impact on the environment; innovating in our products and services to enable our customers to have more sustainable homes; and making a positive contribution to society and the communities in which we operate.

Why we need Net Positive

The world faces unprecedented social and environmental challenges. Unemployment and inequality undermine quality of life and wellbeing for millions of people and pose risks for the resilience of communities around the world.

The impacts of water scarcity, climate change and a growing and ageing population are putting pressure on food supplies, natural resources and infrastructure, with the potential to disrupt supply chains and destabilise economies.

Technology has created a new age of transparency, enabling greater scrutiny of corporate behaviour and contributing to rising expectations of the role of business in society.

The successful companies of the future will be those who respond to these changes positively, adapting their business to meet changing customer and societal needs with fewer resources.

As a home improvement company, we rely on energy and natural resources such as timber and water to serve our customers. We need stable and prosperous societies for our businesses to flourish. We can help our customers create better homes for the future.

We have a long heritage in sustainability, and for over 20 years have been working to reduce our impact on the environment. However, we know that more is needed.

By becoming Net Positive we want to create positive change and grow our business so that our shareholders, customers, employees, suppliers and communities will all prosper.

Our priorities

With Net Positive, we aim to:

- Have a positive impact on people and communities;
- Be restorative to the environment;
- Become carbon positive;
- Waste nothing; and
- Create wealth.

We have identified four priorities. In each area we have an aspiration for how we can have a positive impact by 2050 and respond successfully to the changes affecting our customers and our business.

The first step is to reach the 50 challenging targets we have set for 2020. This will lay the groundwork but is only the beginning of our journey towards Net Positive.



Timber Aspiration

Kingfisher creates more forest than it uses

2020 target

100% responsibly sourced timber and paper in all our operations

Why it matters

Timber is a vital material found in around 40% of our products.

Demand for timber will triple by 2050, which could cause significant price rises and even shortages.¹

20% of global carbon emissions due to deforestation.²

The protection of forests and woodlands is an issue that many of our customers care about.

1 WWF, Living Forests Report

2 Intergovernmental Panel on Climate Change



Energy Aspiration

Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes

2020 target

38 TWh of energy saved for customers. 45% reduction in energy intensity of our property

Why it matters

50% rise in global energy demand by 2035.³

High energy bills the number one concern for customers.⁴

€70 billion market for energy efficient products and services in Europe by 2020.⁵

Energy a major business cost.

Home energy use is a major source of carbon emissions.

3 US Energy Information Administration, 'International Energy Outlook', 2010

4 Kingfisher European Home Report 2014

5 Boston Consulting Group report, commissioned by Kingfisher, 2011



Innovation Aspiration

Every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle

2020 target

1,000 Kingfisher products with closed-loop credentials

Why it matters

The way our customers live is changing and they need new types of products and services.

9 billion global population by 2050. Increased competition for resources means rising costs and potential shortages.

US\$1 trillion a year could be generated for the global economy by 2025 by creating circular supply chains.⁶

6 The Ellen MacArthur Foundation, Towards the Circular Economy – Vol 3, 2014



Communities Aspiration

Every Kingfisher store and location supports projects which build local communities or equip people with skills

2020 target

4,000 community projects completed that deliver 'Better Homes, Better Lives'

Why it matters

Inequality, unemployment and housing shortages could undermine community cohesion and the prosperity needed for business growth.

The sharing economy is altering how people access goods and services, with benefits for communities.

70% of customers say they will remain loyal to a brand that demonstrates social value.⁷

7 RSA, Community Footprint Report, 2012

IN STORE

A sustainable home is healthy and comfortable, stylish and adaptable, efficient, less wasteful and more affordable to run. Everyone should be able to create and afford a more sustainable home.

Key figures

£600m

estimated saving for customers this year from the energy efficient products and services they've purchased from us

£2.4bn

revenues from sales of eco products

£375m

in sales of our most innovative eco products

We offer customers the products, services and information they need to improve their homes. We spend time with our customers to understand the reality of how they live. We look at how demographic, social and environmental changes affect our customers and what this means for their homes. We use this understanding to innovate, developing the products and services that really meet customer needs.

Sustainability is part of what we do but we don't ask our customers to compromise on quality, performance or price to opt for the sustainable choice. This can make sustainable innovation more challenging, but in the long run it means we find solutions that are better for our customers, the planet and for the business.

Making it happen

We are integrating sustainability into product development. For example, at B&Q UK we use an annual Range Sustainability Rating to assess and improve the sustainability performance of each range. This has contributed to innovations such as B&Q's flood range and easyGrow (see page 10).

We use our eco product guidelines to improve sustainability performance and measure progress. This year we strengthened our requirements for best-in-class eco products to make sure these are always industry leading.

We give our employees the information and expertise they need to help our

A changing world

Demographic trends: Population growth, urbanisation, more transient populations and globalisation mean a more diverse customer base within our markets but more consistency in customer needs across markets

Environmental and health challenges: Home energy use a contributor to climate change; Deforestation and depletion of natural resources; Environmental impacts from waste and chemicals; Rise in the incidence of allergies

Social and economic impacts: Increased inequality; High energy and other costs; Housing shortages and smaller homes; Growth in the sharing economy

Customer needs:

- Comfortable homes that are affordable to run
- A healthy and more natural lifestyle
- To live in a prosperous and safe community

Business opportunities:

- 31% of customers planning to make energy efficiency changes⁸
- 20% of customers concerned about home pollution levels⁹
- 21% looking to improve their garden¹⁰ and 24% of people in the UK growing their own fruit and vegetables¹¹
- 70% of customers will remain loyal to a brand that demonstrates social value¹²
- \$630 billion cost saving from adopting closed loop approaches¹³

customers create more sustainable homes. 116 of our most senior leaders have completed our One Academy Net Positive executive education module. Training such as B&Q's One Planet Home modules help to integrate sustainability at every level of the business.

Efficient, comfortable homes

High energy prices are a concern for householders across Europe. In fact, our research shows that 65% of people fear rising energy prices, even ahead of keeping up with rent or mortgage payments. Our customers are eight times more likely to prioritise energy efficiency projects than they were two years ago.

8, 9, 10 Kingfisher European Home Report 2014

11 Which 2011 www.which.co.uk/news/2011/07/which-survey-reveals-grow-your-own-trend-is-still-on-the-up-259281/

12 RSA, Community Footprint Report, 2012

13 The Ellen MacArthur Foundation, Towards a Circular Economy – Vol 1, 2012

Efficient homes with Castorama

Planning a home energy efficiency project can be complicated. Now customers at Castorama's Hénin-Beaumont store can get help from specially trained sales advisors.

The store has a dedicated energy efficiency area featuring insulation, heating and home automation product ranges. Here customers can meet with advisors to plan their projects, prioritise improvements and understand how different products can work together. They can book an energy audit or consultation with an interior architect as well as installation services. They can also use the Prime Energie Casto service to access government subsidies.

The service is being piloted at Hénin-Beaumont with a view to further roll-out.

Customer benefits:

- Advice, products and installation services
- Easier to implement energy efficiency projects

Business benefits:

- Value of sales to customers implementing energy efficiency projects has been up to 82 times higher than average customer purchases since the service launched
- 40 customers used the services in the first three months

Sustainability benefits:

- Enables more customers to improve home energy efficiency



Helping householders to reduce energy use is a win-win. Our customers enjoy better homes and save money while cutting greenhouse gas emissions and we gain access to a growing market.

As well as products such as low energy lighting and insulation, we offer information and advice to help customers plan their projects. For example, over 100,000 customers visited Brico Dépôt France's energy efficiency website (www.ecoperformance-bricodepot.fr) in 2014/15, to get advice and use its Eco Prime service, which makes it easier to access government subsidies. The positive policy environment in France, including challenging national targets on greenhouse gas reductions, is supporting progress in this area.

Appliances such as fridges and washing machines can be major energy users and expensive to run. B&Q has integrated information into catalogues to show how much an appliance will cost to run each year based on its electricity and water use, making it easy for customers to choose



Decorating: Cleaner air with Respiréa paint

The air in our homes can be up to 10 times more polluted than the air outside, contributing to health conditions such as allergies, asthma and migraines.

Castorama is launching the Respiréa paint range, which looks great and reduces indoor air pollution by neutralising formaldehyde. Formaldehyde is a major cause of internal air pollution, found in many home furnishings and textiles. Castorama is the first home improvement retailer to stock this type of paint.

Customer benefits:

- Reduces formaldehyde levels by 70%
- Ready to use, high quality, affordable own-brand range in 50 colours and three finishes

Sustainability benefits:

- Carries the Ecolabel for good performance and low VOC emissions

the best product for the environment and their wallet. B&Q is also one of the first retailers to use the Water Label, enabling customers to choose more water efficient products.

Wellbeing: indoors and out

Across our markets we are seeing increased focus on personal wellbeing, with growing interest in natural and healthy lifestyles – from the food we eat to the spaces we live in. There is increasing recognition that living closer to nature, whether that’s through access to public green spaces, spending more time in our own gardens, or bringing more natural light and materials into our homes, is better for our health and wellbeing. All our customers should be able to enjoy a healthy home and garden.

For many years we’ve worked to reduce the use of chemicals, including significant reductions in the levels of volatile organic compounds (VOCs), chemicals that affect indoor air quality in our own brand paint and decorating ranges. Now we can go even further with products like Respiréa that actually improve indoor air quality (see page 9).

Our gardens are an important part of our homes, whether for outdoor entertaining and leisure, or for growing our own fruit and vegetables. We are exploring the changing role of gardens and looking at how we can help people use their outdoor spaces to create a better family life.

This builds on our work helping customers create beautiful gardens that are better for wildlife, including phasing out peat in the UK and removing pesticide products belonging to the neonicotinoid family globally ahead of legislation because they are thought to contribute to bee decline. In the UK we also collaborated with Friends of the Earth to engage customers and government on bee decline, including supporting the Great British Bee Count campaign and App.

Better materials, better products

Across sectors, current business models mean that valuable materials are often wasted at a product’s end of life. By developing closed loop systems we can enable the continual reuse, repurposing and recycling of raw materials, reduce costs, access new supply chains and create high performing products.

To do this we need to work across functions and with suppliers. For example, in developing its Infinite worktop, Castorama brought together internal specialists in areas such as production, manufacturing, retail and logistics and collaborated with independent chemistry research centre Certech, recycler Veolia and composite wood manufacturers Océwood. We are a founding partner to the Ellen MacArthur Foundation, which works to catalyse the adoption of closed loop approaches and we use our closed loop calculator to improve the closed loop credentials of our products.

Part of the community

Our stores are part of the community – employing local people and serving local customers. By having a clear sense of purpose and delivering social value to the communities in which we operate, we can improve resilience, motivate our people and customers and increase their loyalty to the business. People are more likely to buy from, work for and promote companies they trust.

Our companies have supported 805 community projects since 2012/13, focusing on areas such as improving facilities for those in need and supporting young people to develop practical skills. For example, in Castorama Poland, 80,000 children have completed free DIY classes at our stores since 2012.

We are reviewing our communities strategy to increase the impact of our investment and to prioritise areas that are most relevant to our home improvement expertise, our Net Positive ambitions and the core challenges facing society.

The sharing economy

The sharing economy, with technology enabling people to connect and exchange skills and resources more easily, represents a fundamental shift in society, one that can benefit individuals and support more connected and resilient communities.



Gardens: Peat-free innovation for Britain’s gardeners

B&Q’s new formula Verve peat-free compost range was developed through a series of rigorous growing trials. It was voted a Best Buy by Which, the consumer magazine, outperforming many peat-based composts.

This follows the launch of B&Q’s easyGrow in early 2014 – an innovative approach to bedding plant packaging that is 100% recyclable and better for gardeners and nature. Plants come in individual ‘tea bags’ planted in sustainable coir that is 95% peat-free. They can be lifted straight into the ground from the pack still in their bags, making planting easier and less likely to damage delicate roots. The packs, made from PET, are easily recycled with other household waste.

Customer benefits:

- Verve peat-free compost is a Which Best Buy
- Easy-to-use bedding plants, with less mess
- No price premium for peat-free products

Business benefits:

- 10 million packs sold in 2014/15, a 2 million year-on-year increase
- Reduced transport costs by 25% per pack

Sustainability benefits:

- 20,000 tonne reduction in peat-based compost
- Eliminates polystyrene waste to landfill
- 750 jobs created in the Sri Lankan coir supply chain
- Lower emissions due to fewer lorry journeys

Watch the video at youtu.be/sxyewXHZVEQ or see Chris Moss, B&Q’s marketing director, discussing easyGrow at www.sustainablebrands.com





High performance, less waste

Castorama's new Nods decking range looks great, performs well and is better for the environment. It is made from a unique composite material developed by Castorama using waste wood from its stores and end of life home improvement products.

This follows the launch of the Infinite kitchen worktop, created from the same material, which is 40% lighter than similar products, making it easier to handle and install and reducing breakages.

Customer benefits:

- More water resistant, reducing water damage
- Lighter and easier to carry and install
- Longer guarantee
- Low VOC levels – A+ rating

Business benefits:

- 1,000 Infinite worktops sold in 2014/15
- New, reliable source of raw materials
- Lower eco-tax due to its lower weight
- More efficient to transport, meaning lower fuel costs

Sustainability benefits:

- 90% recycled materials
- Lower VOC emissions
- Does not use formaldehyde glue

The DIY sector can encourage the positive benefits of the sharing economy. We aim to share our knowledge and help customers learn skills and connect with and help each other. For example, Castorama France runs Les Troc'heures, France's first DIY community skill-sharing website.

In 2014, we supported research by the New Economics Foundation that explored the link between practical skills and personal and community wellbeing (available at www.kingfisher.com/netpositivereport). This found that as well as improving wellbeing, learning practical skills like DIY and gardening can make individuals more likely to help others and contribute to stronger communities. 25% of people who learnt practical skills in one study increased their social, voluntary or community involvement.

Read more

Further information on our approach will be in our full Sustainability Report published in June 2015. See: www.kingfisher.com/netpositivereport



Community: The Screwfix Foundation



Many Screwfix customers and employees are active in their local communities, raising funds and volunteering. The Screwfix Foundation was set up to support these efforts by funding projects that help improve people's lives. It works with local and national charities to repair, maintain and improve properties and community facilities for people living with sickness or disability.

The charity raises money from customer donations made via Pennies, the electronic charity box and employee fundraising events in and around its stores. Screwfix now match funds all the money raised by employees.

Find out more at www.screwfixfoundation.com

Customer benefits:

- Benefits projects in the areas where our customers live
- Makes it easy to donate money to good causes when shopping at Screwfix

Business benefits:

- Volunteering opportunities for employees
- Supports our reputation with customers and communities

Sustainability benefits:

- £300,000 raised since launch in April 2013

IN BUSINESS

To become a sustainable business we must change how we source our goods and services and how we build and run our stores, offices and logistics. We need to collaborate more between businesses and functions as well as with external partners, and to increase workforce diversity and engagement. This will reduce costs, create more resilient supply chains and help us to attract and retain the best people.



Key figures

17%
cut in energy intensity since 2010/11

92%
of timber and paper products responsibly sourced

21%
of senior managers are women

A changing world

Economic trends: Growing competition for resources could mean rising energy and materials costs over the long term

Social trends: The communities we operate in are affected by challenges such as rising inequality and youth unemployment

Environmental challenges: Energy use from fossil fuels a major contributor to climate change; Deforestation and depletion of natural resources; Environmental impacts from waste and chemicals

Business opportunities:

- Savings from energy efficiency and waste management
- Access to new and more resilient supply chains of responsibly sourced and recycled materials
- Investing in people and recruiting a diverse workforce gives us access to a wider talent pool

We are focusing on strategic raw materials and areas of significant cost to the business. We aim to take a systematic approach and find solutions that benefit the business while reducing our environmental impact.

Better, greener buildings

We are adopting sustainable design principles and investing in renewable energy. This helps us to create stores that are more attractive and comfortable for our customers and colleagues.

We test out sustainable approaches to building design, construction and operation at 'learning stores' in each of our businesses. All new building and refurbishment projects must show a tangible improvement in carbon intensity against our blueprint baselines. We focus on areas where we can have the biggest impact. For example, lighting typically accounts for over half of store energy use. We can make significant reductions by rolling out LED technology which is approximately 40% more efficient than the



Apprenticeships for all at Brico Dépôt France

Brico Dépôt France's work experience and apprenticeship programme enables students to gain valuable business experience while completing their studies.

Brico Dépôt reaches out to a wide range of schools and universities to recruit its apprentices. Almost 300 people took part in the programme during 2014/15, equivalent to 4.6% of its workforce.

The company relaunched its recruitment materials and website during 2014 to profile the diversity of its workforce and encourage job applications from more women and people of all ages and backgrounds.

next best solution. To date we have installed LED lighting in 15% of the estate. This is delivering £3 million in savings per annum.

Alternative energy

We established a renewable energy strategy for the business this year, which identifies opportunities to reduce costs and emissions while improving energy security. We are focusing initially on solar photovoltaic generation, but will be exploring other renewable technologies to find solutions best suited to different locations and markets, including biomass and ground-source heat pump technologies.

Following our first project at Screwfix (see page 14), we are evaluating further projects at UK distribution centres, data centres and stores and exploring opportunities in other markets.

Sustainable sourcing and waste

Working towards our targets will help us to secure affordable and reliable supplies of vital raw materials and reduce costs associated with waste. We need to work both in our business and with our partners, undertaking advocacy work to catalyse wider change.

On timber, we have reached 92% responsible sourcing for our timber and paper products, and are increasingly working with suppliers to address other areas such as packaging. Our businesses

Green design at Merthyr Tydfil

B&Q's new store at Merthyr Tydfil is the first retail store in the UK to use a transpiring roof, which harvests heat from the sun to warm the store's interior.

It also incorporates a green sedum roof, rainwater harvesting and LED lighting, and 100% responsibly sourced timber was used in construction. B&Q worked closely with the landlord to agree best practice sustainability targets for the building.

Business benefits:

- Lower energy, gas and water bills

Sustainability benefits:

- Designed to significantly reduce gas used for heating and CO₂ emissions

- Around 50% of water used expected to be provided by rainwater harvesting
- 90% of construction waste diverted from landfill
- Green roof will provide a habitat for plants and wildlife





We are working towards 100% responsibly sourced timber in all our operations by 2020. In our products we have already reached 92%. Our companies are also working with partners to improve forested areas. For example, in Spain Brico Dépôt has launched five projects focused on improving forest biodiversity and engaging communities in conservation.

are investing in projects to improve or increase forested areas. This is part of our aspiration to create more forest than we use, and will also open up new sources of sustainable timber. Outside the business we are working with partners such as the Forest Stewardship Council (FSC) and WWF. To demonstrate the positive impact of certification and to encourage more businesses to source certified timber, we formed a new partnership with FSC, IKEA, Tetra Pak and ISEAL in 2014, known as VIA (Verification Impact Analysis). This will establish a credible methodology for measuring the impact of FSC certification.

Our businesses are achieving results by rethinking standard business processes. For example, Screwfix has achieved zero waste to landfill from its stores and distribution centres by reorganising waste management. Waste is now sorted at stores and transported in Screwfix's own delivery vehicles back to its distribution centre. Here, recyclables are extracted and non-recyclables used for energy-from-waste. This has saved the business £1.26 million over two years and resulted in over 10,600 tonnes of materials being recycled.

Investing in our people

We employ over 79,000 people. We aim to create great workplaces and to be an employer of choice in our sector.

We encourage an inclusive culture and aim to reflect the diversity of our customer base. This gives us access to a wide range of skills, experience, perspectives and leadership styles. It enables us to better connect with customers, understand their needs and deliver great products and services. Our two priorities are improving gender balance at all levels of the business and supporting young people to develop their careers with us.

To achieve balanced representation of men and women among our senior leaders, we are focusing on increasing the participation of women in development programmes, increasing female candidates in succession planning and raising the visibility of our female leaders.

Our companies run internships, apprenticeships and graduate programmes to bring more young people into our workforce and to help them to develop their skills and capabilities and to share their expertise and enthusiasm with our customers. Brico Dépôt France's apprenticeship and work experience programme is one example, see page 13.

Read more

Further information on our approach will be in our full Sustainability Report published in June 2015. See: www.kingfisher.com/netpositivereport



Alternative energy at Screwfix

The Screwfix head office is one of our first UK locations to tap into solar power. Its head office building is expected to generate 214,000kWh of clean energy a year, thanks to the installation of solar PV panels.

The panels will supply up to 14% of the site's overall electricity requirements and save the business £40,000 a year. We are using the lessons learned from this project to expand our renewable energy generation in the UK and other markets.

Business benefits:

- £40,000 annual saving including reduced energy costs
- Provides up to 14% of the site's energy needs

Sustainability benefits:

- Will reduce carbon emissions by 106 tonnes a year



Pascal Gil
CEO, Brico Dépôt Iberia

“Having a sustainable home should be an affordable reality for everyone.”

We aim to lead the market on sustainability, enabling our customers to create efficient and sustainable homes at the best price. In our business we want to create buildings that are zero cost in terms of energy and waste, both financially and environmentally.

Sustainability isn't optional – it is a core business issue. Take the challenge of deforestation. This is not only a potential environmental and social disaster but also an economic threat to our business,

undermining the security of timber supplies.

We already have many great initiatives – we are getting close to 100% responsibly sourced timber in our products, and have implemented projects to restore and improve forests near to our stores. But we need to scale these up and go further, making sustainability more visible and relevant to our customers and drawing on the power of our people to achieve our goals.

My priority in the year ahead is to keep raising the profile of sustainability in our business and to work with our partners to take our efforts to the next level.



Andrew Livingston
CEO, Screwfix

“At Screwfix, sustainability is integral to our long-term strategy of achieving convenience, value and unrivalled product leadership for our customers.”

For many years we've been working to improve our environmental performance and investing in our communities, and are proud of achievements such as reaching zero waste to landfill and launching the Screwfix Foundation. But we want to go further.

We launched 'True to our Trade' this year, our implementation plan for delivering on our Net Positive targets. It makes it clear to

our customers, employees and suppliers exactly why sustainability is so important to us. It is raising the profile of sustainability internally and helping us integrate it into the day-to-day running of our operations. This will support better decision making and help us to future proof our business.

We have a very engaged and responsive workforce who are passionate about what we do. With 'True to our Trade' we will harness their commitment to achieve our sustainability goals, feeding our people's imagination and inspiring us all to find inventive, creative and sustainable solutions that are better for our customers, our business and the planet.



Sally Uren
Chief Executive, Forum for the Future and Chair of our Advisory Council

“The ambition is still bold, and performance is better. That's the top line conclusion for me in reading this Net Positive Report.”

An in-coming CEO can often mean a change in attitude towards sustainability; not so in Kingfisher. Véronique Laury signals a clear commitment to make sustainability core to everything Kingfisher does, making a positive impact on people's lives and society more broadly.

And this report tells a strong story of better; better products, such as Respiréa paint, which reduces indoor air pollution; better stores, such as the new B&Q store in the UK which is the first retail store in the country to use a transpiring roof, which in turn harvests heat from the sun to heat the store's interior; and of course better lives for the millions of Kingfisher customers; saving customers an estimated £600 million through sales of energy efficient products makes for better energy bills.

Performance in key areas, for the most part, is also better. Performance in sourcing timber responsibly remains strong. Kingfisher uses timber in 40% of its products, which means sourcing 92% of its total timber from responsible sources is a significant achievement. Governance has also been strengthened with the creation of a Group Sustainability Committee, comprised of representatives of the Group Executive and senior leadership from all Kingfisher operating companies.

Reducing the overall carbon footprint, however, remains a challenge; whilst carbon intensity has improved by 14% against the baseline, absolute carbon emissions increased by 3% year on year. Both these metrics need to go on a downwards trajectory.

Going forward, then, to deliver the bold ambition of Net Positive, the Kingfisher narrative needs to be one of integration and innovation, as well as better. Integration of sustainability into every decision, every action is essential. And innovation is key to delivering solutions to challenges such as decoupling commercial growth from environmental footprint. Innovation is also a prerequisite for the business as it navigates a rapidly changing retail environment, where new retail models, such as the sharing economy, are gaining traction, fast, and where the pathways to value creation for a multinational look very different.

However, for me, Net Positive remains the strategy for unlocking better homes and better lives, and ultimately a better business.

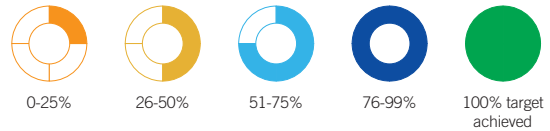


Performance summary 2014/15

We have set challenging targets for 2020 to keep us focused on our Net Positive ambitions and stimulate innovation in our products, services and business processes. We track progress^A at our operating companies using our Foundations Questionnaire and calculate a Group score for each target. All targets are 2020 unless otherwise stated.

During 2014/15, we made progress across our Net Positive priorities. On timber, performance improved in line with our target on responsible sourcing for products but further work is needed to improve performance and data quality in areas such as packaging and construction. Our performance on customer energy saving and our own property energy efficiency improved however we need to increase the rate of change to reach our 2020 targets. Our sales of products with eco credentials increased, however more work is needed to increase the volume of sales of our most innovative eco products. In the year ahead we will also be looking to increase the rate of progress on our communities target and to address other lower scoring areas.

Timber		Energy		Products with eco credentials	
Net Positive timber 100% responsibly sourced timber and paper in all our operations.	N/A	Net Positive customer energy 38 TWh of energy saved for customers across our international businesses.		To bring eco products into the mainstream, by achieving 50% of sales from products and services with eco credentials.	
<small>We do not yet have complete data to assess progress towards this target.</small>		Net Positive own energy 45% reduction in the energy intensity (kWh/m ²) of our property portfolio from a 2010/11 baseline.		Range sustainability rating To enhance the eco-credentials of all our products by improving the sustainability rating of every product range.	
Products – timber 100% responsibly sourced timber and paper in our products.		Energy-using products All energy-using products to meet 'best practice' standards on energy efficiency.	N/A	Sustainability of Group own-brand Demonstrate leadership on eco-innovation across our Group own-brands.	
Packaging – timber 100% responsibly sourced timber and paper in our packaging.		<small>Score not allocated. Kingfisher guidelines to be developed.</small>		Closed loop supply chains Ten closed-loop supply chains.	N/A
Catalogues and GNFR 100% responsibly sourced timber and paper in our catalogues and goods not for resale.		Sustainable lifestyles Use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles.		<small>Score not allocated. Kingfisher guidelines to be developed.</small>	
Construction – timber 100% responsibly sourced timber and paper in materials procured for construction and fit-out.		Responsible marketing All our customer communications and marketing to be in line with our guidelines on responsible brand management and marketing by 2016/17.		Alternative services Explore and trial alternative business models such as product hire and repair, which encourage a perpetual reuse of products.	
Tropical deforestation None of our products to be sourced from materials that are linked to tropical deforestation.		Total carbon footprint 25% reduction in our absolute carbon footprint (tonnes CO ₂ e) from a 2010/11 baseline.		Learning stores Every operating company to develop at least three 'Learning Stores' and to have delivered, or confirmed, the site for one 'Eco Store'.	
Strategic sourcing Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories.		Property carbon intensity 50% reduction in the carbon intensity (CO ₂ e/m ²) of our property portfolio from a 2010/11 baseline.		Sustainability accounting Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees by 2016/17.	
Improving forests Every operating company to have at least one forest or woodland enhancement initiative that makes a substantial quantifiable step towards the Group aspiration of creating more forest than we use.		Innovation		Communities	
		Net Positive closed loop products 1,000 Kingfisher products with closed loop credentials.		Community projects 4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'.	
		Eco product innovation To be at the forefront of sustainable product innovation, with 10% of Group sales from the most innovative (best-in-class) eco products and services.		Sharing skills Promote sharing of skills and 'know-how' in local communities by building online community platforms in the UK and France to help link people.	



Employees

Performance management Integrate Net Positive into the performance management systems for all relevant employees.	
Leadership training on Net Positive To have a development programme on Net Positive for the top 250 managers from around the Group.	
Eco product training Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home.	
Net Positive engagement Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home.	
Inclusion and diversity To be recognised as a 'best practice' company for equality and diversity within our local retail markets.	
Employee health & safety Achieve a 20% reduction in the employee lost-time accident rate from a 2010/11 baseline.	
Customer and contractor health & safety Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target.	
Employee surveys Improve our employee engagement by extending engagement surveys to cover all employees.	

Suppliers & Partners

Supplier ethical assessment All suppliers of Kingfisher own-brand/exclusive brand products will meet or exceed our ethical and environmental standards.	
Supplier carbon and water footprint To define and measure the carbon and water footprint of our value chain and to set a carbon reduction target.	
Goods Not For Resale (GNFR) Key GNFR contracts will meet or exceed our sustainability standards.	
SRI indexes and CR ratings Kingfisher to maintain its leadership position in key SRI indices and corporate responsibility ratings.	
Ethical business conduct Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct.	
Environment	
Waste Achieve zero waste to landfill.	
Direct haulage emissions – dedicated delivery fleets Achieve a 20% reduction in CO ₂ emissions from our direct transport impacts from a 2010/11 baseline.	
Indirect haulage emissions – supplier delivery fleets Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts.	

Green travel Demonstrate proactive green travel initiatives to minimise the environmental impact of travel by employees and customers.	
Water use in our operations To understand the water footprint of our own operations.	
Water-using products All water-using products to meet 'best practice' standards on water efficiency.	N/A
<small>Score not allocated. Kingfisher guidelines to be developed.</small>	
Chemicals None of our own-brand or exclusive brand products will contain the chemicals of concern we have committed to remove (on Kingfisher's Chemical Action List).	N/A
<small>Score not allocated. Work in progress to update the Kingfisher Chemical Action List.</small>	
Packaging Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards.	
Sustainable construction – waste 90% of construction waste recycled in new build and major refurbishments.	
Biodiversity Enhance biodiversity on new build projects, major refurbishments and existing stores.	
Peat elimination All bagged growing media sold in the UK to be from sustainable sources, ahead of the government 2020 deadline.	

Δ The process to assess progress against our targets is within KPMG's limited assurance scope

Timber

Timber is an essential raw material, found in up to 40% of our products. We aim to take a restorative approach – creating more forest than we use. This is the best way to secure affordable and sustainable timber supplies for our business over the long term and will help to combat the impact of deforestation on biodiversity and climate change.

We are taking a systematic approach – implementing consistent standards in our businesses while collaborating with external partners to catalyse wider change.

Our priorities are:

- **Responsible sourcing:** buying our timber from proven well-managed sources.
- **Reducing our forest footprint:** reducing unnecessary use of timber by redesigning packaging and increasing recycling.
- **Strategic sourcing:** developing partnerships with suppliers to secure longer-term sustainable timber supplies.
- **Improving forests:** working with partners to protect and restore forests.
- **Customer communications:** stimulating demand for responsibly sourced timber products.
- **Advocacy:** partnering with others to influence structural change beyond our business.

2050 Aspiration

Kingfisher creates more forest than it uses

2020 target

100% responsibly sourced timber and paper in all our operations

Why it matters – external trends

- Timber is a vital material found in around 40% of our products.
- Demand for timber will triple by 2050, which could cause significant price rises and even shortages.¹
- 20% of global carbon emissions due to deforestation.²
- The protection of forests and woodlands is an issue that many of our customers care about.

Net Positive: timber

Target 2020: 100% responsibly sourced timber and paper in all our operations.

Full Data Not Available

Milestone: Achieve our 2016/17 milestones on timber used in products, packaging, goods not for resale and construction.

The first step on our journey is to achieve 100% responsibly sourced timber in all our operations including products, packaging, goods not for resale (GNFR) and construction. Our responsibly sourced timber is independently audited by recognised certification schemes such as FSC and PEFC.

We are making progress across all areas of responsible sourcing but we do not yet have comprehensive data for every operating company. We are working to address this so we can report progress against our target in future years.

A consistent global approach

In 2014/15 our focus has been on ensuring consistency between our companies. We updated our timber sourcing standards, introducing a global policy that will help our companies to prioritise their work on responsible timber sourcing and take a holistic approach in line with our Net Positive aspirations. It sets clearer standards and timescales for companies in areas such as GNFR timber. Each company has developed its own implementation strategy for progressing towards our targets at the local level.

Our Net Positive team is working closely with operating companies whose approach to responsible timber sourcing is less well advanced. In 2014/15, this included carrying out training on our timber standards in businesses such as Brico Dépôt Romania and Koçtaş in Turkey. Timber buyers in all our companies complete our e-learning training on responsible timber sourcing and compliance with the EU Timber Regulation.

¹ WWF, Living Forests Report

² Intergovernmental Panel on Climate Change

Products – timber

Target 2020: 100% responsibly sourced timber and paper in our products.

Achieved milestone

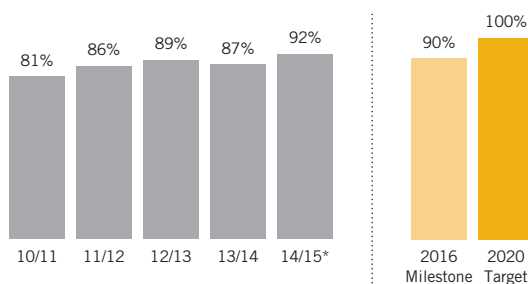
Milestone: 90% by 2016/17.

We reached 92% responsibly sourced timber and paper products (by volume) in 2014/15, ahead of our 2016/17 milestone. The majority of our certified timber products (by SKUs) use timber from FSC certified sources. B&Q UK introduced FSC sandpaper for both its decorative and power tool sandpaper ranges during the year, bringing it to 100% responsibly sourced timber and paper. A further four companies have reached over 90% (Brico Dépôt France, Brico Dépôt Iberia, Castorama France and Screwfix).

Our companies include information in our stores and catalogues and online to raise awareness of our commitment to responsible timber and to engage customers on this issue. For example, Brico Dépôt France has introduced labelling for PEFC certified products in its catalogues this year. Our forest projects are also used to engage customers, employees and local communities on forest conservation, see page 20.

Responsibly sourced timber products

% of timber sold (by volume) responsibly sourced



Timber data was collected from operating companies and joint ventures which accounted for 95% of the Group turnover in 2014/15 (94% or higher in previous years). It does not cover data for Koçtaş and Castorama Russia.

Data for Brico Depot Romania was included for the first time.

* Within KPMG's limited assurance scope

Putting a value on responsible sourcing

We have seen for ourselves the positive impact of FSC certification on forests. We know that it can make a significant contribution to maintaining current forests. It can support improvements in biodiversity and social value and even contribute to the expansion of forested areas. However, measuring and communicating this positive impact can be challenging.

In 2014, we helped launch a new partnership, Value Impact Analysis (VIA), that will establish a credible methodology for quantifying the benefits of FSC certification for forests, their biodiversity and communities. By helping to quantify these benefits we hope to encourage more businesses and people to choose responsibly sourced timber. It will also make it easier to measure our progress towards our Net Positive timber aspiration.

VIA's founding partners include FSC, IKEA, Tetra Pak, IDH and ISEAL, the global membership association for sustainability standards. The initiative will build on the work previously undertaken by WWF and FSC in monitoring the value of certification.

¹ Data covers operating companies, which account for 85% of our Group turnover

Compliance and traceability

We work with partners to make sure we comply with the EU Timber Regulation and to improve traceability in our timber supply chains. We use the FSC's wood fibre testing programme, which helps to monitor compliance with FSC standards by cross checking the species used to validate responsible sourcing claims. We now send a selection of our FSC certified products from four operating companies (B&Q UK, Brico Dépôt Iberia, Castorama Poland and KSO Hong Kong) for wood fibre testing spot checks.

Packaging

Target 2020: 100% responsibly sourced timber and paper in our packaging.

Full Data Not Available

Milestone: Establish a methodology and data collection system by 2016/17.

We use significant volumes of timber and paper in our product packaging. Our target is for 100% responsibly sourced packaging and we also look for opportunities to reduce the volume of packaging used and to increase recycling. We are starting to take a more unified approach to packaging design across our companies which will help us to achieve these goals. Responsible timber and paper sourcing for packaging are part of this work and have been integrated into our company-wide packaging policy. Read more in the Packaging section, page 44.

We are working to improve our data in this area to enable us to measure and report progress against our target in future years.

Catalogues and goods not for resale (GNFR)

Target 2020: 100% responsibly sourced timber and paper in our catalogues and goods not for resale.

On Track to milestone

Milestone: 100% of paper used in catalogues and customer marketing by 2016/17.

We are improving our data to measure progress on responsible sourcing for GNFR timber and paper. We have reached 97% responsibly sourced paper in our catalogues and marketing materials for countries where data is available¹, meaning we are on track to reach our milestone in these countries. Two operating companies, Brico Dépôt Iberia and Screwfix, achieved 100% in 2014/15.

Construction

Target 2020: 100% responsibly sourced timber and paper in materials procured for construction and fit-out.

Full Data Not Available

Milestone: 90% by 2016/17.

Small volumes of timber are used in store fit-out and construction for items such as doors, shelving and racking systems. A small number of construction projects also use timber for building frames. We are working with contractors to improve our data collection in this area and now have data for seven operating companies covering a number of recent construction projects. This shows that the majority of timber used in construction relates to the fit-out process and that much of this timber is already from certified sources. However, until our data is more complete we cannot report progress against our target, addressing this is a priority. A number of store construction projects used 100% responsibly sourced timber during 2014/15, including B&Q UK's Merthyr Tydfil store, see page 13.



Tropical deforestation

Target 2020: None of our products to be sourced from materials that are linked to tropical deforestation (including tropical hardwood products, palm oil and leather).

Not On Track
to milestone

Milestone: All new tropical hardwood products to comply with Kingfisher's Timber Policy Standard by 2016/17.

Our policy is that all new tropical hardwood products should be FSC certified or endorsed by schemes working towards FSC certification. We have achieved this target for 100% of new tropical hardwood products in B&Q UK, Castorama France, Brico Dépôt France, Brico Dépôt Iberia and Screwfix; however we do not yet have data for our companies outside the EU.

Leather and palm oil production can contribute to deforestation. We use relatively low volumes of these materials in our products, for example leather is used in boots in our work wear ranges while palm oil may be present in candle products.

We are starting to work with suppliers to identify the sources of the leather and palm oil we use and to implement our responsible sourcing standards. For leather, this includes identifying the source and type of leather used, and phasing out any leather sourced from areas that may be linked to tropical deforestation due to cattle grazing. This work is being led in the UK where Screwfix and B&Q have reviewed their leather and palm oil supply chains and agreed action plans with a number of suppliers.

Strategic sourcing

Target 2020: Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories.

On Track
to milestone

Milestone: At least one major timber category by 2016/17.

With growing global demand for timber, we must secure the supplies our business needs at an affordable price and in line with our responsible sourcing standards. We aim to improve the resilience of our timber supply chain through strategic sourcing – establishing long-term relationships with timber suppliers.



We measure progress against our target by assessing factors such as: length of contracts and supplier relationships; use of forest initiatives to help create local wood supply chains; and traceability within timber supply chains.

As part of the new strategic direction for our business, see page 4, we will be introducing more unified sourcing for our own-brand ranges, such as gardens and bathrooms. This will provide opportunities to consolidate our timber sourcing and to work more closely with suppliers on our responsible sourcing standards.

We are exploring potential opportunities for partnerships that could help us to improve forest management and support conservation efforts while providing a source of sustainable timber for our business.

Improving forests

Target 2020: Every operating company to have at least one forest or woodland enhancement initiative that makes a substantial and quantifiable step towards the Group aspiration of creating more forest than we use.

On Track
to milestone

Milestone: Every operating company to have launched an initiative by 2016/17.

Our aspiration to create more forest than we use means increasing the social and environmental value of a forest area larger than that used for our business.

We are launching forest projects designed to: expand forested areas; improve forest biodiversity and ecosystems; engage our employees and local people in forest conservation; and in some cases to create new sources of sustainable timber for our business.

Four operating companies, B&Q China, B&Q UK, Brico Dépôt Iberia and Castorama Poland, have now launched projects. We estimate that to date this has benefited forested areas covering over 13,000 hectares (equivalent to 19,000 full-sized football pitches) across four countries, working with 255 landowners.

Projects during 2014/15 included Castorama Poland launching its first reforestation project in partnership with the Polish Forestry Service. Over 60 Castorama employees took part, helping to plant 9,500 trees.

Brico Dépôt Iberia launched its fifth forest project in León, working with rural communities in areas at risk from forest fires. The project involved training for local people, to help them prevent the outbreak of forest fires and to protect their homes and local forest.

B&Q UK continued to support Good Woods, a partnership with Bioregional and the Sylva Foundation, which aims to improve woodland management and increase supplies of sustainably sourced UK timber products.

Our experiences so far have shown us that a number of factors contribute to the success of forest improvement projects. These include:

- **Sustainable financing:** establishing a source of ongoing finance for projects is important. For example, Brico Dépôt Iberia funds projects using the proceeds from sales of its raffia bags.
- **Creating a link to product sourcing:** selecting projects that can generate supplies of sustainable timber products for the business helps to increase internal engagement.
- **Involving local communities:** projects that involve employees and members of the local community often have a bigger impact.
- **Going beyond tree planting:** there are many ways to make a meaningful difference to forests and woodlands in addition to tree planting.
- **Scale:** we need to extend the scale of our projects and take a coordinated approach to increase our impact.

Engagement and advocacy

Deforestation and unsustainable timber sourcing are global challenges, and addressing them requires action by governments, businesses and communities. We aim to improve awareness and to encourage progress through our engagement and advocacy. In 2014/15, this included:

CDP Forest Program: We are a founding participant in the CDP's Forest Program, an investor initiative which aims to improve understanding around how companies are addressing their exposure to deforestation risks. In addition to disclosing our own performance via CDP, we have advised CDP on how to encourage participation of suppliers in the Forest Program.

European Sustainable Tropical Timber Coalition: There is an urgent need for good forest management practices in tropical regions. However, after initial progress, sustainable forest management in tropical regions is lagging behind. We are an advisory board member to this coalition that aims to increase demand for timber from sustainably managed tropical forests to stimulate progress on responsible forest management.

FSC: We are a founding partner of FSC via B&Q UK and a member in various countries. Kingfisher's Timber Adviser is an elected member on the FSC's International Board.

Timber Retail Coalition (TRC): The TRC was initially established by Kingfisher with Carrefour, IKEA, and Marks & Spencer to support measures to curb illegally harvested timber and to ensure that the EU Timber Regulation (EUTR) was effective and workable. The TRC has recently been reconstituted to work on the review of the EUTR which is taking place during 2015/16.

University of Cambridge: Our work with the University of Cambridge to improve understanding of business's reliance on natural capital and to identify steps to ensure the long-term viability of timber supply chains concluded in 2014. The Natural Capital Leaders Platform explored a number of themes and published the 'Doing Business with Nature' report that identifies the commercial benefits of investing in natural capital.

“Our forest projects have benefited forested areas covering 13,000 acres – equivalent to 19,000 football pitches.”

The Verification Impact Analysis (VIA) Initiative: We helped conceptualise and establish this partnership that will enable the FSC to quantify the value of its work to protect forests, see page 19. By coordinating and disseminating business-ready impacts data, VIA has the potential to link standards schemes with corporate communications and inform evidence-based policy development. VIA's founding partners include FSC, IKEA, Tetra Pak, IDH and ISEAL, the global membership association for sustainability standards. It is hoped the findings will also benefit other certification schemes.

WWF UK Forest Campaign: B&Q UK and Kingfisher have signed up to this campaign aimed at improving the EU Timber Regulation to prevent illegally or unsustainably sourced wood from entering European markets.

“Our business has an important role to play in keeping forests standing by creating demand for sustainable forestry and actually helping restore them. A restorative approach is the only sensible strategy because we need more forests, not less.”

Pascal Gil, CEO of Brico Dépôt Iberia, participated in a panel discussion at the FSC General Assembly on tropical deforestation with Kumi Naidoo, International Executive Director, Greenpeace and Henri Djombo, Minister of Sustainable Development, Forestry Economy and the Environment, Republic of Congo.



Watch the video at <https://youtu.be/R9VhYeecLMk>



Energy

High energy bills are the number one concern for our customers¹. We are developing our products and services to help customers save energy and create homes that are warm, comfortable and affordable to run.

We are also improving energy efficiency in our stores, offices and distribution centres. This helps to cut costs and enables us to grow while reducing our impact on the environment.

Climate change is a major long-term threat to social and economic stability and we support strong government policy that facilitates the transition to a low-carbon economy. We take action in our own business to reduce our carbon intensity and engage with governments, businesses and NGOs to support wider efforts to tackle climate change.

In the longer term we aim to become carbon positive so that every Kingfisher store and customer's home will be either zero carbon or generate more energy than it consumes. This will mean that a customer can visit any of our stores and be able to purchase all the products and services they need from us to create a zero carbon or carbon positive home. We still have a considerable way to go to achieve this aspiration.

2050 Aspiration

Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes

2020 target

38 TWh of energy saved for customers. 45% reduction in energy intensity of our property

Why it matters – external trends

- 50% rise in global energy demand by 2035².
- High energy bills the number one concern for customers³.
- €70 billion market for energy-efficient products and services in Europe by 2020⁴.
- Energy a major business cost.
- Home energy use a major source of carbon emissions.

Net Positive: Customer Energy

Target 2020: 38 TWh of energy saved for customers across our international businesses.

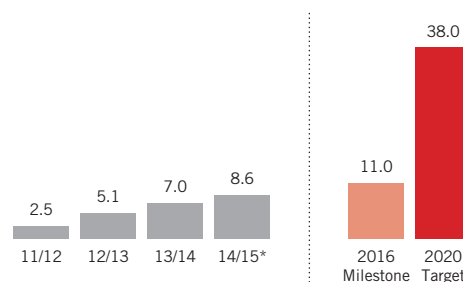
On Track
to milestone

Milestone: 11 TWh by 2016/17.

Our customers are now saving 8.6 TWh of energy every year, from the energy-saving products and services they have purchased from us since 2011/12 – enough to power three quarters of the homes in Paris, almost 900,000 households, for a year. We estimate this is equivalent to a £600 million a year saving on customer energy bills⁵. We are on track to meet our milestone for the end of financial year 2016/17 but have significant work to do to reach our 2020 target.

Customer energy saving

Estimated annual saving (TWh) from products purchased from us since 2011/12



* Within KPMG's limited assurance scope

Our energy-saving products include insulation, draught-proofing and low energy lighting and appliances. We are also developing advisory and installation services to help customers plan and complete their projects successfully and to access government subsidies where available. For example, Castorama France is trialling a new in-store energy advisory service, see page 9, and also runs Prime Energie Casto that helped 1,800 customers to implement energy efficiency projects in 2014/15, saving customers 203 GWh in home energy use.

1 Kingfisher European Home Report 2014

2 US Energy Information Administration, 'International Energy Outlook', 2010

3 Kingfisher European Home Report 2014

4 Boston Consulting Group report, commissioned by Kingfisher, 2011

5 Based on the average UK household energy bill

We aim to provide affordable energy-efficient products and services. As technology develops and economies of scale improve, this can mean prices for products come down and we can pass on these savings to customers. However, despite this, home energy efficiency projects can still require customers to make a significant financial investment. To enable more customers to improve home energy efficiency, governments need to create a supportive policy framework including subsidies and incentives.

The positive policy environment in France, including challenging national targets on greenhouse gas reductions and home energy efficiency, is supporting progress in this area. However, in the UK, initiatives such as the Green Deal have proved more challenging than anticipated with inconsistencies in policy and government support meaning growth in customer demand has been slower than expected. As a result we no longer offer our specialist energy efficiency service in the UK, B&Q Energy Saving. We continue to deliver the ECO programme on behalf of some energy companies, which aims to improve the ability of low income and vulnerable households to heat their homes. However, we have concerns that this programme, and so the level of support the most vulnerable in society receive, will slow down after the current obligation period finishes in 2017.

Energy-using products

Target 2020: All energy-using products to meet 'best practice' standards on energy efficiency.

Milestone: 50% by 2016/17.

Data Not Available

We stock a wide range of energy-using products from power tools to appliances such as fridges and washing machines. We aim for all appliances to meet best practice standards on energy efficiency. We are still developing our approach to monitoring performance in this area and do not yet have group data to report.

Energy-using appliances can be expensive to run. By choosing a more energy-efficient appliance, customers can save money and reduce their environmental impact, without compromising on performance. To help customers make informed choices, B&Q UK's catalogues now include the annual running cost for appliances such as washing machines, dishwashers, fridge freezers and tumble dryers and highlight the models that are cheapest to run. The estimated running cost for each appliance is calculated based on its electricity and water use.

Sustainable lifestyles

Target 2020: Use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles.

On Track to milestone

Milestone: Give customers comprehensive information and advice in-store and online to help them with their sustainable choices by 2016/17.

External trends such as growing and ageing populations, urbanisation, technological development and environmental decline have an impact on how our customers live. Increasingly, homes are smaller and more expensive to run, and are often used as workplaces as well as for living.

We aim to bring our customers the products and services they need to create a sustainable home – one that is healthy and comfortable, stylish and adaptable, efficient, less wasteful and more affordable to run.

We aim to make it easier for customers to have a more sustainable lifestyle by improving the performance of our product ranges (see page 28) and by providing information and advice in our stores, catalogues and online. For example, B&Q's One Planet Home website includes advice and information on issues such as saving energy and water, recycling and wildlife-friendly gardens.

Brico Dépôt France is using a range of approaches to communicate the sustainability benefits of its products to customers. It launched the Maison Brico Dépôt tool on its website this year, providing advice on 16 DIY projects for completely renovating your home at an affordable price. It aims to make it easier for customers to improve the comfort and sustainability of their homes and includes a number of projects that improve energy efficiency. Brico Dépôt also has a dedicated energy efficiency website (www.ecoperformance-bricodepot.fr) which was visited by over 100,000 customers in 2014/15, with many customers using its Eco Prime service which makes it easier to access government subsidies. It has signed a partnership with PEFC, the timber certification organisation, to raise customer awareness of the benefits of responsibly sourced timber which includes using the PEFC logo in its catalogues.





Responsible marketing

Target 2016/17: All our customer communications and marketing to be in line with our guidelines on responsible brand management and marketing by 2016/17.

Not On Track
to target

All our marketing should be accurate and honest, particularly when it includes claims about a product's environmental or social benefits. Our commitment is set out in our Responsible Marketing Policy and Guidelines. B&Q UK, Castorama France and Brico Dépôt France have introduced their own eco marketing guidelines which reflect our Group Guidelines; however further work is needed at some operating companies.

We also have Eco Product Guidelines, developed with independent sustainability experts Bioregional. These help us to identify products with improved environmental performance and to monitor progress in a consistent way between our companies, see page 27.

Our companies train their marketing and communications teams on responsible marketing in relation to sustainability. For example, this year Castorama France trained its teams on how to make sure that claims about responsibly sourced timber are accurate and in line with guidance from the FSC and PEFC.

We are also involved in wider conversations about the role of sustainability in marketing. For example, Chris Moss, Marketing Director at B&Q UK addressed the Sustainable Brands conference during 2014. You can watch the video at www.sustainablebrands.com.

Net Positive: Own Energy

Target 2020: 45% reduction in the energy intensity (kWh/m²) of our property portfolio from a 2010/11 baseline.

Achieved milestone

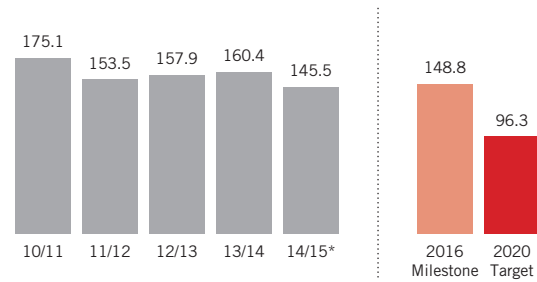
Milestone: 15% reduction by 2016/17.

We have reduced the energy intensity of our property portfolio by 17% since 2010/11. We reduced our energy intensity this year and have met our 2016/17 milestone. However, we believe that this reduction was due in part to mild winter weather in Europe which meant our energy use for heating was lower than in other years. This means we still have work to do to maintain our current performance and to reach our 2020 target.

We aim to cut property energy use by: reducing demand through energy-efficient building design and behaviour change; increasing efficiency through our use of technology (such as LED lighting); and by identifying and eliminating inefficiencies. We are creating Energy Resilience plans for every operating company to engage employees and managers and to facilitate sharing of best practices.

Read about our wider commitment to sustainable construction and property, page 44.

Property portfolio energy intensity kWh/m² reported floor space



* Within KPMG's limited assurance scope

LED lighting

Lighting plays a key role in creating a great shopping experience for our customers and is a business cost. LED lighting can significantly reduce energy use and costs, while providing the right quality of light. Lighting typically accounts for over half of store electricity use. We can make significant reductions by installing LED technology which is approximately 40% more efficient than the next best solution. Our target is to roll out LED to all new and existing stores by 2020. We established a cross-company unified LED team to: work with our companies on LED roll-out; agree a group specification for LED; identify a global supplier; and facilitate best practice sharing. To date we have installed LED lighting in 15% of the estate. This is delivering £3 million in savings per annum.

To build on savings achieved through efficient lighting, we will now be looking at improving our heating and cooling systems and running an awareness campaign to encourage energy smart behaviour.

Energy monitoring

Smart metering and energy monitoring can help us to identify where energy is being wasted and to eliminate losses. B&Q UK has trialled a new system called 'Measure-My-Energy' at its Nursling store. This measures energy use down to the level of each appliance and socket and has resulted in a 7.6% reduction in electricity use each year. The trial is now being extended to further B&Q UK stores.

“We have installed LED lighting in 15% of the estate. This is delivering £3 million in savings per annum.”

IT

We are reducing energy used for IT by focusing on:

- **Data centre efficiency:** we are consolidating our data centres, reducing the number of sites overall and moving to more energy-efficient locations. We are also reducing the number of physical servers through virtualisation (a solution that enables servers to run more efficiently). This is avoiding an estimated £900,000 a year in energy costs.
- **Managed print:** we are reducing the overall number of printers and installing measures such as swipe cards to reduce wastage. Managed print is now in place in most of our UK locations. This has reduced UK energy use for printing by 21% compared with 2009 and means 18 million fewer sheets of paper are used each year for printing, despite business growth.
- **Upgrading software and hardware:** we are investing in energy-efficient machines and creating shared software systems as part of a major programme to update and centralise our IT systems. New desktop devices are now in place at B&Q UK, Castorama, Kingfisher IT Services and Corporate Centre that use 25% less energy than previous devices. We are also rolling out tools to enable easier collaboration between locations, potentially reducing business travel.

Total carbon footprint

Target 2020: 25% reduction in our absolute carbon footprint (tonnes CO₂e) from a 2010/11 baseline.

On Track to milestone

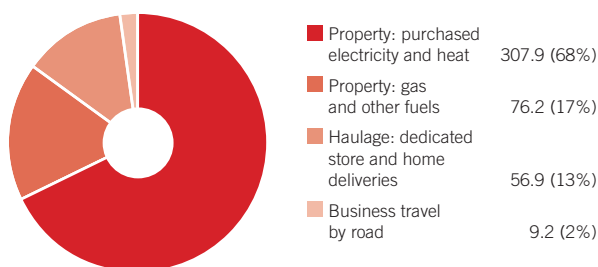
Milestone: No increase by 2016/17.

We have reduced our absolute greenhouse gas emissions from property energy use, dedicated delivery fleets and business travel by road by 2% against our 2010/11 baseline. However, emissions increased 3% year on year due to: an increase in electricity consumption; updates to emission conversion factors; and the inclusion of data for our Romanian business.

Achieving our target for a substantial reduction in our absolute greenhouse gas emissions will be very challenging as our business grows. To address this, we are developing our strategy for investment in renewable energy (see Alternative energy, page 26) as well as focusing on energy efficiency and reducing emissions associated with transport (see page 42).

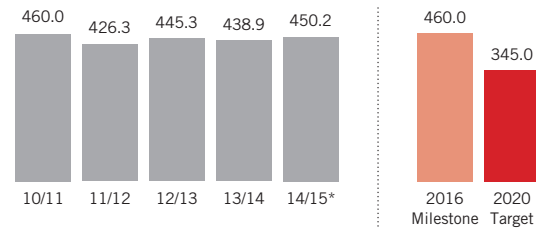
2014/15 carbon footprint detail*

Thousand tonnes CO₂ equivalent



* Within KPMG's limited assurance scope

Absolute carbon footprint thousand tonnes CO₂ equivalent



* Within KPMG's limited assurance scope

Value chain carbon emissions

Outside our direct operations, the most significant carbon emissions associated with our business are customer use of electricity consuming products and the sourcing and manufacture of product categories such as non-metallic mineral products (for example cement and glass), tiles and building products.

We aim to work with suppliers and others to achieve carbon reductions in our value chain. Our focus is on helping customers reduce their energy use and emissions through our sales of energy-saving products, see page 22.

In addition, KSO, our sourcing organisation, is working with its suppliers in China to support them to reduce greenhouse gas emissions as part of WWF's Low Carbon Manufacturing Programme (LCMP), which KSO helped develop. In total 24 suppliers to KSO took part in LCMP, collectively avoiding over 11,740 tonnes of carbon, an estimated 11% reduction in carbon emissions compared with business as usual. KSO aims for its top 50 vendors in China to be participating in energy efficiency improvement initiatives by 2016.

Property carbon intensity

Target 2020: 50% reduction in the carbon intensity (CO₂e/m²) of our property portfolio from a 2010/11 baseline.

On Track to milestone

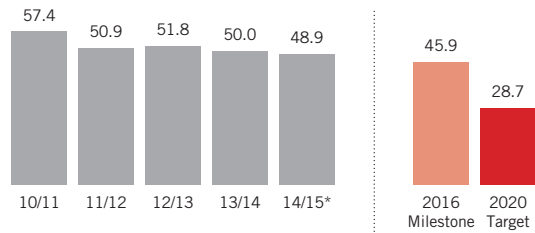
Milestone: 20% reduction by 2016/17.

Our property carbon emissions account for 85% of our carbon footprint. We have achieved a 15% reduction in our property carbon intensity (kg CO₂e/m² floor space) since 2010/11. All new building and refurbishment projects must show a tangible improvement in carbon intensity against our blueprint baselines and we also have a target to reduce embodied carbon (the carbon resulting from energy used to create materials for store construction) by 10%.

We launched a new property database during 2014/15 which enables our companies to review the carbon and energy intensity of each of their properties, and compare the performance of properties in different locations. This will help us target our efforts and to identify and learn from examples of good practice.



Property portfolio carbon intensity kg CO₂ equivalent/m² reported floor space



* Within KPMG's limited assurance scope

Alternative energy

We established a renewable energy strategy this year, which identifies opportunities to reduce costs and emissions while improving our energy security.

We are focusing initially on solar photovoltaic generation, but will be exploring other renewable technologies to find solutions best suited to different locations and markets, including biomass and ground-source heat pump technologies. Following our solar PV project at Screwfix, see page 14, we are evaluating further projects at UK distribution centres, data centres and stores and exploring opportunities in other markets. Our companies are also exploring new approaches to renewable energy generation. For example, B&Q's Merthyr Tydfil store uses a transpiring roof to harvest heat from the sun, a first for the UK retail sector (see page 13).

Engagement and advocacy

We work with governments and NGOs on issues relating to energy and climate change, and advocate for policies that support progress on these issues at a national and international level. In 2014/15 we were a signatory to two communications from the Corporate Leaders Group on Climate Change: the Trillion Tonne Communiqué in support of a proactive policy response to climate change; and the Business Statement Text to Heads of State – 2030 Climate and Energy Package, urging the EU to strengthen its climate commitments. Our then Group Chief Executive, Sir Ian Cheshire, contributed an opinion piece to the *Guardian* newspaper in support of the Trillion Tonne Communiqué.

We were also active at the UK level, for example:

- We helped establish the Big Energy Vision, a campaign aimed at creating a more positive dialogue on home energy efficiency and empowering householders to take control of rising energy bills. The campaign is backed by a range of businesses and NGOs including John Lewis, Home Retail Group, National Trust, Citizens Advice, Calor, uSwitch, Energy Saving Trust, TrustMark, Energy UK, UK Green Building Council, Global Action Plan, Willmott Dixon and Groundwork. See www.energycontrol.co.uk.
- B&Q UK sponsored a new energy-saving category in the Observer Ethical Awards, to identify householders finding the most innovative ways to save energy. Nine households took part in the Great Energy Race, with the winner receiving a renewable energy home makeover worth up to £10,000. The awards were covered in the press and on social networks.

- We were a co-funder and champion of a report by Cambridge Econometrics for E3G, 'Building the Future: The economic and fiscal impacts of making homes energy efficient'. This included detailed modelling on the potential economic, fiscal, and environmental impacts of improving UK household energy efficiency. This showed a potential 2.27:1 cost benefit ratio meaning that such an initiative would be classified as a 'High' Value for Money infrastructure programme according to UK government criteria. Following publication, all political parties committed to make domestic energy efficiency a "national infrastructure priority" for the next government.

In France the government launched a policy programme to oversee the country's transition to a low carbon economy, that includes plans for significant energy efficiency projects. We engaged with the government on two related policy areas:

- We supported the Certificates d'Économie d'Énergie programme through which Castorama France and Brico Dépôt France provide vouchers to customers when they purchase energy-efficient boilers.
- In France some subsidies for energy efficiency projects are currently only available when projects are completed by accredited suppliers. We secured government permission for customers using our Castorama network of recommended tradesmen to receive the 30% tax credit and also engaged with governments to advocate for subsidies to be extended to include DIY energy efficiency projects.



Innovation

We want to help and inspire millions of people to improve their homes and we know that homes can't be better if they aren't sustainable. All our customers should be able to create a more sustainable home. We are innovating in our products and services to enable customers to live more sustainably, reducing the environmental footprint of our ranges and designing out waste.

Closed loop systems, in which raw materials are continually reused and recycled, offer huge potential for innovation and could improve the sustainability of our products while reducing waste and opening up new and more resilient raw material supply chains. We are working with partners such as the Ellen MacArthur Foundation, experts in the circular economy, to identify and adopt more closed loop approaches.

We need to integrate sustainable thinking into our product design, development and sourcing processes, and work more closely with suppliers to identify sustainable innovations that meet customer needs and benefit our business. We have a number of tools to help us do this including: our eco product guidelines, developed with sustainability experts Bioregional; our range review processes that help our buyers and product developers improve the sustainability performance of product ranges; and our closed loop calculator.

Examples of recent sustainable product innovations are featured in the In Store section of this Report, pages 9–11.

2050 Aspiration

Every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle

2020 target

1,000 Kingfisher products with closed-loop credentials

Why it matters – external trends

- The way our customers live is changing and they need new types of products and services.
- 9 billion global population by 2050. Increased competition for resources and materials means rising and fluctuating costs and potential shortages.
- US\$1 trillion a year could be generated for the global economy by 2025 by creating circular supply chains¹.

Eco products

Target 2020: To be at the forefront of sustainable product innovation, with 10% of Group sales from the most innovative (best-in-class) eco-products and services.

Not On Track
to milestone

Milestone: 5% by 2016/17.

Target 2020: To bring eco-products into the mainstream, by achieving 50% of Group sales from products and services with eco credentials.

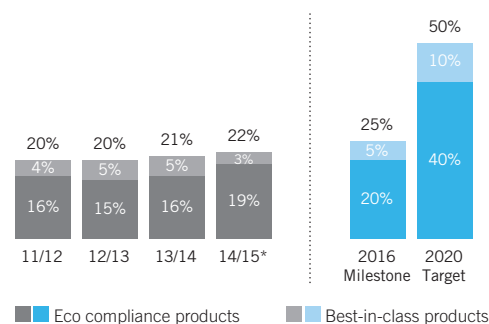
On Track
to milestone

Milestone: 25% by 2016/17.

We are making progress on improving the sustainability credentials of our products. Eco product sales were worth £2.4 billion in 2014/15, an increase from £2.3 billion the previous year. This is equivalent to 22% of total sales. Sales of best-in-class eco products, our most innovative products and services, were worth £375 million.

Products with eco credentials

% of retail sales



¹ The Ellen MacArthur Foundation, Towards the Circular Economy – Vol 3, 2014



Our eco product guidelines are intended to act as a catalyst for innovation and we regularly update them to reflect the latest thinking and knowledge on eco design. The Guidelines were completely reviewed and updated during 2014 in consultation with sustainability experts, Bioregional. This meant that some products (such as halogen light bulbs) which were once defined as best-in-class were re-categorised as products with eco credentials. This resulted in a drop in our best-in-class product sales from 5% of total sales in 2013/14 to 3% of sales this year, and contributed to a rise in sales of eco compliance products. You can read the current Eco Product Guidelines at www.kingfisher.com/netpositiveresources. We train our commercial teams on our eco product guidelines, and training took place at three operating companies during 2014/15.

Our companies hold innovation days that encourage suppliers to showcase new products with improved environmental performance. For example, 250 vendors attended an innovation day at Castorama France with all the products showcased assessed against our eco products criteria, while at B&Q's innovation day for its building category suppliers pitched many innovative product ideas with sustainability benefits.

Range reviews

Target 2020: To enhance the eco credentials of all our products by improving the sustainability rating of every product range.

Not On Track
to milestone

Milestone: Conduct a sustainability rating for every product range by 2016/17.

Target 2020: Demonstrate leadership on eco innovation across our Group own brands.

Not On Track
to milestone

Milestone: All own brands to conform to minimum sustainability criteria by 2016/17.

Over time we aim to improve the sustainability performance of every product range with a particular focus on demonstrating leadership in our own brands.

Our approach is most developed at our largest operating companies. For example, B&Q UK uses an annual range sustainability rating process to engage product buyers. The process identifies the sustainability impacts and issues associated with each product range and provides suggestions to buyers for improving sustainability performance, as well as opportunities for increasing sales and revenue. Reviews were carried out for every buying area during 2014/15, and the process has helped B&Q reach 35% of sales from products with eco credentials. New products launched that contributed to the range sustainability rating include easyGrow (page 10), B&Q's Rooftrade living roof kits (see right) and the B&Q flood protection product range. We are now exploring the best approach to introducing the range sustainability rating process at Screwfix.

In our French businesses we have developed the collaborative ReMade process. This brings together internal specialists in areas such as production, manufacturing, engineering, retail and logistics as well as suppliers and external partners to develop solutions that design out waste and enable materials reuse and recycling. This has been used in development of products such as Nods decking, see page 11.

Rooftrade Living Roof Kits

B&Q UK's new Rooftrade living roof kits for sheds boost garden biodiversity and help extend the life of garden sheds. The kits contain a low maintenance, drought resistant, ready to lay sedum vegetation blanket grown in the UK. This includes sixteen varieties of sedum plants, pre-grown into a recycled crushed brick growing medium and a biodegradable felt mat made from recycled British textiles. The sedum blanket has been specially designed to provide a variety of plants throughout the year whilst enhancing biodiversity, and carries the RHS Perfect for Pollinators label.



As part of the strategic update for our business, see page 4, we are introducing more unified sourcing and product development for our own brand ranges which will provide opportunities to improve sustainability performance. For example, we are exploring how we can innovate in our garden and bathroom ranges to better meet customers' changing needs and our garden, bathroom and Net Positive teams are working closely together to fully embed sustainability into this review process.

Net Positive: Closing the loop

Target 2020: 1,000 Kingfisher products with closed loop credentials.

Achieved
milestone

Milestone: 300 by 2016/17.

Adopting closed loop approaches is challenging and requires close collaboration with suppliers. We are taking initial steps within our business to begin improving the closed loop credentials of our products and to create more circular supply chains.

We are using our closed loop calculator to assess which of our products already have closed loop credentials and identify opportunities for improvement. The calculator, developed with the Ellen MacArthur Foundation and Bioregional, includes a number of criteria such as materials used, whether a product can be rented or repaired and whether it can be disassembled for recycling at end-of-life. Any product scoring Very Good or Excellent is considered to have closed loop credentials. We have identified 562 products so far (2013/14: 170). Examples include B&Q's easyGrow bedding plants, (see page 10) and garden fence supports created from recycled plastic bottles introduced at Castorama Poland. We are training buyers on the calculator.

We are providing opportunities for employees to improve their understanding of the circular economy and its practical business potential. This includes places on an executive education course for senior managers and a circular economy MBA course both run by Bradford University School of

Management and the Ellen MacArthur Foundation. Twelve employees completed the executive education course during 2014/15 and three employees are enrolled on the MBA.

Closed loop supply chains

Target 2020: Ten closed-loop supply chains.

Milestone: Five by 2016/17.

Data Not Available

We are exploring whether and how waste streams from our business and our customers can be integrated into more circular supply chains as a source of raw materials. Our companies have undertaken a number of pilot projects including take-back trials for customer waste. For example, Castorama Poland's take-back programme for waste electrical and electronic items ran at over 70 stores during 2014/15 collecting over 264 tonnes of waste, while Screwfix ran a pilot with a reverse logistics company to recycle materials from old and faulty power tools collected from its stores. However, our experience so far suggests that customer waste streams often do not provide sufficient or consistent volumes of materials and that it can be challenging to generate a commercial return sufficient to cover the costs of collecting and recycling the materials. We are continuing to work with our suppliers in this area which may include looking at opportunities in relation to our own business waste.

We are also working with sustainability experts Bioregional to develop a definition of a closed loop supply chain and a methodology for monitoring performance, which will enable us to report progress against our target in future years. This follows an initial scoping project with the Ellen MacArthur Foundation during 2014.

Alternative services

Target 2016/17: Explore and trial alternative business models such as product hire and repair, which encourage a perpetual reuse of products.

Not On Track to target

Services, such as rental and repair, can replace sales of physical products and be profitable for the business while reducing use of resources. Since fewer products are needed overall and because products are easier to recycle at end-of-life, these services can play an important role in the transition to a circular economy.

We already have examples of successful services such as Castorama Poland's rental and repair services which carried out over 205,000 repairs in 2014/15. Other services include tool repair services at our companies including Koçtaş and Screwfix and rental services such as B&Q's Rug Doctor. We will continue to explore the potential for alternative services as well as opportunities relating to the sharing economy, see page 31.

Learning stores

Target 2016/17: Every Operating Company to develop at least three 'learning stores' and to have delivered, or confirmed, the site for one 'eco store' that champions low carbon and sustainability innovation.

Not On Track to target

We now have 19 learning stores and two eco stores in the group, with two operating companies already meeting our target on Eco Stores and a further three on track to do so. However, progress in four companies has been slower meaning we are not on track to reach our target by 2016/17. See pages 13 and 45 for examples of sustainable innovation in our stores during 2014.

Sustainability accounting

Target 2016/17: Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees.

Not On Track to target

By becoming Net Positive we will generate new revenues and reduce our costs through improved productivity and efficiency. We aim to calculate the financial benefits for our business to assist our decision-making and to help investors and employees understand the business importance of Net Positive.

We already collect data in a number of areas including eco product sales (page 27) and cost savings from the installation of energy efficient LED lighting (page 24) and we are improving our data on savings in areas such as packaging. We are also trialling an approach to measuring the financial benefits of initiatives to reduce waste, with a view to rolling this out across Kingfisher. We have incorporated sustainability considerations into our capital expenditure processes, reflecting the value of Net Positive to the business.

The data we obtain from these processes will enable us to provide a fuller picture of the direct financial benefits of Net Positive over time. Our focus in future will be on continuing to expand data collection in key areas such as these, rather than attempting to provide an overall figure for the value of Net Positive.

Engagement and advocacy

We are working with other businesses, NGOs and government to help stimulate innovation and encourage progress in areas such as the circular economy. Examples include:

- The European Resource Efficiency Platform – we are founding members of this forum which is helping to shape EU policy and create the right regulatory conditions for the circular economy.
- Circular Economy 100 – we helped establish this network run by the Ellen MacArthur Foundation for companies, innovators and regional governments.
- Environmental Audit Committee – our former Group Chief Executive, Sir Ian Cheshire, gave evidence to this committee on the potential role of the UK government in supporting a circular economy and was quoted in their report 'Growing a circular economy: Ending the throwaway society'.
- Disruptive Innovation Festival – we supported this event led by the Ellen MacArthur Foundation which brought together thought-leaders, entrepreneurs, businesses, and suppliers to explore themes relating to the circular economy, sharing economy and systems innovation.



Communities

Our business exists to help people create better homes and through doing so to have better lives. As part of this, we aim to make a positive contribution in every community in which we work, supporting projects that improve community resilience and social cohesion. This benefits local people, including our employees and customers, and is good for our business too.

Our community projects use our expertise as a home improvement retailer to create positive change including by helping people develop practical skills and improving community facilities.

The sharing economy, with technology enabling people to connect and exchange skills and resources more easily, can make it easier for people to improve their communities by helping each other. We aim to encourage these positive benefits by sharing our knowledge and creating opportunities for customers to learn skills and connect with and help each other.

Our community projects vary from company to company but address common themes. To increase the impact of our community investment and to speed up the rate of progress to meet our 2020 target, we are reviewing our communities strategy. We will establish priorities for projects across our companies that are most relevant to our home improvement expertise, our Net Positive ambitions and the core challenges facing society. We will continue to focus on areas such as building skills, renovation and forest projects.

2050 Aspiration

Every Kingfisher store and location supports projects which build local communities or equip people with skills

2020 target

4,000 community projects completed that deliver 'Better Homes, Better Lives'

Why it matters – external trends

- Inequality, unemployment and housing shortages could undermine community cohesion and the prosperity needed for business growth.
- The sharing economy is altering how people access goods and services, with benefits for communities.
- 70% of customers say they will remain loyal to a brand that demonstrates social value¹.

Community projects

Target 2020: 4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'.

Not On Track
to milestone

Milestone: 1,500 projects by 2016/17.

Our companies have supported 805 community projects since 2012/13, focusing on areas such as improving homes and facilities for those in need and supporting young people to develop practical skills. This is an increase from 530 in 2013/14; however, at our current rate of progress we are not on track to reach our milestone of 1,500 by 2016/17. Our work to strengthen our communities strategy will help to address this.

The value of our investment

Our total community investment was worth £2.38 million in 2014/15 (2013/14: £2.87 million), equivalent to 0.35% of pre-tax profits. This includes cash donations, employee time and gifts in kind, with product donations valued at cost price. A number of projects were put on hold at B&Q UK during the year as it reviewed its communities strategy and appointed a new community manager. This contributed to the year-on-year drop in our total community investment and fundraising.

Our employees spent over 28,500 work hours volunteering in their local communities. The total value of employee time (including volunteering hours and management costs) is £540,000.

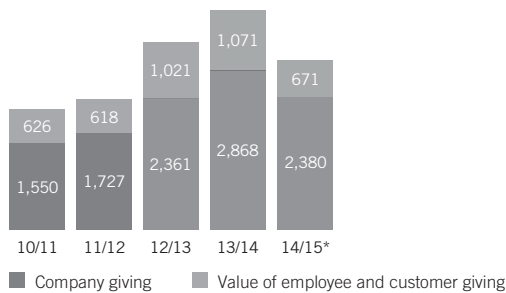
In addition to our own giving, we encourage and facilitate customers and employees to raise money for charities. Examples include in-store collections, payroll giving, fundraising events and using our contact centres to take pledges from the public during charity fundraising appeals such as the UK's Children in Need. In 2014/15 we helped employees and customers raise £671,000 for charity (2013/14: £1.07 million).

We assess the impact of many of our community projects to help us identify opportunities for improvement and maximise the value of our investment. Examples are included in our Data Appendix, www.kingfisher.com/netpositivereport.

¹ RSA, Community Footprint Report, 2012

Community investment

£ thousand



* Within KPMG's limited assurance scope

2014/15 company input by category*

£ thousand



* Within KPMG's limited assurance scope

Some of the recent projects we have supported include:

- B&Q China** has implemented 109 community projects since 2012/13. Through its partnership with the Cherished Dream Foundation, it has supported the opening of eight Dream Centres – multimedia classrooms in rural schools in less-developed regions of China.
- B&Q UK** is the first major UK retailer to donate 100% of the money raised from its carrier bag levy to charity. In year one the money will be donated to Children in Need. B&Q also raised over £62,000 for the Royal British Legion's Centenary Poppy campaign through sales of poppy seeds.
- Brico Dépôt France's** HOME projects get employees involved in improving social housing for people in need. In 2014/15, 160 employees took part improving three properties.
- Castorama Poland** has run its Majsterkowo programme since 2012, enabling 80,000 children to complete free DIY classes at its stores.
- KS&O** supports the 'Left Behind Children' programme which helps children whose parents leave home for long periods to find factory work. Left behind children face a range of challenges including being vulnerable to psychological and emotional issues, sexual abuse and other threats to their safety. So far two KS&O suppliers have taken part, benefiting 728 workers and 350 children.
- Screwfix** has helped raise £300,000 for charity through the Screwfix Foundation since April 2013, benefiting over 120 community facilities, see page 11.

Skills sharing

Target 2016/17: Promote sharing of skills and 'know-how' in local communities by building online community platforms in the UK and France to help link people.

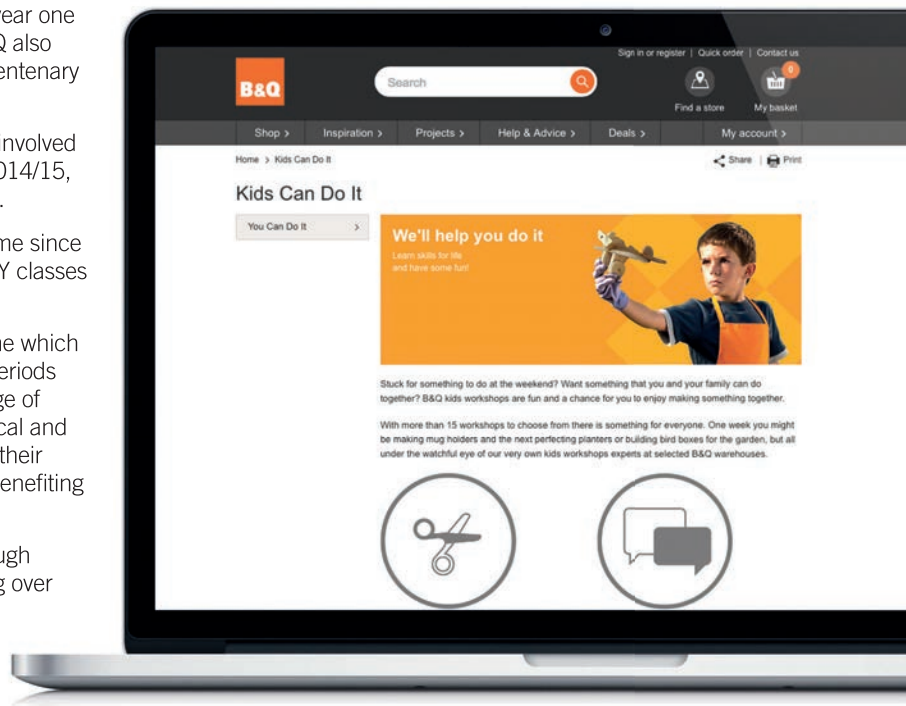
On Track
to target

The DIY sector can encourage the positive benefits of the sharing economy. We aim to share the knowledge and skills that exist within our businesses and help customers connect with and help each other.

For example, Castorama France is supporting a new home improvement wiki site – an open-source and collaborative knowledge-sharing platform that will help consumers complete their DIY projects. Anyone will be able to join 'Wiki for home' to share their expertise and experiences and learn from the collective intelligence of a large community including fellow DIYers and home improvement enthusiasts, professional handymen, schools, fab labs (workshops where people can use digital technology to test and implement their ideas) and maker spaces. See www.wikiforhome.org. This builds on Castorama's experiences in launching Les Troc'heures, France's first DIY community skill-sharing website.

In the UK, B&Q established StreetClub in 2012 to encourage neighbours to share skills and come together to improve their local communities. To increase the impact of StreetClub and enable members to connect with more people, StreetClub merged with community platform Streetbank during early 2015. This has created a network of 35,000 members across the UK. See www.streetbank.com.

B&Q also encourages the sharing of DIY skills online through videos and information on its YouTube and Facebook pages and by making many of its Kids Can Do It workshop lesson plans available for free online. Its DIY skills videos were viewed 7.5 million times during 2014/15.





“Learning practical skills can make individuals more likely to help others which in turn contributes to stronger communities.”

Also in the UK, the Screwfix Community Forum enables tradespeople, customers and others to share DIY expertise, ask for advice and discuss topical issues. It has over 100,000 members and 1.25 million posts and averages over 240,000 page views a week.

Engagement and advocacy

During 2014, we supported the launch of Collectively, a new digital platform developed to drive conversation and action on sustainability and make sustainable living the new normal. Collectively was launched through a coalition including Forum for the Future and leading businesses such as Kingfisher, Unilever, BT Group, The Coca-Cola Company, Marks & Spencer, Carlsberg, Google, Facebook, Microsoft, McDonald's, Nike, PepsiCo and Nestlé. It is designed to encourage action at the grass-roots level and to enable audiences to act more sustainably in whatever way they can – from buying, investing and campaigning to sharing an idea they believe in. See www.collectively.org.

Exploring the links between skills and wellbeing

When people have the skills and motivation, they can improve their homes and their neighbourhood; that's why many of our community projects focus on helping people to acquire practical skills. Now a report by the New Economics Foundation, supported by Kingfisher, has shown the positive impact of practical skills on personal and community wellbeing.

The report, called Hands-on Communities, draws on data from the UK Big Lottery Fund, academic research and expert interviews. It found that learning practical skills and undertaking tasks like DIY, cooking or gardening can have a significant impact on an individual's wellbeing, leading to higher levels of life satisfaction.

The report also shows that learning practical skills can make individuals more likely to help others which in turn contributes to stronger communities. 25% of people who learnt practical skills in one study increased their social, voluntary or community involvement. Other benefits included saving money, improved employability and better social cohesion from creating bridges between community members who might not otherwise interact.

To raise awareness of the research among professionals working in the community sector, the report was launched at the annual conference of Locality, the network for community-led organisations.

Read the report at www.neweconomics.org/publications/entry/hands-on-communities.





Employees

Retail is a people business and this is particularly true in our sector as customers often need help and advice when shopping for home improvement products and services. It is our people that make us what we are and will determine our sustained success.

We want Kingfisher to be a great company to work for and an employer of choice in our sector. We aim to recruit and retain diverse and talented teams to serve our customers and we prioritise investment in training and development, creating a pipeline of talent for our business to grow. Our ability to engage employees and to work together across functions and companies will become even more important as we implement our new strategic approach and create a more unified 'ONE' Kingfisher business.

To achieve our Net Positive goals we need to make sustainability part of our day for everyone at Kingfisher. We are engaging our employees on our sustainability ambitions to encourage them to change the way they do things so we can meet changing customer needs and drive sustainable growth.

Inclusion and diversity

Target 2020: To be recognised as a 'best practice' company for equality and diversity within our local retail markets.

Not On Track
to milestone

Milestone: All companies to have an action plan in place for their market by 2016/17.

A workforce that reflects the diverse communities we work in helps us to better serve our customers and encourages innovation and creativity in our business. We aim to recruit people of all backgrounds with a wide range of skills, experience, perspectives and leadership styles. Our current focus is on improving gender balance at all levels of the business and supporting young people to develop their careers with us.

Gender balance

During 2014/15, women made up 40% of the Kingfisher Board (2013/14: 27%) and 24% of One Team Leaders, our most senior leaders (2013/14: 18%). There was a slight decline in female representation across the wider senior management population, see table, but a small rise in female representation across all management positions.

To achieve balanced representation of men and women among our senior leaders, we are focusing on increasing the participation of women in development programmes, increasing female candidates in succession planning and raising the visibility of our female leaders. The Kingfisher Women in Business network provides opportunities for female employees to build their network across the company.

Our leaders have an important role to play in enabling the development and progression of a diverse talent pool and in embracing and cultivating different styles and approaches within their teams. We also work with our external recruitment partners to make sure that women are well represented on recruitment lists and development programmes.

Gender diversity (% female representation)

	10/11	11/12	12/13	13/14	14/15*
Total workforce	40	40	40	39	40
Senior management	17	19	21	22	21
All management positions	29	29	30	29	30

Senior management covers the Board, directors and heads of department (401 full time equivalent employees)

* Within KPMG's limited assurance scope.

Ethnic diversity

Ethnic minorities accounted for 11% of employees in the UK (2013/14: 9%). The increase reflects improvements to data quality and improved consistency in how we define ethnic minorities across our UK companies. Our definition of ethnic minorities now includes all employees who do not define themselves as White British. We believe the percentage of ethnic minorities was under-reported in 2013/14.

We don't report a Group figure for ethnic diversity since definitions of what constitutes an ethnic minority vary by country and in markets such as France it is illegal to ask employees to declare their ethnicity.





Awards and recognition

Our companies have been recognised with a number of awards for their Human Resources practices.

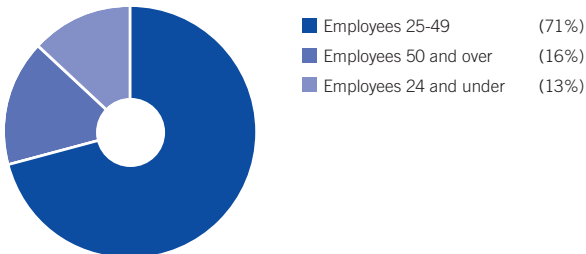
- Brico Dépôt Iberia – Great Place to Work Spain, fifth best company and European Business Awards in Spain – Employer of the Year
- Castorama France – Top Employer 2015 from the Top Employers Institute for the fifth consecutive year
- Castorama Poland – Reliable Employer of the year award, DIY sector, 2014 for its approach to career development, working environment and employee benefits
- Kingfisher – Top Retail Company for Graduates to Work for 2014/15 from JobCrowd

Age diversity

A workforce with employees of many different generations brings a range of insights and experiences that can help us better serve our customers. We have a focus on creating jobs for young people as well as supporting older workers to continue their careers with us.

For example, Screwfix is committed to supporting efforts to reduce youth unemployment and during 2014/15 created over 1,350 new roles of which almost 40% were filled by people under the age of 24. At B&Q UK, policies such as flexible retirement have helped it achieve around a fifth of employees aged over 50, compared with the Group average of 16%.

Employees by age 2014/15* Percentage



* Within KPMG's limited assurance scope

Disability

Having a disability shouldn't be a barrier to a career at Kingfisher. We aim to create accessible workplaces and provide the right support to employees with disabilities. This also helps us to comply with legislation regarding employment of disabled people that has been introduced in a number of our markets.

In 2014/15, the proportion of employees with a declared disability was 2% (2013/14: 2%). Our companies in France are particularly focused on supporting people with disabilities to build their careers with us, reflecting national legislation and targets. Over 5.3% of employees at Castorama France have a disability and 6.1% at Brico Dépôt France.

Learning and development

We provide exciting training opportunities that enable employees to develop their skills, better serve our customers and progress their careers with us. In total, employees completed almost 777,000 training hours (an average of 10 hours per employee). Training spend was £16.6 million in 2014/15. Most of our operating companies conduct annual performance appraisals for employees.

We provide a mixture of centrally and locally delivered training programmes for employees at every level of the business. Examples include:

Apprenticeships, internships and work placements

Our apprenticeship and work placement programmes help young people to get started in their careers and to gain valuable experience while completing their studies.

For example, 500 young people took part in Castorama France's 'Go Alternance' programme during 2014/15 which recruits and develops young people for a variety of career paths at Castorama's stores and offices. Screwfix is working with several UK universities to provide work placements to high potential undergraduates. 26 young people have taken part to date. See page 13 for information on apprenticeships at Brico Dépôt France.

Graduate programmes

Our graduate programmes such as the Kingfisher IT Graduate Programme and Kingfisher International Commercial Graduate Programme help us identify and develop future leaders. Participants complete international placements and benefit from a wide range of development opportunities. 31 graduates have taken part over the last three years.

Store employees

Our store employees have the most important jobs in the business – giving our customers the help and advice they need to choose the right products and complete their projects. Training helps store employees improve their retail skills and product knowledge and often includes opportunities to gain new qualifications.

We also run talent development programmes for store staff to help them develop their careers and to ensure we have employees with the right skills and experience to fill key roles. For example, Screwfix has developed its First Steps and Fast Track programmes to help store colleagues move from Service Assistant right through to Store Manager. Through its Fast Track to Branch Manager Programme employees can study towards a Level 4 Diploma in Leadership and Management from the Institute of Leadership and Management (ILM).

Closer to the customer at Castorama Russia

We want to make home improvement easy and affordable for customers and to offer the products, information and support they need to complete their projects successfully. To help and inspire employees to do this, Castorama Russia has launched Meet the Customer, a programme of home visits. Every employee is visiting five customer homes during the year to find out for themselves how customers plan and implement their home improvement projects.

Management and leadership training

Management and leadership training gives employees opportunities to grow their careers with us. For example, B&Q UK runs Aspire, a set of five talent programmes that support employees to reach management and senior management positions. It ranges from the 'Aspiring Trading Managers' programme for customer advisors and supervisors, to the 'Aspiring Head of' programme for managers looking to move to senior leadership roles.

Kingfisher One Academy is our executive education offer for our most senior leaders. The Academy has a number of bespoke programmes that enable senior leaders to develop a strong understanding of the Kingfisher strategy and the associated challenges. Programme topics include leadership, financial and commercial strategy and Net Positive.

Employee health and safety (H&S)

Target 2020: Achieve a 20% reduction in the employee lost-time accident rate from a 2010/11 baseline.

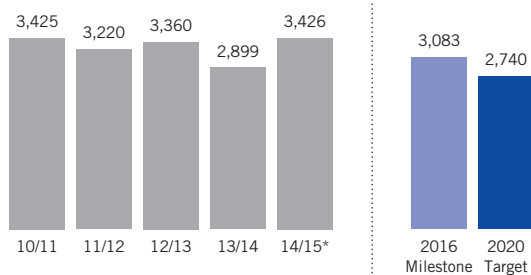
Not On Track
to milestone

Milestone: 10% reduction by 2016/17.

Our total lost-time accident rate (number of lost-time accidents per 100,000 full-time equivalent employees) was 3,426, an increase on last year and on our 2010/11 baseline. We believe this is due to improvements in our data reporting and collection processes, rather than a worsening in performance. This reflects the work our H&S professionals have been doing to raise awareness across our geographies of the importance of accurate and consistent H&S reporting and in creating a culture in which managers feel confident to report accidents. We expect to see further improvements in our data over the coming year after which point it will be possible to more accurately monitor changes in our H&S performance over time. There were no work-related fatalities (2013/14: zero fatalities).

Employee accident rate

Major and over three-day lost-time accidents – number per 100,000 full-time equivalent employees



* Within KPMG's limited assurance scope

We have a set of mandatory minimum H&S standards for use by all operating companies that form the basis for store H&S audits. Each company has an action plan to address any gaps in their policies or procedures in relation to our group standards.

To help embed a safety culture we have a Board-level Group Safety Committee, chaired by our Group General Counsel that meets monthly. A monthly H&S Dashboard, summarising performance at each company and any H&S issues during the month, is reviewed at every meeting of our Group Board and Group Executive Committee.

A Group Safety Manager was appointed during 2014 to oversee our approach and drive progress in this area across the business. Each of our operating company boards reviews safety performance on a monthly basis, and all operating companies have a senior management safety committee. We encourage our H&S professionals in our companies to share information and good practices with each other.

The majority of employee accidents related to injuries from handling products in store. We carried out a review of how we safely deliver our products to stores and are focusing on reducing the need for employees to manually handle products. This includes looking at pallet standards and changing our delivery procedures so products are placed directly onto the sales floor. During 2014/15 we also held National Safety Days to raise safety awareness in several of our operating countries.

There was one safety prosecution during the year at B&Q UK relating to an accident at its Yeading store in November 2012, when an employee was injured while parking a forklift truck. B&Q was fined £65,000 plus costs.

Customer and contractor health and safety

Target 2016/17: Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target.

Not On Track
to target

We collect data on accidents in stores involving customers and contractors, and this is included in our monthly H&S Dashboard and reviewed by our Group Board and Executive.

There were 4,796 accidents reported by customers during the year (2013/14: 4,275) and 505 contractor accidents (2013/14: 387). We believe this increase reflects improvements in data quality with some countries reporting data in this area for the first time this year. The majority of customer accidents related to slips, trips and falls. We are introducing measures such as additional matting at store entrances to reduce slips and trips.

Our data does not yet include construction contractor accidents (for new stores and major refurbishment projects) and we are still working on developing a robust data collection process in this area.



Employee engagement: surveys

Target 2016/17: Improve our employee engagement by extending engagement surveys to cover all employees.

On Track
to target

We work hard to create an engaging environment for colleagues in our stores, head offices and call centres, so that every employee feels motivated in their job. Employee engagement is a key driver for high performance.

We measure engagement once a year through our One Team Engagement Survey, run in conjunction with Gallup. The survey gives our teams an opportunity to talk about how they feel at work and helps us to identify opportunities for improvement. The survey covers all operating companies and employees, except for Koçtaş, which participates in a separate survey within the Koç Group. A set of 12 core questions are used across each company to help us evaluate engagement.

There was an 86% response rate for the survey in 2014. The results show that our strengths as a Group include colleagues feeling committed to doing quality work and feeling they have someone at work they can trust and confide in. Opportunities for improvement included making sure employees have the materials and equipment they need to do their work right and ensuring that colleagues have real clarity about their role and the actions they need to take every day to help the business grow.

We achieved an overall engagement score of 4.06 out of 5, an improvement from 3.95 in 2013. This result means that Kingfisher sits in the top 50% of the Gallup database of retail companies. Individual team results are reviewed by line managers, who are encouraged to have regular engagement conversations with their teams and agree one to two improvement actions for the year.



Employee turnover

Our employee turnover rate was 23% (2013/14: 22%). Our companies in France have the lowest employee turnover rate (8% in Castorama France and 11% in Brico Dépôt France).

Net Positive part of our day

We aim to make sustainability part of all our business decision-making and the work our colleagues do every day. To achieve this we need to both improve understanding and build capacity so people are able and motivated to start putting sustainability at the heart of what they do. We are using a combination of engagement, awareness raising and training combined with integrating sustainability into performance management systems.

One of the most important steps we have taken this year is to support our companies to develop local implementation plans for Net Positive. These are based on our commercial model for delivering Net Positive, see page 6. They show how each part of the business will integrate sustainability into their core business in a locally relevant way – and contribute to our Net Positive targets overall. Each company's local implementation plan identifies how integrating sustainability will generate value for the business in four areas: revenue opportunities; customer preference; supply chain resilience; and efficiency and productivity. Local plans are now in place at B&Q UK, Brico Dépôt Iberia, Kingfisher Corporate Centre, KITS and Screwfix, and further plans will be launched in 2015/16.

Leadership training on Net Positive

Target 2016/17: To have a development programme on Net Positive for the top 250 managers from around the Group.

On Track
to target

We developed our Kingfisher One Academy Net Positive executive education module to inspire our leaders on sustainability, improve understanding of the business benefits and catalyse further action.

The module is an interactive process through which our leaders together develop a common vision for what sustainability means in their part of the business. It explores why sustainability is important and the business benefits, and supports leaders to develop a local implementation plan. 116 of our most senior leaders completed the module in 2014/15.

We have also worked with the University of Cambridge Institute for Sustainability Leadership to create a bespoke executive education course for members of our Group Sustainability Committee. This three-day intensive course was launched in 2015 and aims to: deepen participants' understanding of sustainable business issues and how these relate to Kingfisher's priorities; to promote a sense of ownership of the sustainability agenda at Kingfisher and enable participants to lead on sustainability in their part of the business; and to build confidence among participants to enable them to engage, challenge and communicate on sustainability within the business and with sustainability experts.

Performance management

Target 2020: Integrate Net Positive into the performance management systems for all relevant employees.

Not On Track
to milestone

Milestone: Top 250 managers by 2016/17.

Integrating sustainability into our performance management systems is one way to engage and motivate employees to achieve our Net Positive targets. During 2014/15 all members of our One Team Board (our most senior leaders) had performance objectives relating to Net Positive.

A number of our companies have also integrated sustainability into performance management. For example, Castorama France has integrated objectives on Net Positive for key employees including store managers.

At KSO, our sourcing organisation, a number of employees have Net Positive-related KPIs that are linked to their performance bonuses, including General Managers and functional managers. At Brico Dépôt France logistics managers have targets relating to waste management, which has helped the business increase its recycling rate to 74% of waste.

Net Positive engagement

Target 2020: Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home.

On Track
to milestone

Milestone: Net Positive included in induction training for new employees by 2016/17.

Target 2020: Every employee has the right skills to help customers lead sustainable lifestyles.

Not On Track
to milestone

Milestone: Store staff trained on eco products and services to help customers make more sustainable choices by 2016/17.

All employees have a part to play in Net Positive and we aim to engage, inspire and involve them in our Net Positive journey. As we work to improve the sustainability performance of our product ranges, we need to make sure our colleagues in store have the knowledge and confidence to advise customers and help them make more sustainable choices.

Our internal magazines and TV channels keep employees informed and engaged on our progress. For example, B&Q's internal monthly video magazine 'In the Know' included features on the journey of sustainable timber <https://youtu.be/HgFUZTji8nY> and 25 years of responsible retailing at B&Q https://youtu.be/Y-QHzpij8_c during 2014.



Net Positive is being integrated into induction training so that employees understand its importance right from the start of their career with us. Five Operating Companies – B&Q China, B&Q UK, Brico Dépôt France, Brico Dépôt Spain and Castorama France – have already introduced this. For example, every new starter at B&Q completes e-learning training modules on Forest Friendly (covering B&Q's timber programme), One Planet Home, B&Q's sustainability programme and a diversity module launched in 2014. Over 30,000 people have completed the Forest Friendly and One Planet Home modules in the past two years.

We also run more in-depth training for employees in key areas. For example, Brico Dépôt Iberia has run eco product training for all store employees and has launched a recycling e-learning module that is compulsory for store employees.

Our Net Positive team runs eco product 'train the trainer' sessions at our operating companies to raise awareness of our eco product guidelines and make sure our companies know how to use them to improve the sustainability performance of our product ranges. See page 27 for more on our eco products.

During the year we also worked with partners to engage and inspire colleagues on sustainability. This included a competition for participants on our graduate programme during 2014, with the prize an opportunity to attend the One Young World Summit, a global forum for young leaders. Read about their experiences at www.kingfisher.com/OneYoungWorld. The two winners presented back to members of the Kingfisher Board.

Fifty members of our Net Positive network had the opportunity to complete the leading online course on sustainable business from the University of Cambridge Institute for Sustainability Leadership. The course is an engaging, interactive programme designed to build managers' understanding of the fundamentals of sustainability, its relevance to their role and its importance to business success.

In addition, 12 employees took part in the executive education course for senior managers covering the circular economy run by Bradford University School of Management and the Ellen MacArthur Foundation, while three employees are enrolled on the circular economy MBA course.



Suppliers and partners

We work with thousands of suppliers to source our products and the goods and services we need to run our business. Our procurement spend was £7.4 billion in 2014/15.

We aim to work with companies who meet standards consistent with our own in areas such as ethics, health and safety, human rights and environmental practices. This is important to us as a responsible business as it reduces legal, reputational and financial risks and helps us to meet customer expectations.

With such a large supply chain, we need to prioritise our ethical assessment and auditing programme and we have further work to do to strengthen our approach and to improve consistency across our group and operating company procurement.

We are also working with suppliers on responsible timber sourcing and to improve the environmental performance of our products, see pages 18 and 27.

Supplier ethical assessment

Target 2020: All suppliers of Kingfisher own-brand/exclusive brand products will meet or exceed our ethical and environmental standards.

Not On Track
to milestone

Milestone: High priority suppliers of own-brand/exclusive brand products will meet our standards by 2016/17.

Our ethical assessment and auditing programme is currently focused on purchasing via KSO, our central procurement organisation. KSO has offices in Brazil, China, India, Poland, Turkey and Vietnam and sources products directly from factories, of which most are used in our own-brand and exclusive brand ranges. KSO and Group sourcing accounted for around 22% of sales in our top five operating companies in 2014/15 (Castorama France, Brico Dépôt France, B&Q UK, Screwfix and Castorama Poland).

Our operating companies also source some own-brand products directly from suppliers, and are responsible for implementing our standards at the local level.

Our supplier code

Our Code of Conduct for Factory Working Conditions includes nine minimum requirements that all supplier factories must meet and additional standards they are expected to work towards. It incorporates the requirements of international frameworks such as those from the International Labour Organization and the OECD Guidelines for Multinational Enterprises.

We are in the process of updating our policies and approach to supplier ethical and environmental assessments and hope to publish a new policy standard in 2015.

Audit programme

New KSO supplier factories outside the EU are audited against our Code of Conduct for Factory Working Conditions and must comply with our minimum standards before any orders are placed. These factories are reassessed at least once every three years. If improvements are needed, an action plan will be put in place and must be achieved within a required timeframe. KSO runs training for suppliers on our ethical and environmental standards.

Our operating companies focus on first-tier suppliers who are responsible for managing standards in their own supply chains. Some second-tier suppliers are also audited directly where there is a higher risk of non-compliance with our standards. For an example of our work with indirect suppliers of raw materials, see the B&Q UK case study on page 39.

Performance in 2014/15

Own-brand and exclusive brand products

KSO sourced from 1,028 factories (the majority of which supply us with own-brand/exclusive brand products). Of these, 98% have had an on-site audit at some stage in the past three years. The remaining 2% are factories in Europe that are considered lower risk. During 2014/15, seven potential new factories were not accepted as KSO suppliers because they failed to meet the required ethical and environmental standards. KSO audited a further 511 factories, of which 75% were required to implement a corrective action plan in relation to ethical or environmental

standards. No sourcing can take place until all major issues have been resolved through the action plan process.

Our operating companies sourced own-brand/exclusive brand products from a further 1,308 suppliers. Our companies audit suppliers on a risk basis, focusing on high-risk sectors and countries. Of these suppliers, 21% have had an ethical assessment at some stage in the past three years (201 have had an on-site assessment and a further 68 a desktop assessment). We have set a stretching target to audit all these suppliers by 2020.

Manufacturer branded products

Our operating companies also carry out ethical assessments of selected suppliers of manufacturer branded products. Around 8% of the 5,400 suppliers have had an ethical assessment at some stage in the past three years (345 have had on-site assessments and a further 105 a desktop assessment).

Working with direct and indirect suppliers at B&Q UK

B&Q UK's supplier engagement programme focuses on its direct suppliers and their finished goods production sites as well as priority areas further down the supply chain.

For its direct suppliers, B&Q has integrated ethical assessments into its overall supplier assurance process which includes working with Sedex, the online supply chain ethical data exchange, to improve oversight of suppliers. It carried out 197 desktop and on-site audits of its direct suppliers during 2014/15 with 85% of those suppliers sharing information on their sites and finished goods production facilities via Sedex.

The risk of poor ethical and human rights practices can be higher for suppliers involved in the extraction and processing of raw materials. These are indirect suppliers to B&Q, but the company works with partners to improve standards and working conditions in key areas. For example, natural stone is used in B&Q's patio paving and kitchen worktop ranges. B&Q is a member of the TFT Responsible Stone Programme, which works to improve ethical and environmental standards in quarries and stone processing factories in developing countries through auditing and capacity building. During 2014 B&Q was involved in projects to improve labour conditions for over 600 workers in two quarries and three major stone factories in India.

Addressing supplier concerns

A small number of suppliers raised concerns in the UK media during early 2015 about B&Q UK's Investment for Growth programme, an initiative through which B&Q suppliers were asked to invest to help the business reduce prices for customers, with the opportunity to benefit from subsequent growth in sales as a result of the price reduction. Our suppliers are very important to us. We aim to be an ethical retailer and to treat suppliers fairly. We were disappointed to hear that a small number of suppliers were unhappy with Investment for Growth. The vast majority of suppliers have seen increases in sales as a result of the scheme. Suppliers with genuine grounds for concern were invited to meet with B&Q senior managers to discuss their concerns.

Goods not for resale

Target 2020: Key GNFR contracts will meet or exceed our sustainability standards.

Not On Track
to milestone

Milestone: Process in place to apply our sustainability standards to key GNFR contracts by 2016/17.

We are integrating sustainability standards in key areas such as GNFR timber, page 19, and store construction and fit out, see page 44 and have started making progress on some KPIs. For example, we reached 97% responsibly sourced paper in our catalogues and marketing materials for countries where data is available, see page 19.

Further work is needed to map our GNFR supply chain and to identify further priority categories of procurement. In line with our new strategic direction we plan to take a more unified approach to GNFR sourcing across our companies and sustainability criteria will be integrated into this work.

Carbon and water footprint

Target 2016/17: To define and measure the carbon and water footprint of our value chain and to set a carbon reduction target.

Not On Track
to target

Outside our direct operations, the most significant carbon emissions associated with our business are customer use of electricity-consuming products and the sourcing and manufacture of product categories such as non-metallic mineral products (for example cement and glass), tiles and building products. Read more in carbon footprint, page 25.

We are also taking steps to manage the water footprint associated with our operations and products, see page 43, but have not yet assessed the wider water footprint of our value chain.

SRI indices and ratings

Target 2016/17: Kingfisher to maintain its leadership position in key SRI indices and corporate responsibility ratings.

On Track
to target

We are included in a number of the leading responsible investment indices and rankings, including:

- Dow Jones Sustainability Index (DJSI) – we are included in the DJSI and were listed in the RobecoSAM Sustainability Yearbook 2015.
- FTSE4Good Index – we are listed in the FTSE4Good Index.
- Carbon Disclosure Project (CDP) 2014 – we received a score of 95A-, a significant improvement on 83B last year. This reflects both performance on climate change (A- rating) and disclosure around our climate impacts (95%). We were included in the FTSE 350 Carbon Disclosure Leadership Index (CDLI) of the top 10% of companies in the CDP. We are also included in the CDP Forest Programme.

We will continue to work on maintaining and improving our position in these and other relevant rankings.



Ethical business conduct

Target 2020: Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct.

On Track
to milestone

Milestone: Operating Companies to demonstrate robust reporting and compliance with the Group Governance Manual and Code of Conduct by 2016/17.

Our Code of Conduct explains our ethical principles and minimum standards. It is supported by our Group Governance Manual, 'The Way We Do Business' which contains our key policies and management procedures as identified by our Board of Directors. The Code and Manual help us to comply with regulation such as the UK's Bribery Act and to take a consistent approach across countries while giving our companies flexibility to reflect their business model and local circumstances.

The Code forms part of the contractual terms and conditions for all new employees and is included in our contracts with product suppliers, who are expected to communicate its requirements to their own employees. We also integrated the Code into contracts with key GNFR suppliers during 2014.

To implement the Code, our companies have established reporting and compliance procedures including: the appointment of a senior compliance officer in each company; training for relevant employees; raising awareness of our whistle-blowing procedures; and integration of the Code of Conduct into employee and supplier contracts. During 2014/15 our focus has been on working with our businesses to create a 'compliance culture' in which everyone feels able to report concerns and companies have the confidence to identify, acknowledge and address gaps in policies or performance. This included establishing a compliance network which enables our compliance officers to regularly exchange information and best practices and discuss queries or cases of concern.

We monitor compliance through our internal audit programme and our annual self-certification process through which our companies must confirm compliance with our Code and group policies and explain how they are addressing any gaps. Our internal audit team reviews the results of our self-certification process, compares these with internal audit results for each company and follows up with our companies to help them strengthen policies or procedures where needed. In 2014 our internal audit programme also included a group-wide review of compliance with the UK Bribery Act.

All employees whose location or role poses a potential corruption risk must complete our anti-bribery and corruption training module, which has been integrated into the induction process for relevant employees.

Employees can report any concerns via our whistle-blowing hotline or get advice via a dedicated email address. All reports are investigated and if an employee is found to have breached our Code of Conduct appropriate disciplinary action is taken. The number of open and resolved cases and the outcomes are reported to the Audit Committee of the Board of Directors. 221 cases were opened during 2014/15. Operating Companies are required to raise employee awareness of the hotline and email address.

We also run an online reporting system for vendors which is communicated in variety of ways including via the Code of Conduct, regular reminder letters, during annual contract negotiations and on procurement portals used by vendors.



Download our Code of Conduct
www.kingfisher.com/netpositiveresources



Environment

Our aspiration is for our business to be restorative to environments, eliminating our negative impacts and creating positive change. As a first step we are working towards reducing our footprint, minimising our use of resources and tackling waste. Our approach covers key environmental issues such as waste, water, transport, packaging, chemicals and biodiversity.

Waste

Target 2020: Achieve zero waste to landfill.

Milestone: 75% recycling by 2016/17.

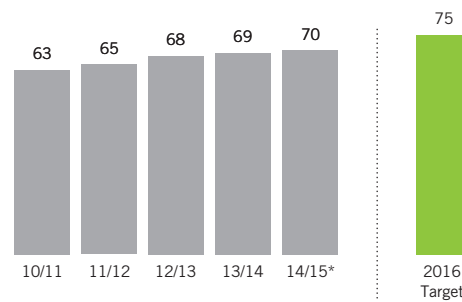
On Track to milestone

We aim to reduce the waste generated by our products and operations and to recycle resources wherever possible. This includes designing out waste from products through closed loop innovation (see page 28), our work on packaging optimisation (see page 44), and our focus on reducing waste in our operations.

Our main types of operational waste are wood, paper, cardboard, metal, plastic and rubble (such as broken tiles, bricks, stone and soil). We generated 236,731 tonnes of waste in 2014/15, an increase of 2% year-on-year (2013/14: 231,806). Our recycling rate also increased to 70%, on track for our milestone of 75% by 2016/17. A number of companies have already reached our milestone including B&Q UK and Castorama Poland. Screwfix has achieved zero waste to landfill from its stores and distribution centre (see page 14).

Brico Dépôt Iberia's recycling rate is below the group average and it has implemented a Zero Cost Waste project to address this. Data on recycling rates at each store is now reviewed monthly and bonuses for store managers are linked to progress on reducing waste and increasing recycling. This has improved the recycling rate from 28% in 2012/13 to 45% in 2014/15, and has saved the business €400,000 to date.

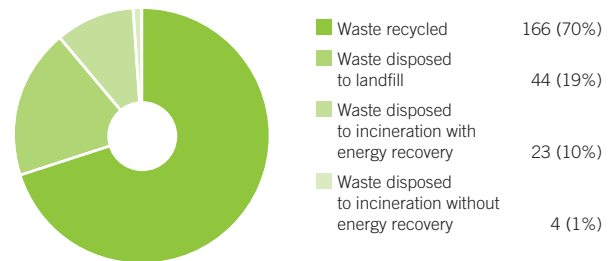
Waste recycled % of waste recycled



* Within KPMG's limited assurance scope

Waste recycled covers our stores, offices and other buildings from 2011/12. Data for previous years covers stores only.

Waste recycling and disposal 2014/15* Thousand tonnes



* Within KPMG's limited assurance scope

Some of our waste contractors do not provide a breakdown of the waste disposed by destination (landfill or incineration). In these cases, we have assumed the waste goes to landfill.



Transport

We aim to reduce CO₂ emissions from transport. This includes transport of goods between our suppliers, distribution centres and stores, and, increasingly, delivering orders to our customers' homes. It also covers our own business travel, employee commuting and customer travel to our stores.

Achieving our targets is challenging, given the growth in our business and in particular the increased number of customer home deliveries due to the rise in internet shopping. Our approach is to focus on improving efficiency in each journey and to integrate new lower carbon technologies where possible.

Direct haulage emissions – dedicated delivery fleets

Target 2020: Achieve a 20% reduction in CO₂ emissions from our direct transport impacts from a 2010/11 baseline. **Not On Track to milestone**

Milestone: 10% by 2016/17.

Direct haulage emissions are those from our dedicated delivery fleets that are owned by our operating companies or operated on their behalf by suppliers. These include:

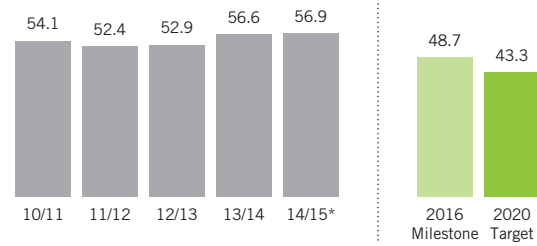
- **Store deliveries:** Three of our companies, B&Q UK, Castorama France and Screwfix have dedicated fleets for store deliveries.
- **Home deliveries:** Four of our companies, B&Q UK, Castorama France, Castorama Poland and Koçtaş, have dedicated fleets for home delivery. Other home deliveries are made by third party delivery companies and by post and we do not have data for these.

Overall our direct haulage emissions increased by 5% against our 2010/11 baseline. This increase is primarily due to the growth in home deliveries, with home delivery emissions doubling since 2010/11.

We have reduced emissions from dedicated store delivery fleets by 10% since 2010/11, despite a 7% increase in the volume of products delivered over the same period. Year-on-year emissions increased by only 2% despite an 8% increase in products delivered. This is due to a combination of improvements in the fuel efficiency of our fleet vehicles, the introduction of low carbon fuels such as biomethane, and work to optimise transport routes and improve truck fill rates. The efficiency of dedicated store delivery fleets (litres of fuel used per m³ of product delivered to stores) has improved by 9% since 2010/11.



Carbon emissions direct haulage Thousand tonnes CO₂ equivalent from dedicated store and home delivery fleets



* Within KPMG's limited assurance scope

Our companies are investing in lower carbon fuels to improve efficiency and reduce costs and emissions. This includes B&Q UK's 50 dual fuel trucks which run on diesel and liquid biomethane extracted from landfill sites that have helped B&Q cut CO₂ emissions from product transport by 33% since 2006 and the introduction of compressed biomethane gas lorries for deliveries to five Castorama France stores this year. In total, lower carbon fuels now account for 11% of fuel use for store deliveries by dedicated fleets.

We are also introducing measures to improve truck fill rates, including double decker lorries and redesigned packaging and pallets, and replacing road journeys with rail and train freight to reduce emissions.

Indirect haulage emissions – supplier delivery fleets

Target 2020: Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts. **On Track to milestone**

Milestone: To have made progress in measuring and reducing the carbon footprint of our indirect transport impacts, eg in a key supply chain by 2016/17.

Indirect transport includes third-party fleets and deliveries made by our suppliers to our distribution centres, stores and customers. Eight of our companies use third-party fleets for store deliveries – B&Q China, Brico Dépôt France, Brico Dépôt Romania, Brico Dépôt Spain, Castorama France, Castorama Poland, Castorama Russia and Koçtaş.

CO₂e emissions from third-party haulage have increased by 72% since 2010/11, due to improvements in our data collection and to business growth. There was a 1% increase in emissions this year due to a rise in emissions at Castorama Russia, which accounts for 29% of our emissions from indirect transport, and the inclusion of data from Brico Dépôt Romania for the first time.

We work with haulage suppliers to encourage reductions in emissions. This includes specifying fuel-efficient vehicles, improving truck fill rates and switching to rail freight where possible.

We also partner with external organisations to address transport related emissions. For example, Castorama France is a member of TK'Blue, a European organisation that works to improve the environmental performance of transport suppliers. TK'Blue is assessing the fuel and carbon efficiency of Castorama's own

fleet and its transport suppliers, enabling the business to compare the cost and footprint of different transport options. Castorama will be working with suppliers to introduce lower carbon LNG vehicles.

Green travel

Target 2020: Demonstrate proactive green travel initiatives to minimise the environmental impact of travel by employees and customers.

On Track
to milestone

Milestone: Some key actions taken on green travel by 2016/17.

We aim to reduce CO₂ emissions from business travel by air and road and to encourage employees to adopt greener forms of transport for their daily commute.

We have a Group telepresence videoconferencing system to help reduce unnecessary air travel between our key locations, and our companies have also introduced measures such as Brico Dépôt France's transport policy that requires all employees to travel by train rather than air for journeys under three hours. CO₂e emissions from business air travel increased by 1% since 2010/11.

We aim to make it easier for employees and customers to choose lower carbon transport options when travelling to our stores. This includes providing shuttle bus services and electric vehicle charging points as well as car-sharing websites and subsidised tickets for public transport for employees. CO₂e emissions from business road travel have increased by 1% since 2010/11, but fell by 9% on the previous year.

During 2014, B&Q UK completed an initial analysis of its customer transport emissions, working with sustainability experts Bioregional. This showed that its customer transport footprint is higher than the carbon emissions associated with B&Q's own operations.

Water use in our operations

Target 2016/17: To understand the water footprint of our own operations.

Not On Track
to target

In our operations, we are not major water users but we recognise the importance of water conservation, particularly in areas of water stress. Our water use fell by 2% on 2010/11 levels.

Many of our new stores incorporate water efficiency features. For example, B&Q's new eco store at Merthyr Tydfil will source 50% of the water it uses from a rainwater harvesting system and is the eighth B&Q building to use rainwater harvesting. B&Q has also installed water smart meters at 37 stores, enabling it to monitor consumption and quickly identify leaks.

One of our major sources of water use is for the plants in B&Q garden centres. B&Q has introduced training for staff on efficient watering techniques.

“B&Q is one of the first retailers to use the Water Label, enabling customers to choose more water-efficient products.”

Water-using products

Target 2020: All water-using products to meet 'best practice' standards on water efficiency.

Data Not Available

Milestone: 50% of water-using products to meet 'best practice' standards on water efficiency by 2016/17.

We can help our customers to use water more efficiently through our kitchen and bathroom ranges, appliances and products such as water butts. We are developing guidance to help our companies adopt best practice in this area and do not yet have data to report our performance.

B&Q is one of the first retailers to use the Water Label, enabling customers to choose more water-efficient products. All toilets and baths carry the label online and in catalogues and it is now being rolled out to taps. See www.diy.com/one-planet-home/save-water-bathroom/.

Appliances such as washing machines can also use a lot of water and be expensive to run. B&Q catalogues now show how much an appliance will cost to run each year based on its electricity and water use, giving customers the information they need to choose products that are better for the environment and their wallet.

Chemicals

Target 2020: None of our own-brand or exclusive brand products will contain the chemicals of concern we have committed to remove (on Kingfisher's Chemical Action List).

Data Not Available

Milestone: Work is in progress to phase out, substitute or eliminate the chemicals of concern from our own-brand or exclusive brand products by 2016/17.

We stock many chemical-based products such as paints, treatments and cleaning products and chemicals are also used in the manufacturing process for many finished goods. There is increasing customer interest in the use of chemicals and a growing number of chemicals are being identified for phase out or potential phase out under legislation such as the EU's REACH Directive.

We aim to improve our understanding of the chemicals used in our products so we can provide customers with information, phase out or substitute any chemicals of concern and comply with changing legislation. With a large supplier base and 393,000 products sold in our top five companies alone, this is very challenging. We have started development of a company-wide Chemicals Policy to help us implement a consistent approach.



Our first step in working towards our targets is to improve transparency around the chemicals used in our products and supply chain. Suppliers of own-brand products will be required to provide information on the chemicals used in the product or during manufacturing, known as a likely Bill of Substance. Scientific understanding of the impact of chemicals on people and the environment is evolving as research develops and regulatory lists of chemicals of concern are continually changing. By having a clear picture of the chemicals used in our products, even those not currently covered by legislation, we will be better placed to respond if new chemicals of concern are identified.

Our next step will be to focus on sustainable substitution of chemicals where there are concerns around a substance's potential impact on people or the environment. We will prioritise chemicals based on regulatory requirements and we will need to work in partnership with suppliers and other stakeholders to identify the best alternatives to ensure that substituting chemicals does not affect product performance.

We have already begun working with suppliers and are rolling out our requirement for suppliers to provide likely Bill of Substance for their products. This included an initial trial project during 2014 involving 40 suppliers and more than 200 products. Training was provided to some of our suppliers in Shenzhen and Shanghai, China. We cannot yet allocate a score for our chemicals target and milestone as work is still in progress to update the Kingfisher Chemical Action List.

Our current approach to chemicals builds on our previous work in areas such as reducing the use of volatile organic compounds in paint and our global phase out of neonicotinoid chemicals used in some pesticide products that are thought to contribute to bee decline.

Packaging

Target 2020: Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards. **Data Not Available**

Milestone: Packaging on new own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards by 2016/17.

Packaging is essential to protect products while in transit and on display and for branding and marketing purposes but is also a significant source of waste and cost to the business. Our business is affected by regulations on packaging and packaging disposal.

We are working with suppliers to redesign packaging for key product lines to improve the visual impact of packaging while reducing the overall volume of materials used, enabling more efficient product transport and improving recyclability. We introduced a company-wide packaging policy this year which sets minimum standards for our companies and helps them to work with suppliers to improve packaging design. We are working to strengthen our data collection systems so we can monitor compliance with our policy and establish a baseline against which we can track progress towards our target.

We have launched packaging optimisation pilot projects for some products in our group brand ranges, working with packaging specialists, designers and manufacturers. For example, packaging for 70 lighting products has been redesigned, reducing the amount of materials used and making the

products more efficient to transport. The new designs will be rolled out in B&Q UK and Castorama France and Poland initially, and are expected to save £600,000 for B&Q alone in the first two years. The improvements will be rolled out across the rest of our lighting ranges and projects are also underway to improve the packaging of door furniture (such as door handles) and leisure furniture.

Changes in our business can affect the amount of packaging we use and create new priorities for packaging optimisation. For example, online paint orders are an area of considerable business growth for B&Q. Previously paint orders were delivered to customers' homes using moulded foam packaging which was not recyclable. Working with suppliers, we are replacing foam with moulded pulp cardboard packaging starting with our 2.5 litre round paint pots. This is 100% recyclable, reducing waste to landfill and costs to the business.

We will use what we have learned from these early projects to gradually improve packaging across our ranges. We are also working with suppliers to make sure that timber and paper used in packaging are sourced responsibly, see page 19.

Sustainable construction

We aim to improve the sustainability of our property estate and to work with landlords to improve the performance of our leased properties, which account for 61% of our floor space. Our sustainable property road map covers issues such as energy and carbon, construction waste, timber, climate change and biodiversity.

We promote best-practice sharing between our companies. For example, the Kingfisher Property Exchange is our online forum where those involved in property projects throughout the company can learn from examples of sustainable construction and building design, and attend webinars and training sessions. During 2014/15, 129 webinars were held. We also encourage employees to learn from new thinking and best practice examples outside the business, and property professionals from around the business attended events such as the UK's Ecobuild conference during the year.

Reducing timber packaging at B&Q

A major source of waste wood for B&Q is the clean and treated timber used in pallets and transit packaging for imported, heavy, oversized or bulky products. B&Q aims to reduce, eliminate or reuse this timber, cutting waste and reducing the amount of wood used, supporting our work on responsible timber sourcing.

B&Q is working with suppliers to implement a number of approaches to tackling the waste wood. For example, a project with our kitchen door supplier, Ilcam, will eliminate 700 tonnes of treated timber currently used in packaging each year by replacing it with corrugated cardboard, while a project with Metsa Wood, one of B&Q's largest timber suppliers, means that up to 600 tonnes of timber bearers (used in place of pallets) could now be reused each year.

B&Q is also partnering with the National Community Wood Recycling Project (NCWRP), a network of wood recycling social enterprises that aims to create sustainable jobs, as well as offering training and volunteering opportunities for local people. NCWRP has collected 300 tonnes of waste wood from 34 B&Q stores so far which is sorted at its community wood recycling shops and sold or used in the creation of new products.

We test out sustainable approaches to building design, construction and operation at 'learning stores' in each of our businesses. We now have 19 learning stores, see page 29. Our property awards celebrate best practice in our businesses and include categories for Net Positive and Innovation.

Sustainable construction – waste

Target 2020: 90% of construction waste recycled in new build and major refurbishments.

Data Not Available

Milestone: 50% by 2016/17.

We are improving our data collection in this area but are not yet able to report progress against our target.

Our companies are working with their construction and waste management suppliers to increase the volume of waste recycled from construction projects. For example, Brico Dépôt France and Castorama France have established a joint methodology for managing construction waste from new store builds and major refurbishments. This was used for Castorama's Hénin-Beaumont store refurbishment in 2014, see case study, and Castorama France achieved an overall 91% recycling rate for construction waste.

B&Q recycled over 90% of construction waste at its Merthyr Tydfil store by working closely with the landlord and waste management suppliers.

Sustainable construction – biodiversity

Target 2020: Enhance biodiversity on new build projects, major refurbishments and existing stores.

Not On Track to milestone

Milestone: Biodiversity audits and action plans to be completed for all new build projects and major refurbishments by 2016/17.

Operating Companies are developing plans to protect and enhance biodiversity on new-build projects, major refurbishments and existing stores. A number of biodiversity audits were carried out during the year, including audits of all three of Castorama France's major refurbishment projects. These assessed the potential impact of the projects on local plants, animals and habitats and identified steps that could be taken to enhance biodiversity.

Biodiversity and our products

Through our garden product ranges we can help our customers to encourage local biodiversity. For example, B&Q worked with campaign group Friends of the Earth and the UK's Royal Horticultural Society to help people get involved in protecting bee health. In 2014/15, this included launching the Great British Bee Count App, part of a citizen science project which gathers data on bee populations to help inform the UK's National Pollinator Strategy. Over 823,000 bees have been spotted by more than 20,000 people and 800 participating schools so far. Users of the app can also get discounts on Perfect for Pollinator plants at B&Q, and tips on how to create a bee-friendly garden. See www.greatbritishbeecount.co.uk/.

Through our work in areas such as responsible timber sourcing (page 18), peat elimination (right) and chemicals (page 43), we aim to minimise negative impacts on ecosystems and biodiversity associated with our products.

Peat elimination

Target 2020: All 'bagged' growing media sold in the UK to be from sustainable sources, ahead of the government 2020 deadline.

On Track to milestone

Milestone: 65% of 'bagged' growing media (by volume) sold in the UK to be from sustainable sources by 2016/17.

The use of peat in horticulture threatens important natural habitats and contributes to climate change. B&Q is the largest garden centre in Europe and among the biggest retailers of garden compost. It has been working to phase out peat from its bagged growing media for a number of years.

B&Q's new formula Verve peat-free compost range, launched in 2014, was developed through a series of rigorous growing trials. It was voted a Best Buy by Which, the consumer magazine, out-performing many peat-based composts. See case study on page 10.

In 2014/15, 64% of UK bagged growing media (by volume sold) was peat-free (2013/14: 61%). B&Q sold 497 million litres of peat alternative in 2014, enough to fill almost 200 Olympic sized swimming pools.

B&Q is also working with horticultural suppliers to minimise peat from the plants sold in its stores. The introduction of easyGrow bedding plants which are 95% peat free was an important step in this process, see page 10.

Environmental prosecutions

We take our environmental responsibilities seriously and aim to comply with, or exceed, regulatory requirements. If mistakes do occur we aim to take prompt action to address them. There was one ongoing environmental prosecution during the year concerning Castorama France's distribution centre at St Martin de Caux. The case, brought by an NGO, is contesting the authorisation granted by the local authority for the construction and use of the site on the grounds of environmental impact. We are cooperating fully with the authorities to resolve the case.

Hénin-Beaumont – a more sustainable approach to refurbishment

Castorama France's newly refurbished store at Hénin-Beaumont includes a range of sustainable features including LED lighting panels which reduce energy use for lighting by 52%, a charging point for electric vehicles, and a new approach to waste management which enabled 90% of demolition and construction waste to be recycled.

The store also features a new energy efficiency advisory service for customers, see page 9.





Governance & management

We are integrating sustainability into the way we run our business and engaging with our stakeholders internally and externally to learn from their expertise and improve how we work.

We have made good progress on many of our Net Positive targets; however, we know we need to significantly increase our rate of progress and to address gaps in our performance. We will be reviewing our approach during 2015/16 to identify how best to do this.

Roles and responsibilities

Our Group Sustainability Director has overall responsibility for delivery of our Net Positive targets. He sits on the Executive Committee and reports directly to our Chief Executive Officer. Monthly Net Positive progress reports are submitted to the Kingfisher Board of Directors.

We established our Group Sustainability Committee in 2014 to provide direction on the development and integration of sustainability. The Committee, which met twice during the year, is chaired by the Chief Executive Officer and its members include senior leaders from our companies. It is responsible for agreeing the direction of our sustainability approach and for monitoring progress against our Net Positive targets. It also facilitates sharing of best practices across the Group and supports the development of capacity and capability at all levels throughout the business to deliver Net Positive.

Each of our companies is developing an implementation plan for how they will deliver on our Net Positive targets in a locally relevant way. Each plan is based on our commercial model for delivering Net Positive, see page 6. Operating companies provide a regular performance update against their plan to the Group Sustainability Committee.

Operating companies report progress against our targets to the Group once a year via our Foundations questionnaire. The results are reviewed by our operating company CEOs and senior directors at Group level. We publish an annual internal progress report which enables our senior leadership to track and compare performance across our companies. This is reviewed at a meeting of our One Team Board and by the Group Sustainability Committee and shared with all operating companies to encourage best practice sharing.

Our central Net Positive team works closely with our businesses, including monthly meetings with representatives from our largest operating companies. The Kingfisher Net Positive

Network, made up of the Group Net Positive team and representatives from each operating company, meets twice a year in person and through monthly webinars. It is a forum for reviewing progress and sharing ideas and best practices. A number of function-specific networks are also in place, such as the Kingfisher Property Sustainability Network. We also launched the Kingfisher Exchange in 2014, an online forum where our companies can share information on Net Positive, ask advice, get inspired and network with colleagues.

We are updating our policies to integrate sustainability criteria and published company-wide policies on timber and packaging during 2014, which were approved by the Group Sustainability Committee.

Stakeholder engagement

We engage with our stakeholders to learn from their expertise and insights and to bring new ideas into our business that help us achieve our goals. It is also important that we are open about how we work and communicate regularly with stakeholders on our approach and progress.

At a Group level we consider our key stakeholders to be employees, investors, suppliers and government as well as NGOs, the media and other third-sector organisations. Most stakeholder engagement takes place as part of everyday business practice, but we also have more formal mechanisms for dialogue. Information on our approach to engaging our employees is included on page 36 and our suppliers page 38.

Customers

Most engagement with our customers is managed within our companies; however, we also undertake larger research projects to help us understand changing customer priorities. For example, we published our second European Homes Report in 2014, a survey of 17,000 householders' attitudes to home improvement in nine European countries. This showed that changing lifestyles and demographics such as high property prices, working from home and children living at home for longer are putting our living spaces under more pressure. The research also revealed a number of insights related to our sustainability work. For example, high energy prices are the number one worry about the home for 65% of those surveyed.

This is more than double the number worried about keeping up with the mortgage/rent. You can read the report at www.kingfisher.com/europeanhomereport.

Investors

We communicate our approach to Net Positive to our investors and participate in many responsible investment benchmarks and indices. We hold a roadshow each year to update both SRI (socially responsible investors) and mainstream investors on our progress. The roadshow in 2014 included meetings with 13 investor organisations in the UK and France. To raise awareness among the mainstream investment community, we include information on Net Positive in all investor presentations.

We are included in the Dow Jones Sustainability Index and the RobecoSAM Sustainability Yearbook. We are listed in the FTSE4Good Index. We participated in the Carbon Disclosure Project and received a score of 95A-, a significant improvement on 83B last year. This reflects both performance on climate change (A- rating) and disclosure around our climate impacts (95%). We were included in the FTSE 350 Carbon Disclosure Leadership Index (CDLI) of the top 10% of companies in the CDP. We also participated in the Forest Footprint Disclosure project of which we are a founding partner.

Advisory Council

The Net Positive Advisory Council is composed of senior external experts in different aspects of sustainability who provide advice, insight and challenge to help us progress towards Net Positive. The Council convenes twice a year to review our progress and to meet with our senior management. You can read a perspective from Sally Uren, chair of the Advisory Council on page 15.

Key themes discussed by the Advisory Council during 2014 included: the importance of and challenges associated with engaging consumers on Net Positive; the role of Kingfisher companies in local communities including how our business can engage in the sharing economy; the need to strengthen our approach to supply chain management and to develop our strategy on energy and carbon; and the importance of further integrating Net Positive into our businesses and reporting.

The Advisory Council members are:

- Craig Bennett, CEO, Friends of the Earth
- Clare Chapman, People Director, BT and Non-Executive Director of Kingfisher
- Vivienne Cox, Executive Vice President of Alternative Energy BP, and non-executive Director of Rio Tinto plc, BG Group plc, Pearson plc and Vallourec SA
- Eric Fouquier, Associate Director and Founder, Thema
- Victoria Hornby, Director of Grants and Evaluation, The Royal Foundation of the Duke and Duchess of Cambridge and Prince Harry
- Elisabeth Laville, Founder and Director, Utopies
- Peder Michael Pruzan-Jorgensen, Vice President Europe, Middle East and Africa, Business for Social Responsibility (BSR)
- Rt Hon Caroline Spelman, MP
- Jamie Taylor, B&Q Youth Board member and undergraduate
- Dr Sally Uren, Chief Executive, Forum for the Future (Chair)

Following the appointment of our new CEO and the development of our new strategic direction we are evaluating our approach to external engagement, including the role of our Advisory Council. We expect to update our approach in the year ahead to more fully integrate stakeholder engagement.

Audit and risk

Net Positive is an important and high-profile priority for the business. We have robust governance processes in place to ensure the completeness, accuracy and reliability of our Net Positive performance data. These include the use of in-house and third-party experts to review data and qualitative statements included in our Annual Report and Net Positive reporting. For example, sustainability experts Bioregional coordinate our head office data review process for Net Positive and review our data and monitor our progress on eco product innovation. Our timber data is reviewed by Efeca, who are also the lead consultants to the UK government's timber procurement policy.

The CEO of each operating company is responsible for ensuring that appropriate processes and controls are in place to monitor and report progress against our Net Positive targets. They are required to complete an annual self-certification process to confirm that Net Positive performance data submitted to the Group is materially accurate and has been subject to an appropriate level of review prior to submission.

Group Internal Audit performed testing over a selection of performance data at each of our operating companies. We appointed KPMG LLP to provide a limited assurance opinion on selected aspects of this report. Their work included: testing the Group-level data collation processes; assessing the work performed by a number of our in-house and external experts; assessing the work performed by Group Internal Audit at each of our operating companies; and reviewing the narrative content of this report. Further details are set out in their full assurance statement on page 52.

Identification and management of risks relating to Net Positive, at an operating company and Group level are incorporated in our strategic risk assessment processes. This means key risks to achieving our Net Positive targets are considered at least twice a year. In addition we conduct topic-specific internal audits or risk reviews where required. For example, this year Group Internal Audit performed a limited desktop review of ethical supply chain management following on from a governance review in this area during 2013. Read more on our approach to risk management in our Annual Report and Accounts: www.kingfisher.com/AR14-15.

Materiality

A wide range of social, environmental and economic issues are relevant to our business and to stakeholders. We prioritise our most material issues through extensive consultation within and outside our business. We look at which issues are of most concern to our stakeholders and assess their potential impact on our business including commercial, operational and reputational risks and opportunities.

This is a continual process that includes:

1. Internal review: stakeholder mapping to identify priority stakeholders for engagement, and collating and reviewing feedback and information from internal and external sources.
2. External review: engaging directly with stakeholders through channels such as face-to-face meetings, investor roadshows, and membership of organisations including Forum for the Future, BSR and the Ellen MacArthur Foundation. From this we identify a shortlist of issues considered most material to our stakeholders.



3. Prioritisation: working with key internal and external stakeholders to identify priority issues for action, including through: workshops and specialist forums such as our Net Positive Advisory Council and internally through our Net Positive Network meetings and review processes.

This process was used to develop our Net Positive aspirations and targets and to identify which issues should be included in our reporting.

Our material issues

Our Net Positive strategy and reporting is structured around seven themes: timber; energy; innovation; communities; employees; suppliers; and environment. Each theme relates to a number of material issues, as demonstrated in the table below. Our Net Positive targets are designed to help us take action on our most material issues.

Net Positive key themes	Material sustainability issues and impacts
Timber	Deforestation
	Climate change
	Biodiversity
Energy	Climate change
	Home energy efficiency
	Fuel poverty
Innovation	Sustainable lifestyles
	Natural resource use
	Waste
	Circular economy
Communities	Community cohesion
	Decline in practical skills
	Sharing economy
	Community relations
Employment	Equality and diversity
	Training and development
	Health and safety
	Human rights
Supply chain	Human rights
	Labour standards
Environment	Climate change
	Natural resource use
	Waste
	Biodiversity
Governance and management	Water
	Business ethics
	Tax
	Lobbying
	Pensions
	Human rights

We keep our materiality assessment under review and welcome feedback to netpositiveconversation@kingfisher.com.

Human rights

We take steps to protect the human rights of people affected by our business, in line with the UN Universal Declaration on Human Rights and the UN Guiding Principles on Business and Human Rights. This commitment applies to all our interactions with our stakeholders, including employees, suppliers and communities.

We are signatories to the UN Global Compact (UNGC), and are committed to its 10 principles including those relating to human rights. See page 54 for our UNGC Index.

Read more about our approach to human rights issues in our supply chain on page 38 and in relation to our employees on page 33 (Diversity and inclusion).

Public policy

Sustainability issues are complex and often global in scale. To achieve our Net Positive aspirations we need to change how we work, but our success will also depend on changes in policy and practice beyond just our own business. Governments and regulators can play an important role including by setting minimum standards, incentivising sustainable business practices and creating a level playing field that supports investment in sustainable business and innovation.

We engage with national and regional governments and international institutions, such as the European Union, governments and regulators to encourage policy that supports sustainable business practices and helps to catalyse positive change. Examples of our public affairs advocacy work on issues relating to our Net Positive priorities are included throughout this report. See timber (page 21), energy (page 26), innovation (page 29) and communities (page 32).

We also engage in the political process in our markets and at EU level to inform the development of policy that has a material impact on our business. It is important that all our public policy work reflects our commitment to building a sustainable business and our Group Government Affairs function sits within our Net Positive team to ensure an integrated approach. Examples of public policy activity from 2014/15 include:

- **Interchange fees:** These fees, levied by banks for customer transactions made by credit or debit card, have a material impact on our business and that of all retailers – large and small. Working together with our EU-based operating companies, we have advocated the case for reform and the European Council, Commission and Parliament have now agreed proposals to set a limit on these fees which will be law across Europe by the end of 2015.
- **Business rates reform in the UK:** We believe tax levied on property in the UK has a disproportionate impact on retailers and no longer reflects the way people shop. Working with other retailers through the British Retail Consortium, we advocated for fundamental reform of the rates system and a continued cap on the annual percentage increase. All political parties have now committed to a review of the business rates system.

“Reflecting our commitment to Net Positive, the Kingfisher Pension Scheme integrates responsible investment principles into its work.”

Our approach to government relations involves working through trade associations and industry groups to increase the impact of our policy messages. Our memberships include: the British Retail Consortium (BRC), the European DIY-Retail Association (EDRA), the Confederation of British Industry (CBI), the French Association of Private Businesses (AFEP), the French Federation of DIY Retailers (FMB) and the Green Building Council (GBC). We are involved in many similar organisations at the national level in our operating markets. 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 Kingfisher Code of Conduct.

Pensions

The Kingfisher Pension Scheme (KPS) manages the pensions of past and present employees. Reflecting our commitment to Net Positive, the KPS integrates responsible investment principles into its work and communicates with stakeholders on its approach to environmental, social and governance (ESG) issues.

Principles

Investment decisions at KPS are governed by the scheme's Statement of Investment Principles (SIP). This sets out KPS's commitment to act as a responsible investor and states the Trustee Board's belief that all companies should be run in a socially responsible way.

Investment managers acting on behalf of the KPS are required to take account of social, environmental and ethical considerations where these may have a financial impact on investment performance. They are encouraged to engage with investee companies on these issues, including exercising voting rights where appropriate.

Investment managers must disclose their investment approach to KPS and state whether this integrates ESG factors. All investment managers acting for KPS are asked to disclose whether they are signatories to the UN Principles for Responsible Investment and the UK Stewardship Code.

Ethical funds

As well as integrating responsible investment principles across its investments, the KPS also offers participants in its Money Purchase scheme the opportunity to select an Ethical Fund for their pension. This fund aims to provide long-term growth by investing in the shares of companies that meet a set of ethical criteria. A similar fund is offered to participants in the final salary scheme, in respect of members' additional voluntary contribution investments.

The KPS Trustees are also exploring opportunities to invest in specific funds that support progress on issues relevant to Net Positive, such as renewable energy and social housing projects. Existing investments include a £20 million stake in the Global Farmland Fund which invests in farmland operated according to sustainable farming methods.

KPS aims to make its pension provision inclusive so that it meets the needs of all employees. For example, the Money Purchase scheme offers a Shariah fund which invests in shares of companies around the world whose practices are consistent with Shariah principles.

Communication on responsible investment

To improve understanding and awareness among Trustee Directors, information on ESG risks and opportunities is included in the quarterly training days held for Trustees. Regular communication between the KPS Trustee Directors and senior Kingfisher executives and the Kingfisher Net Positive team help to improve integration of ESG factors.

The KPS keeps investment managers updated on its investment approach and raises awareness of Kingfisher's commitment to responsible business. KPS supported development of 'The Guide to Responsible Investment Reporting in Public Equity' in 2014 and has shared the guidelines with its investment managers. The Guide, developed by 16 UK pension funds, has been developed to help improve the integration of responsible investment considerations into investment management decision-making.

Employee engagement

The KPS uses a number of innovative approaches to engage Kingfisher employees and encourage them to plan and save for their retirement. This includes educational DVDs for store managers to use during team meetings and a mobile app game designed to engage younger employees. The app was downloaded 519 times and 78% of players said it encouraged them to think about saving for their future. This approach helped reduce opt-out rates from 6.2% to 4.89% by the end of December 2014.

External recognition

- Engaged Investor Trustee Awards 2014, Best Defined Contribution Initiative and Best Trustee Training awards
- Professional Pensions – Pension Scheme of the Year Awards 2014, Pension Scheme Trustee and Defined Benefit Scheme awards
- European Pensions Awards 2014, Communication Award
- Investment & Pensions Europe Awards 2014, Best Long-term Investment Strategy – Gold Award
- Very Important Benefits Awards, Best DC Pension Plan.

About our reporting

Our Net Positive Report explains our progress towards our 50 Net Positive targets and longer-term aspirations. It summarises performance at a Group level covering the financial year February 2014–31 January 2015.

In addition to this report we also communicate our progress via:

- Our Net Positive Review, which summarises our progress against a selection of our key performance indicators during 2014/15.
- Our more integrated Annual Report for investors which explains the financial, economic, social and environmental value our business creates over both the short and long term, see www.kingfisher.com/AR14-15.
- Regular updates on our website www.kingfisher.com/netpositive.

Data and targets

This report contains our key performance data showing progress against our targets. More detailed data is available in our Net Positive Report Appendix – Detailed Performance Data. Detailed information on the scope of the data and the methodologies used to calculate our data are explained in our Net Positive Data Collection Methodology document. See www.kingfisher.com/netpositivereport.

We publish a Group score for each of our targets, where data is available. This is a weighted average of the individual operating company scores for each target. The weighting is based on the sales contribution of each operating company. We also indicate where we are on track to our milestones for the end of financial year 2016/17.

Our data is still incomplete in some areas and we are working to address this so we can report progress against all 50 targets in future years. We are also working with our partners to explore how we can track and report progress against our longer-term aspirations.

Sustainability experts Bioregional coordinate our head office data review process for Net Positive. Bioregional helped to develop our eco product guidelines which are reviewed and updated on an annual basis. They also monitor our progress on eco product innovation and calculate our figure for customer energy savings.

External assurance

Our report is subject to external assurance. KPMG LLP has provided limited assurance over selected aspects of the Net Positive report for the year ended 31 January 2015, see page 52.

Reporting standards

This report contains standard disclosures from the Global Reporting Initiative Sustainability Reporting Guidelines. To aid comparison with other businesses we provide a GRI Index on our website: www.kingfisher.com/netpositivereport.

United Nations Global Compact Index

We joined the United Nations Global Compact (UNGC) in early 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. Our UNGC Index on page 54 shows where information on our performance relevant to the 10 principles is included in our Report.

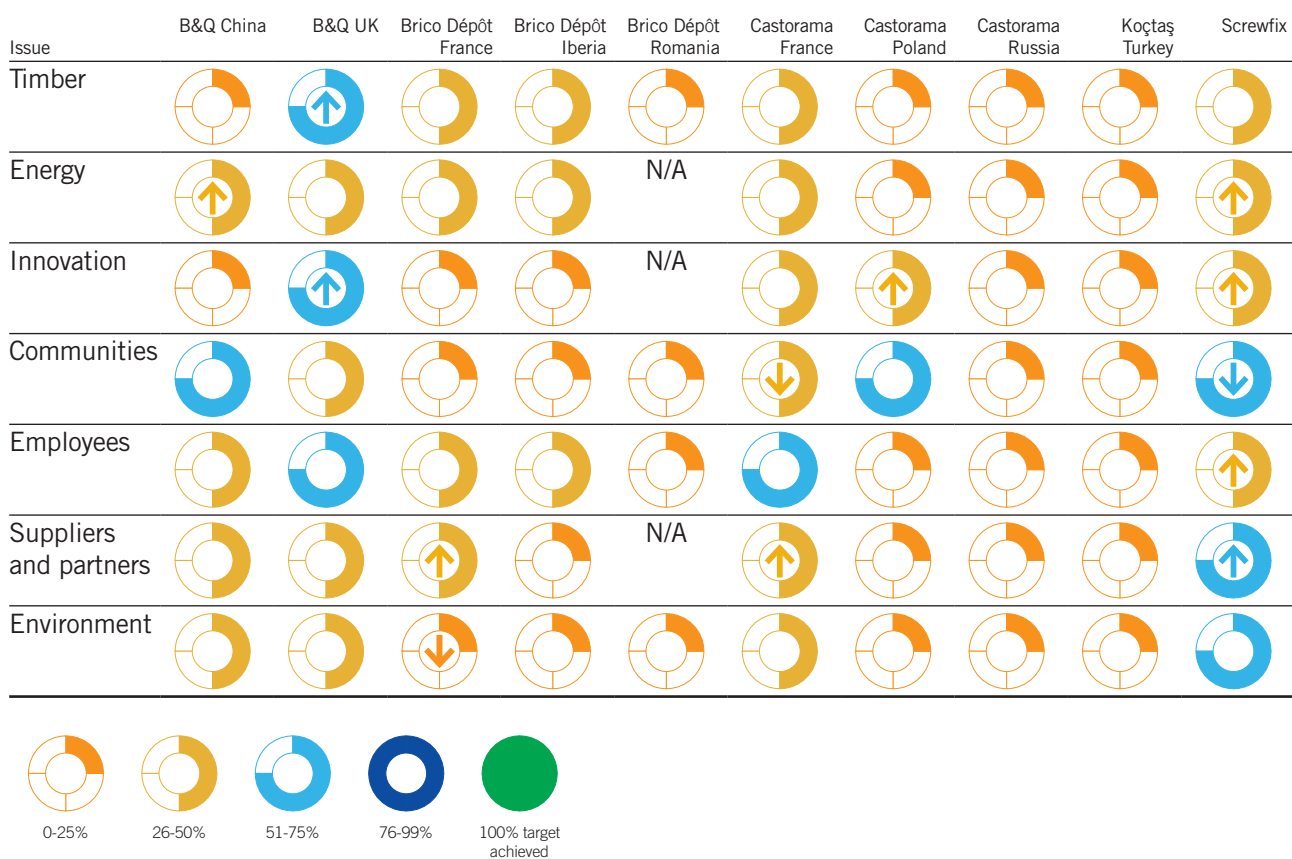
Operating company performance summary

We measure the progress of each of our companies against our 50 targets annually and we publish the average scores for each operating company.

We have multiple targets for each issue and the scores included here are average scores, calculated from the individual scores for each relevant target. The details of how we score progress on each target is explained in our Foundations Questionnaire Scoring Guide (www.kingfisher.com/netpositiveresources).

The up and down arrows indicate where scores have changed since 2013/14. The results show that performance is strongest in our largest and longest established companies – those in the UK and France. This is the first year we are reporting data for Brico Dépôt Romania and we do not yet have data for this operating company across all our Net Positive themes.

Overview of results January 2015



Assurance Report

Independent Limited Assurance Report to Kingfisher plc

KPMG LLP ('KPMG' or 'we') were engaged by Kingfisher plc ('Kingfisher') to provide limited assurance over the Selected Information described below for the year ended 31 January 2015.

Our conclusion

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

Selected Information

The scope of our work includes only:

- the Selected Net Positive performance data for the year ended 31 January 2015 marked with the symbol *; and
- the assertion by Kingfisher about the process followed to gather and report progress against selected Net Positive Foundations Targets for the year ended 31 January 2015 marked with the symbol Δ

included within Kingfisher's Net Positive Report for the year ended 31 January 2015 ('the Report') (together, the 'Selected Information').

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed on Kingfisher's website for the current year or for previous periods unless otherwise indicated.

Reporting Criteria

The Reporting Criteria we used to form our judgements in relation to the Selected Information marked with the symbol * and with the symbol Δ are included within Kingfisher's Data Collection Methodology Document 2015 as set out at www.kingfisher.com/netpositiveresources. The Selected Information needs to be read together with the Reporting Criteria.

Inherent limitations

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time.

Directors' responsibilities

The Directors of Kingfisher are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and/or developing objective Reporting Criteria;
- measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- the contents and statements contained within the Report and the Reporting Criteria.

Our responsibilities

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria and to report to Kingfisher in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

Assurance standards applied

We performed our work in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE3000') and, in respect of the greenhouse gas emissions information included within the Selected Information, in accordance with International Standard on Assurance Engagements 3410 – 'Assurance Engagements on Greenhouse Gas Statements' ('ISAE3410'), issued by the International Auditing and Assurance Standards Board.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independence, professional standards and quality control

We comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and we apply International Standard on Quality Control (UK and Ireland) 1 – 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements'. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Summary of work performed

Considering the level of assurance and our assessment of the risk of material misstatement of the Selected Information, whether due to fraud or error, our work included, but was not restricted to:

- assessing the appropriateness of the Reporting Criteria for the Selected Information;
- interviewing specialists in Kingfisher Head Office and Operating Company ('OpCo') teams to obtain an understanding of the Net Positive management procedures, performance data collection, aggregation and internal and external reporting processes and controls;
- planning and agreeing with Kingfisher Management the scope of work and extent of testing that Kingfisher's Internal Audit function would perform at each OpCo which included:
 - Timber (B&Q UK, Castorama Poland)
 - Energy (B&Q China, B&Q UK, Brico Dépôt France, Brico Dépôt Spain, Brico Dépôt Romania, Castorama France, Castorama Poland, Castorama Russia, Koçtaş Turkey, Screwfix)
 - Innovation (B&Q UK, Brico Dépôt Spain)
 - Communities (B&Q UK, Brico Dépôt France)
 - Suppliers and Partners (Castorama France, Screwfix, KSO Hong Kong)
 - Environment (Castorama France, Screwfix)
 - Employees (Castorama France, Poland)
- evaluating the work performed by Kingfisher's Internal Audit function and re-performing a selection of their work;
- considering a selection of the documentation and findings relating to the review process performed by Kingfisher's Internal Audit function on the OpCos' self-assessment against their progress on Net Positive Foundations Targets;
- considering the data collation and validation processes at the Kingfisher Head Office level, including:
 - understanding the functionality of Kingfisher's online CR reporting system
 - re-performing a selection of the calculations and conversion factors used by Kingfisher to prepare the Selected Information;
 - reading the query logs completed by the Kingfisher Head Office team and submitted to OpCos
- reading the Report and narrative accompanying the Selected Information in the Report with regard to the Reporting Criteria, and for consistency with our findings.

This report's intended use

This assurance report is made solely to Kingfisher in accordance with the terms of the engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of Kingfisher showing that it has obtained an independent assurance report in connection with the Selected Information.

We have not considered the interest of any other party in the Selected Information. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any party other than Kingfisher for our work, for this assurance report or for the conclusions we have reached.

Paul Holland
for and on behalf of KPMG LLP
Chartered Accountants
London 9 June 2015

United Nations Global Compact Index

We joined the United Nations Global Compact in 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. This Report forms our first Communication on Progress against the Global Compact Principles, covering our financial year 2014/15. This table summarises our approach and shows where information on our targets and progress for each principle can be found in the report:

	Summary of approach	Location in our reporting
Human rights		
Principle One Businesses should support and respect the protection of internationally proclaimed human rights; and	<p>We take steps to protect the human rights of people affected by our business, in line with the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.</p> <p>We have clear policies on human rights for employees and suppliers. These include:</p> <ul style="list-style-type: none"> • Our Code of Conduct, see page 40 • Our Code of Conduct for Factory Working Conditions, see page 38 	<p>Human rights, page 48</p> <p>Suppliers and partners, page 38</p> <p>Ethical business conduct, page 40</p>
Principle Two make sure they are not complicit in human rights abuses.	<p>Employees can report concerns via our independently managed hotline, see page 40. The number of open and resolved cases and the outcomes are reported to the Audit Committee of the Board of Directors. We also run an online reporting system for vendors.</p> <p>We have an ethical assessment and audit programme for supplier factories which covers human rights. We set targets and report our progress annually, see page 38.</p>	
Labour		
Principle Three Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<p>We respect the rights of our employees and suppliers in areas such as freedom of association, the right to collective bargaining, no child labour or forced or compulsory labour. We work to eliminate discrimination and to promote inclusion and diversity in our workforce and take steps to protect the health and safety of employees, customers and contractors. We set targets and report our progress annually.</p> <p>Our Code of Conduct for Factory Working Conditions incorporates the requirements of international frameworks such as those from the International Labour Organization and the OECD Guidelines for Multinational Enterprises. See page 38.</p>	<p>Suppliers and partners, page 38</p> <p>Human rights, page 48</p> <p>Inclusion and diversity, page 33</p> <p>Health and safety, page 35</p>
Principle Four the elimination of all forms of forced and compulsory labour;	<p>Employees can report concerns via our independently managed hotline. The outcomes of cases are reported to the Audit Committee of the Board of Directors. We run an online reporting system for vendors.</p>	
Principle Five the effective abolition of child labour; and	<p>Our ethical assessment and audit programme for supplier factories covers labour practices, page 38.</p>	
Principle Six eliminate discrimination in respect of employment and occupation.		

	Summary of approach	Location in our reporting
Environment		
Principle Seven Business should support a precautionary approach to environmental challenges;	We aim to be restorative to the environment, going beyond zero impacts to create positive change. We focus on our own operations and on our products and services, helping customers to live more sustainably. Our approach is summarised in our Sustainability Policy.	Timber, page 18 Energy, page 22 Innovation, page 27
Principle Eight undertake initiatives to promote greater environmental responsibility; and	We have assessed our footprint and identified the issues of timber, energy and sustainable innovation as most significant for our business. We are working towards the aspirations of: creating more forests than we use; helping our customers have homes that are zero carbon or generate more energy than they use; and enabling more sustainable lifestyles through our products and services.	Environment, page 41 Net Positive – part of our day, page 36
Principle Nine encourage the development and diffusion of environmentally friendly technologies.	We are also reducing our impacts in areas such as waste, transport, packaging, water, chemicals and biodiversity. We have set ambitious targets and report progress annually. We support a precautionary approach as illustrated by examples such as our decision to remove pesticide products containing neonicotinoid chemicals that are thought to contribute to bee decline, across our global operations (see Chemicals page 43). We are reviewing our product ranges to improve their environmental performance and training our employees to encourage greater environmental responsibility.	
Anti-corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	We will not tolerate bribery or corruption in any form. Our Code of Conduct explains our approach and helps us to comply with regulation such as the UK's Bribery Act. To implement the Code, our companies have established reporting and compliance procedures including the appointment of a senior compliance officer in each company, training for relevant employees, raising awareness of our whistle-blowing procedures for employees and suppliers and integration of the Code of Conduct into employee and supplier contracts. All employees whose location or role poses a potential corruption risk must complete our anti-bribery and corruption training module. We have a target on ethical conduct and we monitor compliance with our standards through our internal audit programme and annual self-certification process. In 2014 our internal audit programme included a Group-wide review of compliance with the UK Bribery Act.	Ethical business conduct, page 40

“I am pleased to reaffirm Kingfisher’s support for the United Nations Global Compact and its principles on human rights, labour practices, the environment and anti-corruption. We will continue to strengthen our approach in each of these important areas over the year ahead and to share our progress with our stakeholders.”

Véronique Laury
Chief Executive Officer



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About our reporting

This Report summarises our progress against our Net Positive targets during 2014/15. We also publish more detailed performance data in our Data Appendix available at www.kingfisher.com/netpositivereport.

Our more integrated Annual Report for investors explains the financial, economic, social and environmental value our business creates over both the short and long term, see www.kingfisher.com/AR14-15.

Find out more about Kingfisher and sustainability:

Annual Report and Accounts – www.kingfisher.com/AR14-15

B&Q UK One Planet Home – www.diy.com/eco

Castorama France Corporate Responsibility – www.castorama.fr/store/pages/rse-home.html

Get in touch

We'd love to know what you think about Net Positive and sustainability at Kingfisher.

Get in touch at netpositiveconversation@kingfisher.com



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