



SUSTAINABILITY REPORT 2016/17



Here at Kingfisher, we want to make sustainability an easy choice for our customers. It's this vision that illuminates the path for everything we do.

Over the last year, we've been working hard to embed sustainability into our practices and processes, investing in bright ideas and new ways of working. From head office to the shop floor, we want to make sure that sustainability becomes a part of every day.

This report reveals what we've been doing and the progress we're making towards our sustainability goals. There's more to it than first meets the eye.



KINGFISHER AT A GLANCE

KINGFISHER PLC IS A HOME IMPROVEMENT COMPANY WITH NEARLY 1,200 STORES IN 10 COUNTRIES ACROSS EUROPE.

We employ 77,000 people and nearly six million customers shop in our stores and through our websites and apps every week.

Our ambition is to become the leading home improvement company. We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

We believe that a good home is a sustainable home: one that is functional and evolves with family needs; is green outside and in; is resource and energy smart; clean and healthy to live in; durable in quality and style; coordinated to look good; and that provides the best economics possible. We want to help our customers create sustainable homes and to make our home – our business – sustainable too.

OUR STORE NUMBERS AND OUR MARKETS

1,194

Stores[†]

77,000

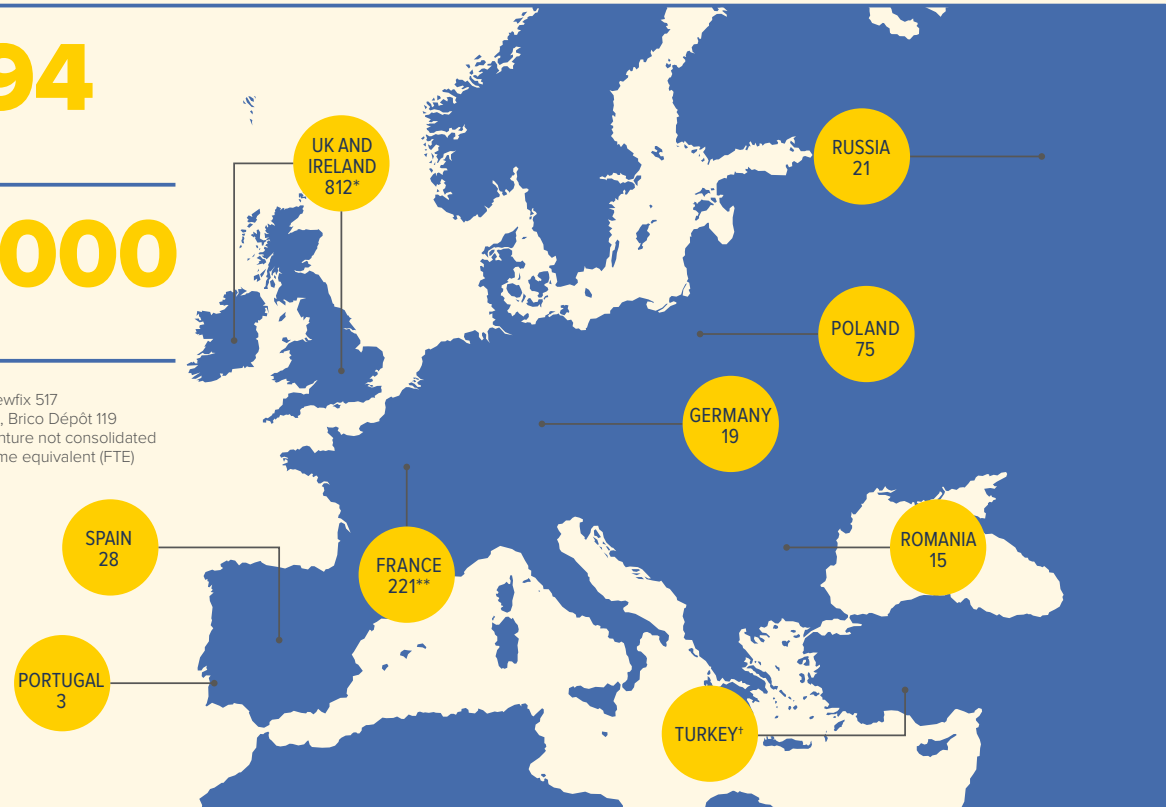
Colleagues[‡]

*B&Q 295, Screwfix 517

**Castorama 102, Brico Dépôt 119

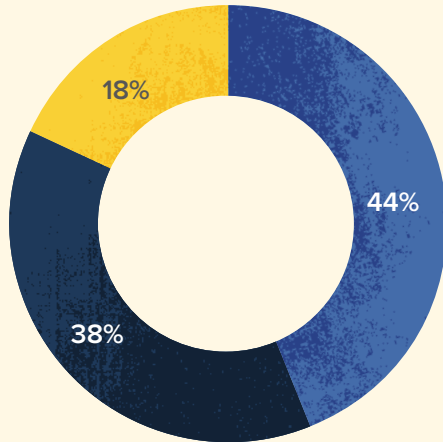
†Turkey joint venture not consolidated

‡Total, not full-time equivalent (FTE)



TOTAL SALES 2016/17

Contribution to total sales

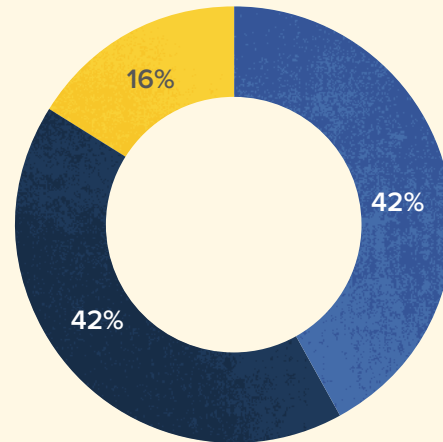


■ UK & Ireland	£4,979m
■ France	£4,254m
■ Other International	£1,992m

Total	£11.2bn
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RETAIL PROFIT 2016/17

Contribution to retail profit



■ UK & Ireland	£358m
■ France	£353m
■ Other International	£136m

Total	£847m
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Total sales

£11.2bnUnderlying pre-tax profit[§]**£787m**Employees[†]**77,000**Total stores[†]**1,194**

[§] See our Annual Report and Accounts:
www.kingfisher.com/annualreport16-17

[†] Total, not full-time equivalent, excluding Turkey
[†] Turkey not consolidated

FROM OUR CHIEF EXECUTIVE OFFICER



Our ambition is to become the leading home improvement company. We want to make home improvement accessible for everyone, and help people to have the home they feel good about.

Sustainability is at the core of our ambition and has been a key part of Kingfisher for many years now. For example, we were the first major retailer to launch a sustainable timber policy over 25 years ago. This was just the beginning, and as this report shows we have made significant progress. We have managed to bring sustainability in the products that we offer to our customers, in new solutions and in our stores.

Looking back at what we have done over the last 12 months, I am delighted that more than a quarter of our sales are now from products that help improve the sustainability of people's homes. We have achieved 96% responsibly sourced wood and paper in our products, and we saved our customers £840 million through sales of energy saving products.

We also believe sustainability should be found inside our company and our stores and we have worked hard to cut our energy and carbon intensity in our businesses this year, as well as achieving a world-class employee engagement score.

When we launched Net Positive in 2012 we set ourselves 53 targets. I'm pleased to report that we met many of our most important milestones for 2016/17 in areas such as sustainable home products, energy efficiency and responsible sourcing of wood and paper. This demonstrates significant progress in making sustainability part of the way we work. However, we are also aware that more is needed in many areas for us to achieve our longer term commitments and to become a truly sustainable company. We did not meet some of the milestones and targets we set ourselves for 2016/17 and we now need to go further and faster to become a truly sustainable company.

We will build on our sustainability strategy during 2017, based on our customers' needs. We will focus on what really matters to them to impact their behaviours and to help them to have a more sustainable home. We believe everybody should be able to have a home they feel good about and our approach will reflect this. Our targets will be no less ambitious, in fact we want to go even further, but will be more closely aligned to our purpose to offer our customers solutions to make their home sustainable. This is an exciting opportunity for Kingfisher and everyone in the business will have a role to play.

I am looking forward to updating you again as we progress on the next stage of our sustainability journey.

Véronique Laury
Chief Executive Officer

BECOMING ONE KINGFISHER

Our ambition is to become the leading home improvement company. At Kingfisher we believe everybody should be able to have a home they can feel good about, so our purpose is to make home improvement accessible for everyone.

There are seven actions we will do together to achieve our ambition:

- Think of customer needs first
- Design a seamless customer process
- Create a unique and leading offer with an integrated supply chain
- Create a leading customer experience in our stores
- Be a truly sustainable company
- Work as one
- Be low cost always

The ONE Kingfisher five year plan will leverage the scale of the business by creating a unified company, where customer needs always come first.

AN EXTERNAL PERSPECTIVE

This Sustainability Report describes Kingfisher's progress in an unprecedented year of transition towards ONE Kingfisher, which expresses an ambition to become the leading home improvement retailer through a seven-point action plan, one aspect of which relates to an ambition for Kingfisher to become a truly sustainable company. It's encouraging to see sustainability being presented as central to this transformation and that in key material areas such as energy and timber sourcing, Kingfisher's sustainability targets have been met. In addition, targets that describe Kingfisher's ambition to mainstream sustainability in all its products were also met, with products that help improve the sustainability of people's homes accounting for more than a quarter of all sales.

The transitional nature of 2016 may go some way to explain why less than half of Kingfisher's sustainability targets were met. However, investigating Kingfisher's performance in greater detail actually tells a more positive story than the broad brush percentage achieved figure might first imply.

An analysis of those targets that were missed indicates that actual performance falls into different categories. In impact areas such as waste recycling and completion of community projects, the targets were missed by incredibly slim margins, in other areas targets were not achieved as it is obvious business priorities changed as the transformation project progressed. Finally, in some areas targets weren't achieved due to a lack of internal reporting mechanisms. And perhaps there were just too many targets – although I would like to see a sustained focus on sustainable supply chains, including chemicals, where although progress was made in 2016, it perhaps didn't equate to the materiality of impacts in these areas.

The mixed performance described in this report also underlines the timeliness of the planned recasting of Kingfisher's sustainability strategy. Looking ahead, for me, this report gives three reasons to be confident that Kingfisher will be successful in delivering its ambition to be a truly sustainable company.

First, there is a clear understanding demonstrated in this report of the ways in which sustainability drives commercial success, through revenue opportunities, supply chain resilience, efficiency and productivity, and finally through building long-term customer preference – a sustainable home is a good home. And it's the centrality of the customer to Kingfisher's interpretation of sustainability which is the second cause for optimism. Kingfisher is one of only a handful of companies that is making serious efforts to find out what its customers want and understand when it comes to sustainability, which in turn will allow it to accelerate the delivery of sustainable products to market.

Finally, this report is sprinkled with wonderful stories of innovation, from innovation in the sustainability of products, such as B&Q's Pro Grow compost made from garden waste, to innovation in the delivery of a service – there are numerous examples of lease and rental revenue models in this report, from carpet cleaners to everyday tools. And perhaps most exciting, and critical for a retailer

serious about remaining relevant in perhaps the most significant era of disruption retail has ever seen, experiments with the sharing economy in the shape of Casto Labs, where customers can learn DIY skills and use specialist tools and equipment.

Kingfisher has a proud history of being a pioneer in sustainability, from being the first to back FSC timber, to the first to sound the rallying cry for Net Positive. I look forward to this mighty business emerging stronger, and even more successful from the current transformation programme, and continuing to blaze a sustainability trail.



**Sally Uren, Chief Executive
Forum for the Future**

SUSTAINABILITY IN EVERY ROOM

From our home to yours, we believe that a good home is a sustainable one. With every room covered, we're giving our customers the chance to truly bring sustainability home.



96% of wood and paper in our products is responsibly sourced

GOOD FOR CUSTOMERS
GOOD FOR FORESTS

28% of sales from sustainable home products

GOOD FOR HOMES
GOOD FOR THE ENVIRONMENT



61% peat free growing media

GOOD FOR GARDENS
GOOD FOR WILDLIFE



£840m saved on energy bills from energy saving products

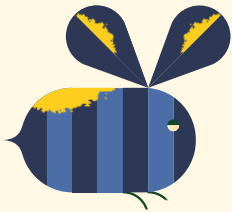
GOOD FOR COMFORT
GOOD FOR EFFICIENCY



NET POSITIVE: THE JOURNEY SO FAR 2012-16

Net Positive is our long-term ambition for how we will create positive change in our business and the world. With Net Positive we aim to improve life for our customers, employees and communities and to have a restorative impact on the environment. Net Positive reflects our goal to be a truly sustainable company and to make sustainable homes desirable and achievable for our customers.

Since we launched Net Positive in 2012, we have focused on four priority issues, supported by work in three other areas.



Our Net Positive aspirations and targets

PRODUCTS & 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.

ENERGY & CARBON

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.

WOOD & PAPER

Aspiration: Kingfisher creates more forest than it uses.

2020 target: 100% responsibly sourced wood and paper in all our operations.

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.

OUR PEOPLE

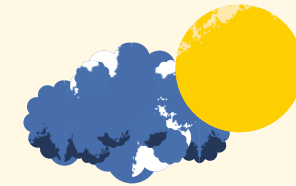
We want Kingfisher to be a rewarding place to work where all our colleagues feel engaged and supported.

SUPPLIERS & PARTNERS

We work with our suppliers to integrate sustainability into our products, services and operations.

ENVIRONMENT

We are reducing our impacts as the first step towards being restorative to the environment.



HOW DID WE DO?

When we launched Net Positive we set ourselves 53 ambitious targets for 2020, with milestones for 2016/17.

We have made strong progress in embedding sustainability into our business and achieved many of our most important milestones in areas such as sales of sustainable home products, responsible sourcing of wood and paper, saving energy for customers and reducing energy use in our business.

In some areas, we have further work to do, including embedding our supply chain standards and increasing our community involvement. Overall, we met 24 of our milestones and targets for 2016/17 (45%). A detailed summary of our performance against milestones is provided on page 78-90, in our Performance Summary section.

One of the most important things we've learnt over the last four years, is the need for an integrated approach, embedding sustainability in our products and services and in the way we work so it becomes natural and easy for our colleagues and customers. This theme is explored throughout the report.

UPDATING OUR STRATEGY IN 2017

Much has changed in our business since we launched Net Positive in 2012. We are undergoing a major transformation to become ONE Kingfisher, creating a unified company based on putting customer needs first including unifying our sourcing and our product ranges. We need to update our sustainability strategy so that it reflects this change and our new ambition.

During 2016/17, we reviewed our sustainability goals and carried out research with our customers and stakeholders. We will publish an updated strategy and targets during 2017 that are more closely aligned with the needs of our customers and the business. Our updated strategy will incorporate our most important Net Positive targets. Our strategy will be no less ambitious and we remain committed to having a positive impact on people and the planet.



PART OF OUR HERITAGE

Sustainability has been an important part of Kingfisher long before the launch of Net Positive in 2012. We'd go as far as to say it's a part of our heritage, and here's why.

1991

B&Q Timber policy launched

1993

B&Q founding partner to FSC with WWF

1995

B&Q scraps retirement age for workers

1998

VOC label introduced on paints at B&Q so customers can opt for less polluting paints

2001

B&Q launches first nationally available organic gardening range

2006

Castorama France launches partnership with WWF to help customers reduce their impact on the environment

2007

B&Q launches One Planet Home sustainability plan and starts selling peat-free compost at the same price as peat based products

2011

B&Q and Kingfisher founding partners to EMF pioneering the circular economy

Castorama France launches France's first DIY skills sharing website

2012

Majsterkowo kids classes launched in Poland to teach DIY skills

Net Positive launched

2013

Neonicotinoids removed from pesticides group wide to protect bees

2014

EasyGrow launched eliminating peat and polystyrene from bedding plant sales

2015

96% of wood and paper responsibly sourced

18h39 webzine launched at Castorama France integrating sustainability information for customers

2015

In-store energy saving service and energy saving website launched at Castorama France

Green pallets programme begins at B&Q, reducing waste wood in the supply chain

2016

Over a quarter of sales from products that help customers achieve a more sustainable home

SUSTAINABILITY – PART OF HOW WE WORK

Sustainability should be a natural part of the way we work every day. We are focussing on integrating sustainability into every aspect of the business and we are establishing strong governance processes to oversee our work.

Leadership from the top

Sustainability, as a pillar of the ONE Kingfisher business strategy, is the responsibility of our Chief Executive Officer. This responsibility is discharged to our Chief Customer Officer, who is a member of our leadership team and reports directly to our CEO. He is responsible for integrating sustainability across the whole business.

Our Group Sustainability Committee provides direction on the development and integration of sustainability. It is responsible for providing the governance framework to deliver our strategy. The Committee, which met two times during the year, is chaired by the Chief Customer Officer and its members include senior leaders from our Group functions and operating companies. It monitors progress against our targets and reviews risks and opportunities. 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 on our goals.

Our Board receives regular updates on our sustainability performance. Identification and management of risks relating to sustainability, at an operating company and Group level are incorporated in our strategic risk assessment processes, see page 74, in our Governance & Management section, for more information.

Our sustainability teams

Our central sustainability team develops and leads implementation of our sustainability strategy and engagement with our stakeholders. It provides oversight of governance across all areas of sustainability and is a source of expertise for the business. It works closely with our operating companies and group functions including Offer and Supply Chain, group purchasing, digital and retail operations to embed sustainability into how we work.

We have a sustainability lead in every operating company and sustainability teams in our largest markets. They report into a director or Board member who is responsible for delivery of our strategy. The Kingfisher Sustainability Network is a monthly forum for our sustainability experts. The online Kingfisher Exchange enables colleagues in our sustainability, retail operations, health and safety and customer insight teams to share best practices, see page 53, in Our People section.

Products and sourcing

Our Offer and Supply Chain (OSC) function sources and develops our ranges, including our unique and unified product offer and is responsible for ensuring the availability of our products and their delivery to our stores and customer homes. Our OSC sustainability team works with our buying offices, product leads, designers, engineers and product communication experts to integrate sustainability into our offer using our sustainability policies, Sustainable Home Product Guidelines and our sustainability roadmaps for each category. We are making sustainability a core learning module for all OSC colleagues.

OUR GROUP SUSTAINABILITY COMMITTEE PROVIDES DIRECTION ON THE DEVELOPMENT AND INTEGRATION OF SUSTAINABILITY.



Keeping track of performance

Operating companies and Group functions 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 by the Group Sustainability Committee and communicated to all operating companies.

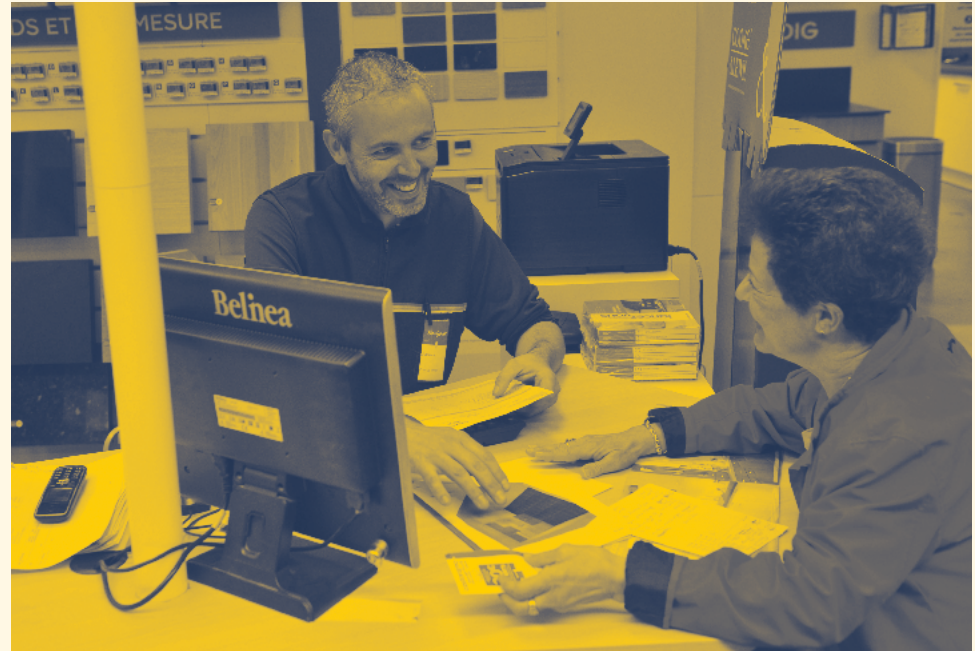
Training and engaging our people

We invest in helping our people to build their sustainability knowledge and to share information and ideas. Sustainability is part of induction training at five of our operating companies and we run more detailed training for relevant employees in key areas. For example, we train our product teams on our Sustainable Home Product Guidelines.

We make sure our leadership have the knowledge and skills to lead on sustainability. For example, during 2016/17, 35 senior employees in the business completed courses by the University of Cambridge Institute for Sustainability Leadership. More information and examples are included on page 53, in Our People section.

Stakeholder engagement

We engage with a wide range of stakeholders to understand their views, learn from their expertise and share our approach and performance. Our stakeholders include our customers, investors, people, suppliers and regulators as well as NGOs, the media and other organisations working on sustainability and business issues. Examples from 2016/17 are included on page 68-71, in our Governance & Management section. You can read a perspective on our performance from Sally Uren, Chief Executive of Forum for the Future, on page 6, in our Introduction section.



WE INVEST IN HELPING OUR PEOPLE TO BUILD THEIR SUSTAINABILITY KNOWLEDGE AND TO SHARE INFORMATION AND IDEAS. SUSTAINABILITY IS PART OF INDUCTION TRAINING AT FIVE OF OUR OPERATING COMPANIES.

YOUR HOME AND OUR HOME

We believe that a good home is a sustainable home. We want to support our customers in making sustainable choices, at affordable prices. We know that our long-term success depends on our operating sustainably – so we will make our home, our business, sustainable too.

Sustainable homes for our customers

Our research with customers shows us that sustainability is core to a good home. Whether it's creating a home that uses fewer resources and is more affordable to run, or having a natural garden and a healthy home without harmful chemicals – sustainability issues matter to our customers.

Yet being sustainable at home can be complicated and even intimidating. We want to change that by making it simple, inspiring, affordable, and achievable. We support people to make sustainable choices - choices they may not know exist.

Making our home sustainable too

Our company is our home. Each part of our home has a role to play in making it truly sustainable; our retail and product brands, our international functions and operating companies, our stores, our colleagues and our suppliers.

We know that our long-term success depends on our operating sustainability. As we transform our business we are integrating sustainability into how we work, making sure that we protect natural resources, design out waste, choose suppliers who protect human rights and the environment, and support the communities in which we work.



A GOOD HOME

is a home that is...

- ✓ FUNCTIONAL
- ✓ EVOLVING WITH FAMILY NEEDS
- ✓ GREEN OUTSIDE & IN
- ✓ SUSTAINABLE
- ✓ RESOURCE & ENERGY SMART
- ✓ CLEAN, HEALTHY & COMFORTABLE
- ✓ DURABLE IN QUALITY & STYLE
- ✓ COORDINATED TO LOOK GOOD
- ✓ PROVIDING THE BEST ECONOMICS

UNDERSTANDING CUSTOMER NEEDS – A DEEPER LOOK

We want to have a positive impact by helping our customers to live sustainably. To do this, we need to really understand customer views and have an insight into what motivates or demotivates them when it comes to sustainability.

We commissioned in depth research with consumers during 2016 to help us provide the right products, services and support to enable our customers to create more sustainable homes.

What we did

Our research covered 45 households in five markets and included visits to customer homes and their local stores. We also reviewed existing quantitative research on consumer attitudes to sustainability.

What our customers told us

Not surprisingly, we found that consumers sometimes have different attitudes to sustainability. While some actively seek out sustainable options, others are disinterested or sceptical, and many more are interested but lack the time or information to make sustainable choices.

However, our research revealed some important shared lessons about their priorities and how best to respond to their needs and to engage our customers on sustainability:

1) Make it simple and convenient for me

The research showed that, for many, making sustainable choices is often complicated or time consuming. When customers are grappling with a complex home improvement project, it can be too difficult to think about sustainability as well.

People expect big brands to take the lead and to build sustainability into their products. They need information on sustainability that is easy to understand.

2) Help me save money – definitely don't make sustainability expensive

Some consumers are very committed to sustainability. But for the majority, they are most motivated when sustainability helps them to save money. Saving energy at home has become a top of mind concern for many people and customers are motivated to invest in energy efficiency.

3) Give me products that last or help me repair things – I like to be thrifty

Customers value long-lasting products and like to be resourceful. There is growing interest in 'upcycling' - repairing, restoring and customising old products. Customers are used to recycling and don't like to be wasteful. For some customers actual ownership is less important – they are happy to share or rent the tools they need.

4) Help me to create a natural and healthy home

Customers are interested and motivated by products that are better for their own health and wellbeing and that of their family. They

also want to reconnect to nature and to live more naturally. There is growing interest in growing food, natural gardening and using fewer chemicals in the home.

What next?

We are using what we've learnt from the research to inform the development of our ranges and in our review of our sustainability strategy.

FOR MANY, MAKING SUSTAINABLE CHOICES IS OFTEN COMPLICATED OR TIME CONSUMING.

OUR COMMERCIAL MODEL FOR SUSTAINABILITY

By integrating sustainability into our business, we will create a company that can survive and prosper over the long term. We use a commercial model to help us communicate the business benefits of sustainability to our colleagues and identify new opportunities.

It illustrates the commercial impact of sustainability in four areas:

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

YOUR HOME – Inspiring and enabling great customer solutions

REVENUE OPPORTUNITIES

We can open up new revenue streams by improving the sustainability performance of our offer and providing products and services that help customers live more sustainably.

For example, over a quarter of our sales already come from our sustainable home products, generating £3.1 billion for our business in 2016/17.

CUSTOMER PREFERENCE

We build long-term customer preference by making home improvement accessible for our customers. Integrating sustainability into our offer is one of the ways we differentiate Kingfisher and meet changing customer needs.

For example, our energy saving products and services are saving our customers an estimated £840 million on their energy bills each year.

EFFICIENCY AND PRODUCTIVITY

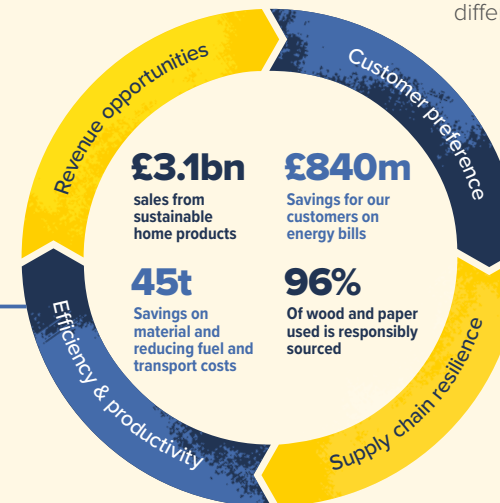
By using resources efficiently, designing out waste and investing in technology, we can reduce business costs and increase productivity.

For example, by redesigning the packaging for our taps, we are saving 45 tonnes of materials each year and reducing fuel and transport costs.

SUPPLY CHAIN RESILIENCE

By partnering with suppliers on sustainability, we can protect vital natural resources and help to secure long-term access to affordable raw materials.

For example, 96% of the wood and paper in our products and in our catalogues and marketing is now responsibly sourced helping to protect long term timber supplies.



OUR HOME – Improving business practices and processes

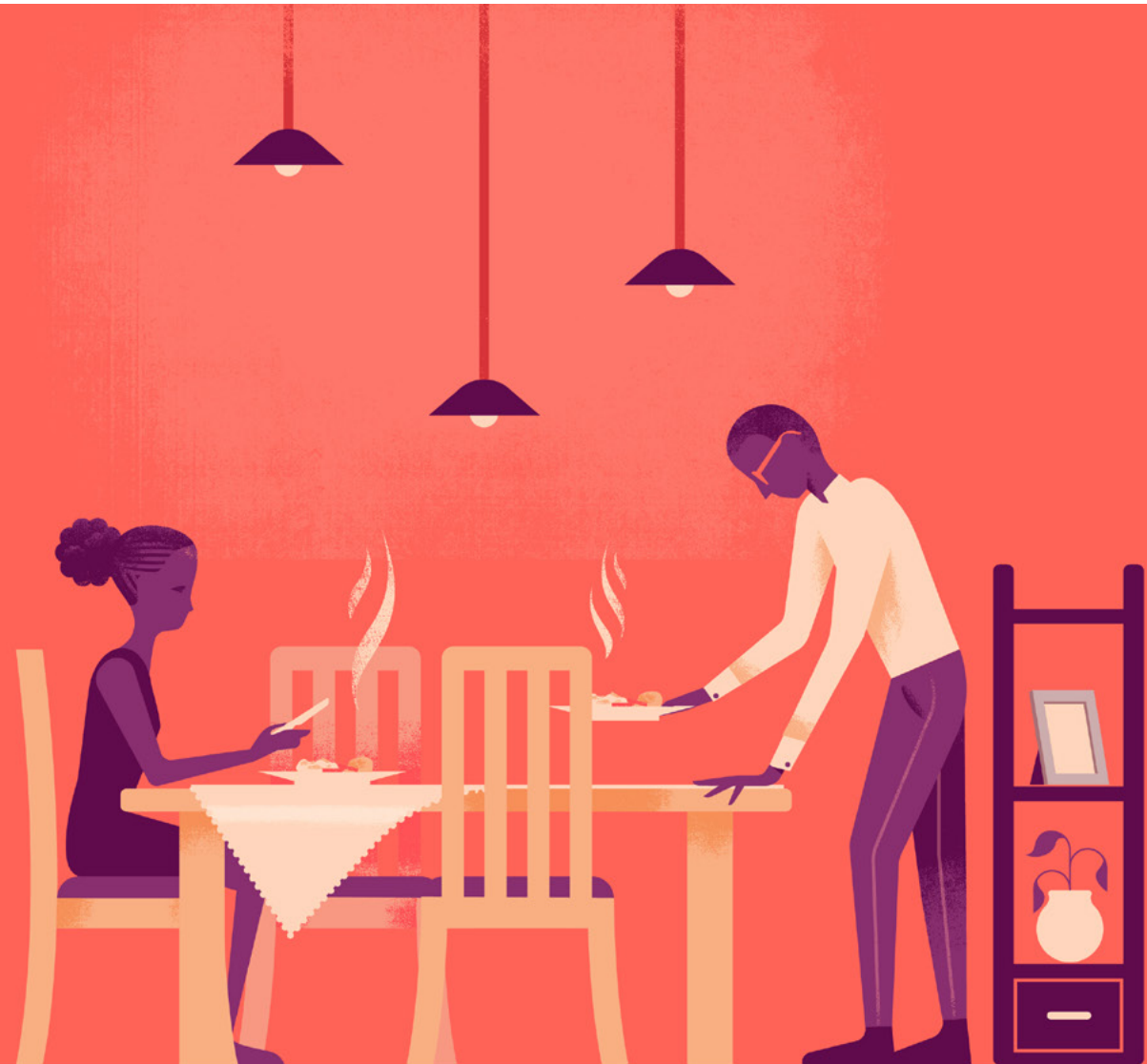
WE'RE CREATING BETTER PRODUCTS...

From wallpaper to the kitchen sink, we want sustainability to be central to every range of products we offer our customers and part of the way we work every day. We're working hard so that choosing between sustainability and quality, price or style is a choice our customers won't have to make.



...THAT KEEP ON DELIVERING

From more sustainable materials, to products that use less energy, last longer and are easier to recycle, to new types of services that help customers complete their projects – we're making sustainability an easy choice every step of the way. For our customers, creating a sustainable home has never been easier.



PRODUCTS AND INNOVATION

OUR SUSTAINABLE HOME PRODUCTS ENABLE CUSTOMERS TO ENJOY A BETTER, MORE SUSTAINABLE HOME. WHETHER IT'S SAVING ENERGY AND WATER OR CUTTING WASTE, WE DEVELOP OUR SUSTAINABLE HOME PRODUCTS TO BE ALL ROUND BETTER PRODUCTS OFFERING QUALITY, AFFORDABILITY AND SIMPLICITY, AS WELL AS SUSTAINABILITY.

We're not focussing on niche green products – we want to make sustainability part of every range and the way we work every day. Our Sustainable Home Product Guidelines, help our product development and buying teams integrate sustainability. We're also exploring new services which can be an alternative to product sales, and drawing on the benefits of the circular and sharing economies.

As well as improving our products for customers, innovation for sustainability is good for our business too. It can boost sales, give us access to new sustainable raw material streams and reduce our costs.

Progress: 28% of sales from sustainable home products.

818 products with closed loop credentials.



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.



2020 TARGET

50% of Group sales from products that help create a sustainable home.

STRONG SALES OF SUSTAINABLE HOME PRODUCTS

Our sustainable home products help our customers create good homes while having a positive or much lower impact on people and the environment. Today 28% of our sales come from sustainable home products (2015/16: 28%), this generated £3.1 billion for the business. In some of our companies this figure is even higher – at B&Q, for example, 40% of sales were from sustainable products.

Six per cent of our sales came from best-in-class sustainable home products – these are the most innovative products and among the best on the market.

40%

of sales were from sustainable products at B&Q.

ENGAGING OUR CUSTOMERS ON SUSTAINABILITY

We want to make it easier for customers who are interested in sustainability to identify our most sustainable products and to get information and support to improve their home. Our sustainability teams work with our marketing and communications professionals to raise the profile of our sustainable home products in our communications – including in our stores, catalogues, online, through social media and on our products.

For example, 18h39, Castorama France’s online magazine, integrates sustainability into its daily articles providing customers with new ideas, tutorials and inspiration on home improvement. Recent sustainability topics have included tips on waste reduction and energy saving. The site has had 3.4 million unique visitors since 2015. Many of our companies use eco labels to make sustainable products easier to spot such as Screwfix’s Saves Energy, Saves Water and Solvent Free labels used in its catalogues and online.

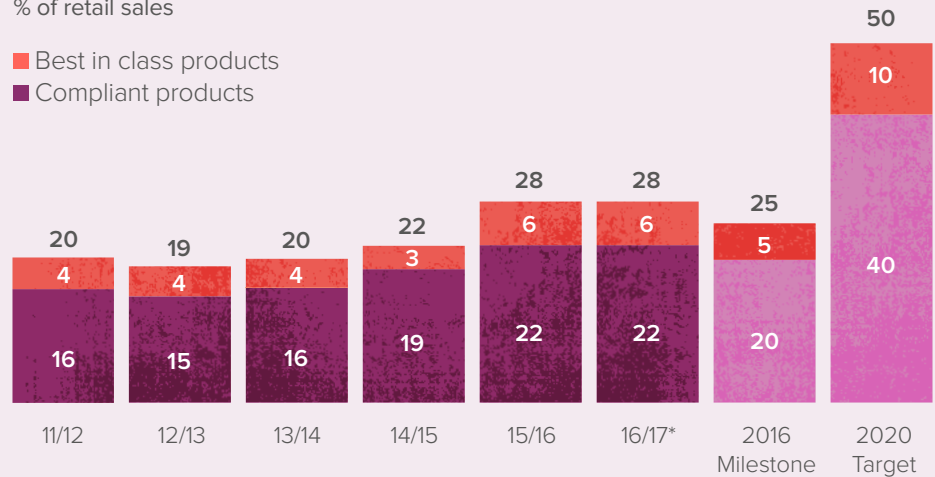
HELPING CUSTOMERS CHOOSE A GOOD HOME AT CASTORAMA RUSSIA

Castorama Russia is using its Facebook and social media sites to engage customers on the benefits of a more sustainable home. Its campaign, ‘Choice for a good home’, included ideas and tips to help customers plan an energy efficient bathroom as well as information on the benefits of energy efficient lighting and sustainable products. The campaign has reached over 422,000 customers so far. Castorama Russia has also introduced point of sale materials to highlight sustainable home products at its refurbished Elektrostal store and the campaign will be rolled out to a further four stores during 2017.

SUSTAINABLE HOME PRODUCTS

% of retail sales

- Best in class products
- Compliant products



*Independently assured by Deloitte LLP

SHARING AND RENTING – HELPING CUSTOMERS GET THE JOB DONE

We're exploring new types of services and enabling customers to share information, ideas and resources to help with their home improvement projects. This can generate new sources of revenue for our business while also reducing use of resources and in some cases replace sales of physical products.

Our Radom store in Poland, for example, launched its Casto Lab maker space in 2016 where customers can learn DIY skills and use specialist tools and equipment to help with their projects. The Lab is used for workshops and demonstrations run by Castorama and its suppliers, which are advertised in store and on local radio stations. Kids DIY classes are also held in the Lab. Our first Casto Lab at our Antibes store in France launched in 2015 to help customers accomplish their DIY projects.

We are also embracing the sharing economy, to help customers get their projects completed. In France, we are trialling a partnership with online platforms Needelp.com and youpjob.fr. These sites connect customers with 'jobbers', DIY experts who, for a small fee, can help with tasks that may be too small for a professional tradesperson to undertake. Brico Dépôt France has now rolled out its partnership with Needelp.com to 120 stores and 836 projects have been completed to date.

We are offering customers rental services in some stores. B&Q, for example, has launched a partnership with Speedy Hire at its Tradepoint counters enabling customers to rent tools and equipment. We trialled a tool rental service in one of our stores in Spain during 2016/17.

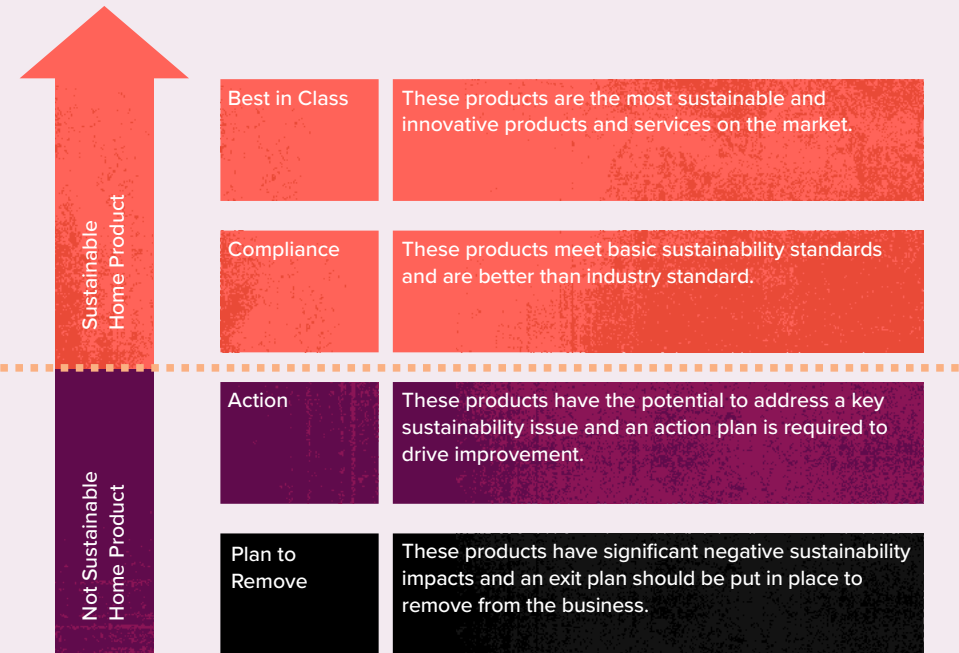
Further information on our approach to skills sharing is included on page 43, in our Communities section.

TRANSFORMING OUR RANGES

We don't have a 'sustainability range'. We are working to improve the sustainability performance of every range using our Sustainable Home Product Guidelines, developed with experts Bioregional. We update the guidelines annually and publish them on our website: www.kingfisher.com/shpguidelines. In 2016/17, we held workshops with our category teams on how the guidelines should be used. The guidelines are endorsed by our Chief Officer & Supply Chain Officer and we also share them with our vendors.

In addition, working with Lille University, we developed a simple visual guide to sustainable home products during 2016. This guide highlights opportunities to improve product sustainability performance in each room of the house and shows the benefits for customers in terms of cost savings and creating a better home.

EMBEDDING SUSTAINABILITY IN OUR RANGES



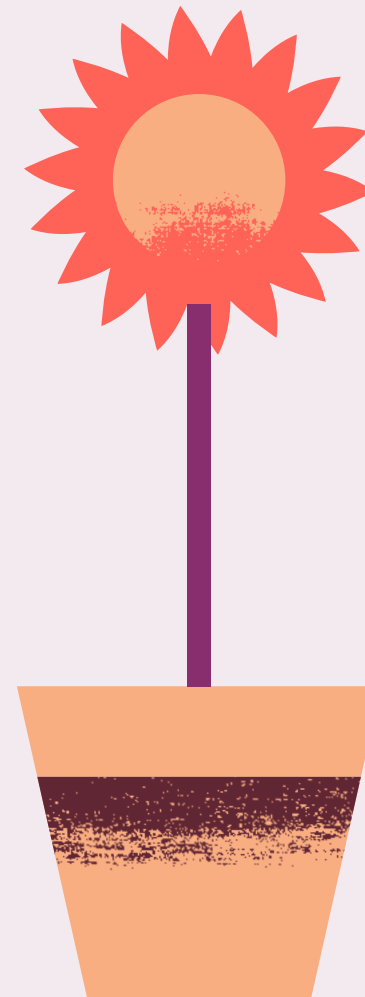
We have created sustainability roadmaps that have been integrated into our commercial strategies for our seven range categories. Each roadmap sets out short, medium and longer-term actions that will improve sustainability performance across our product portfolio. This includes aspirations to develop innovative new products and services to help our customers create sustainable homes. The roadmaps also identify products that should be removed from our ranges over time because they cannot comply with our guidelines. For example, very energy or carbon intensive products.

We are taking a holistic look at sustainability impacts in areas such as water use, air quality and materials. For example, as well as improving water efficiency for specific products such as taps we are also exploring new solutions to help customers manage water use across the home.

TOWARDS A CIRCULAR ECONOMY

We want to play our part in the transition to a circular economy – enabling resources to be continually reused and recycled. We integrate circular economy principles into our products – designing them to use recycled materials, to be durable and long-lasting and recyclable at the end of their useful life. This is good for customers because products last longer and are easier to recycle, good for our business because it helps us reduce costs and creates opportunities for innovation, and good for the environment.

We worked with sustainability experts Bioregional to develop our Principles for Circular Product Design and Value Chains and scoring methodology for assessing progress. The Principles provide practical guidance to our product developers and suppliers on how to integrate circular economy principles into our products and supply chains. We have identified three circular value chains so far using the scoring methodology including our Easygrow bedding plants which are peat free and replace polystyrene with recyclable PET and our green pallets initiative at B&Q (page 58, in our Suppliers & Partners section).



PRO GROW – A ‘CIRCULAR’ COMPOST AT B&Q

Waste not, want not – it’s a philosophy we share with many of our customers. Take our Pro Grow garden compost, launched in partnership with Veolia, the waste management company and now on sale at B&Q. Pro Grow is made from garden waste collected by Veolia from households around the UK – including many B&Q customers. This ‘waste’ product is turned into a peat-free rich compost that can be used to nurture new plants in our customers’ gardens. A virtuous circle!



Our third circular value chain was developed by Castorama France during 2016/17 working with recycling specialists Néó Eco. It is a new closed loop material that will be used in a paving product expected to launch in 2018. The product uses recycled materials and is better for customers because it is lighter and easier to install than traditional paving. This builds on previous work in France developing a composite material made from 100% recycled materials including store waste used in our NODS decking and Infinite worktop. We are assessing our Pro Grow compost against the methodology, see case study, page 21.

We also have 818 products with closed-loop credentials as defined in our Sustainable Home Product Guidelines.

We're working to catalyse wider change on the circular economy. We contributed to the development and testing of the first BSI standard for the circular economy, BS 8001 during 2016/17 and are involved in a number of partnerships including membership of the Ellen MacArthur Foundation. See page 68, in our Governance & Management section, for examples.

External factors can sometimes be challenging for circular economy innovation. For example, Screwfix has developed an approach for recycling plastic sealant cartridges from trade customers into new products. Currently, most sealant cartridges are not recycled because they require special cleaning. However, trade customers would need to provide Screwfix with extensive information each time used cartridges were returned, making the process too time-consuming to be practical. We are working to explore potential solutions to this challenge.

818

products with closed-loop credentials



PRINCIPLES FOR CIRCULAR PRODUCT DESIGN AND VALUE CHAINS

Our principles help our product developers and suppliers integrate circular design principles into our products and supply chains in a way that is good for customers and for our business. The Principles focus on six impact areas:

- Safe materials for humans and nature
- Sustainable materials that are easily and widely recycled, reused or renewed
- Utility and function including efficient use of materials and design for longevity and reuse
- Energy and carbon, focusing on reducing fossil fuel energy use
- Water stewardship
- Ethical responsibility, including fair and safe working conditions in the supply chain.

WE STAY ENERGY CONSCIOUS...

By upgrading our roofs with solar panels, switching to LED lights throughout our stores and staying energy-conscious across our offices, we're turning our energy and carbon levels down and encouraging our customers to do the same.



... SO OUR CUSTOMERS CAN SAVE IN MORE WAYS THAN ONE

We're doing our bit to help our customers do theirs – because we know saving energy is important to them. With our energy efficient products, saving energy and money are now just a switch away. Creating a better home that's more comfortable to live in and costs less to run is easier than ever.



ENERGY AND CARBON

AN ENERGY EFFICIENT HOME IS A MORE COMFORTABLE PLACE TO LIVE AND MORE AFFORDABLE TO RUN. SO IT'S NO SURPRISE THAT OUR CUSTOMERS ARE MAKING ENERGY EFFICIENCY A TOP PRIORITY. WE BRING OUR CUSTOMERS A RANGE OF ENERGY SAVING PRODUCTS, AS WELL AS HELP AND SUPPORT TO COMPLETE THEIR PROJECTS. CUTTING HOME ENERGY USE CAN MAKE A BIG CONTRIBUTION TO TACKLING CLIMATE CHANGE – SINCE HOMES ACCOUNT FOR A SIGNIFICANT PORTION OF CARBON EMISSIONS.

Energy saving is a priority in our own home too. We are improving energy efficiency in our stores and buildings, creating a better store environment for customers, saving money for our business and cutting our carbon footprint.

Progress: Estimated 12.8TWh of energy saved for customers

16.5% reduction in energy intensity of our property



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.



2020 TARGET

45% reduction in energy intensity of our property.

SAVING ENERGY FOR CUSTOMERS

Our energy saving products range from light bulbs to insulation. Our product teams use our Sustainable Home Product Guidelines to improve the performance of our ranges and achieve best practice standards. For example, 76% of our unified range of lightbulbs is energy efficient LED.

A new generation of ‘smart’ products is enabling customers to control and reduce home energy use. For example, Screwfix’s Connected Home range enables customers to control heating, lighting and security systems remotely, potentially reducing energy use and costs. It uses its ‘Saves Energy’ logo in catalogues to help customers identify products that will save them money.

Altogether, our customers have saved an estimated 12.8 TWh of energy through sales of our energy saving products and services since 2011/12, exceeding our milestone. We estimate this could save our customers over £840 million every year (based on the average UK household energy bill). Our products are saving customers enough energy to power all the homes in Paris for over a year.

We have best practice standards for energy efficiency for appliances such as fridges and freezers, vacuum cleaners and heating and cooling systems. Over time, we aim to phase out the most energy intensive products where we can’t improve efficiency.

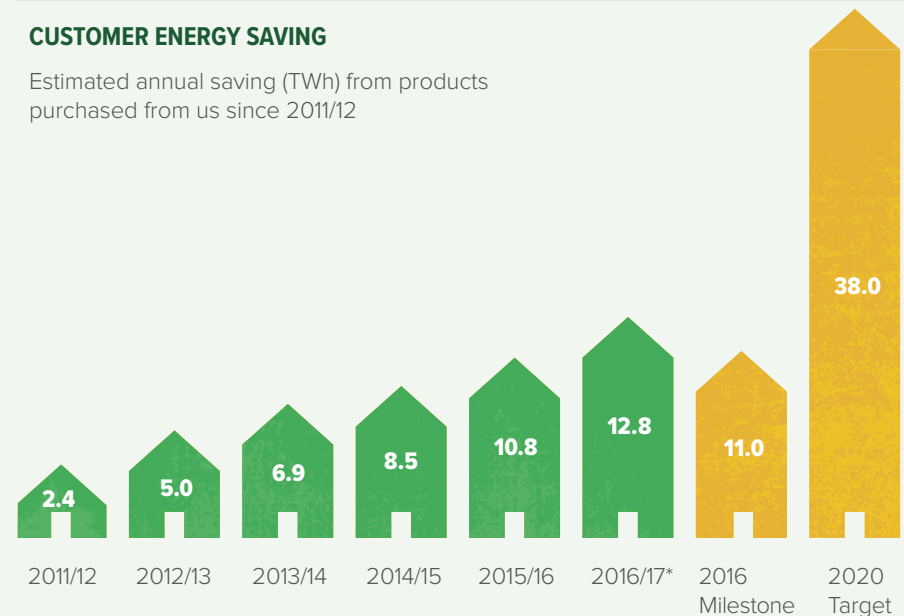
MAKING ENERGY PROJECTS EASIER FOR CUSTOMERS

Improving home energy performance can be complex so we offer advice and installation services to make things simpler for customers. For example, Castorama France is piloting an energy advisory service that helps customers plan projects, access subsidies and hire an installer. The service is now available in nine stores.

Brico Dépôt France customers can use its Prime Energie service to access government subsidies for energy saving products. It included advice from an energy consultancy and examples of real projects in its catalogue. 800 customers used Prime Energie during 2016/17. It has also launched Prime Bonifiée, providing additional subsidies for customers experiencing fuel poverty.

CUSTOMER ENERGY SAVING

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



*Independently assured by Deloitte LLP

76%

of our unified range of lightbulbs is energy efficient LED

9

stores with energy advisory service at Castorama France

SAVING ENERGY IN OUR BUSINESS

In our business we're focusing on reducing energy use in our stores and offices, and switching to low carbon and renewable energy sources. Overall, we have reduced energy intensity by 16.5% since 2010/11, exceeding our milestone of 15%.

We have rolled out LED lighting to 41% of our estate (2015/16: 27%), with an investment of £13.3 million to date. Lighting typically accounts for over half of store electricity use, so installing efficient LED lighting can bring significant savings. In total, LED has reduced our energy consumption by 30.2 million kWh per year, saving over £1.8 million per year.

Energy management systems help us to monitor and reduce energy use. For example, our businesses in France use the NOE energy tracking system that enables energy managers in every store to track energy use hour by hour, monitor compliance with regulations including the EU Energy Efficiency Directive, and compare performance over time, against other stores and in comparison to best practice.

ENERGY AND IT

We are reducing energy used for IT by using fewer and more energy efficient data centres and upgrading software and hardware platforms. This is avoiding an estimated £850,000 a year in energy costs. During 2017, we will be extending our UK managed print programme to the rest of the Group. In the UK, managed print has reduced energy use for printing costs and energy consumption and means we print 26 million fewer sheets of paper each year.

We are unifying our IT systems across the group and we are rolling out collaboration tools to support our One Kingfisher strategy. These tools improve the ability for teams to work remotely and efficiently and can reduce travel.

41%

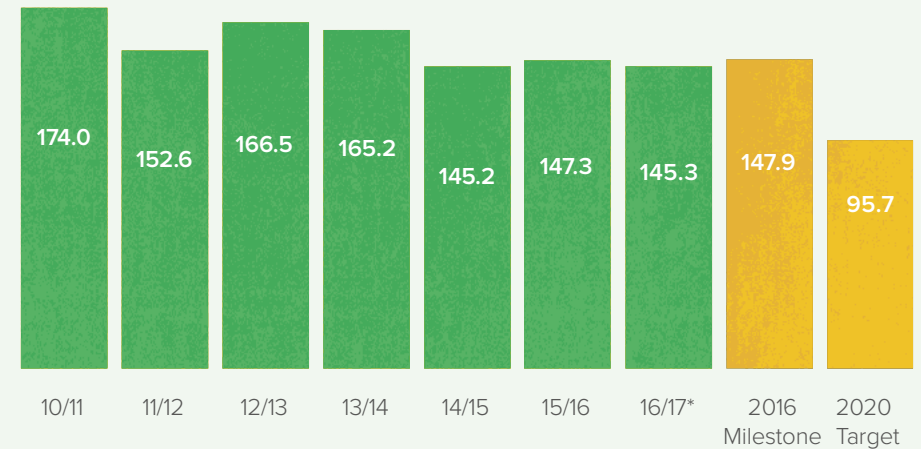
We've rolled out LED lighting to 41% of our estate

16.5%

We've reduced energy intensity by 16.5% since 2010/11

PROPERTY PORTFOLIO ENERGY INTENSITY

kWh / m² reported floor space



*Independently assured by Deloitte LLP

INVESTING IN RENEWABLES

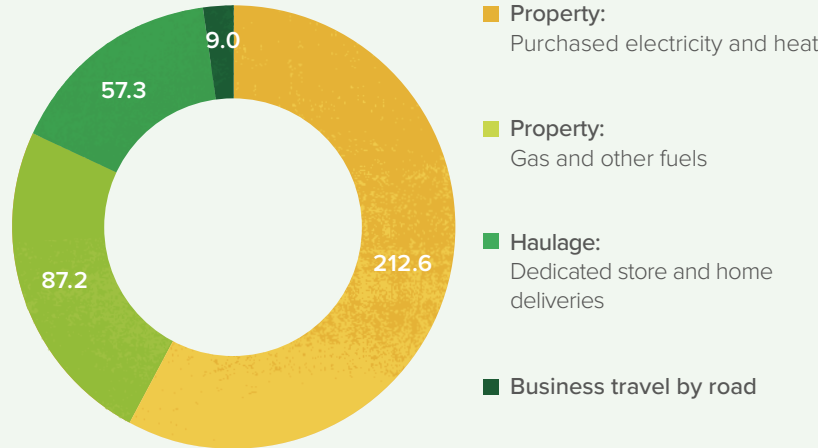
We are installing on-site renewables to generate our own greener power. By April 2017, we had installed renewable energy generation at one headquarter's building, two stores and three distribution centres with plans underway for another three distribution centres and 12 stores during 2017. We will also be introducing biomass boilers to heat three distribution centres in the UK in 2017 and solar PV on a further four stores in France and evaluating opportunities in other markets. We are trialling a new solar cooling technology on a Brico Depot store in Granada, Spain.

Our Antibes store in France is our first store to be 'Energy Positive' meaning the energy generated from its photovoltaic panels is greater than the primary energy consumed by the store for heating, general lighting, cooling, ventilation and water heating¹. A screen in store shows how much renewable energy is being generated each day – helping to engage customers and staff.

We aim to negotiate green tariff electricity contracts where possible to encourage wider investment in renewable energy and are reviewing opportunities in all our markets as contracts are renewed. During 2017 our UK operations will be moving to 100% renewable electricity which will make a significant contribution to reducing our carbon footprint. We also purchase renewable power for our operations in Romania.

2016/17* CARBON FOOTPRINT DETAIL

Thousand tonnes CO₂ equivalent



¹ Energy positive is as recognised by the French Thermal Regulations 2012

*Independently assured by Deloitte LLP

1,048
solar panels installed on our Poole store

100%
renewable electricity contract agreed for our UK operations

GOING RENEWABLE IN THE UK

B&Q Poole is our latest UK store to be fitted with PV panels. This is the largest solar installation on one of our stores to date with 1,048 solar panels, enough to cover six tennis courts. The panels will produce energy equivalent to that needed to power 90 homes for a year, and will reduce the store's grid energy consumption by 23% per year. The new installation complements the store's energy efficient LED lighting. We also installed solar PV and LED lighting in our Cribbs Causeway store resulting in a reduction in electricity consumption of up to 50%.

The next phase of our renewable plan for the UK will see £4 million invested in low carbon biomass boilers to heat our distribution centres at Swindon, Worksop and Doncaster. Waste wood from pallets will be chipped on site and used to power the boilers.

REDUCING OUR CARBON FOOTPRINT

Our target is a 25% reduction in scope 1 and 2 emissions by 2020. Our absolute carbon footprint has reduced by 10% against the baseline year of 2010/11. This reflects a reduction in the carbon intensity of the UK electricity grid and store closures at B&Q as well as improvements in energy efficiency against our baseline in all our operating companies except for Castorama Russia. Emissions from direct transport have risen over this period largely due to an increase in home deliveries, see below.

Our property carbon intensity, emissions per square metre of floor space, has reduced by 25% since 2010/11. However, this improvement primarily reflects changes in the carbon intensity of national grids rather than an improvement in our performance.

We disclosed our climate change performance through CDP Climate Change and received a rating of B.

B

CDP Climate Change rating

CALCULATING OUR EMISSIONS

Our total carbon footprint and property carbon intensity targets are set and measured using a location-based approach for scope 2 emissions. We have also calculated a 'market-based' scope 2 emissions total, in line with updated requirements issued by the WRI and WBCSD. The market-based total allows companies to include purchased renewables at zero or low carbon and was developed to stimulate the market for purchased renewables, and low carbon heat and power.

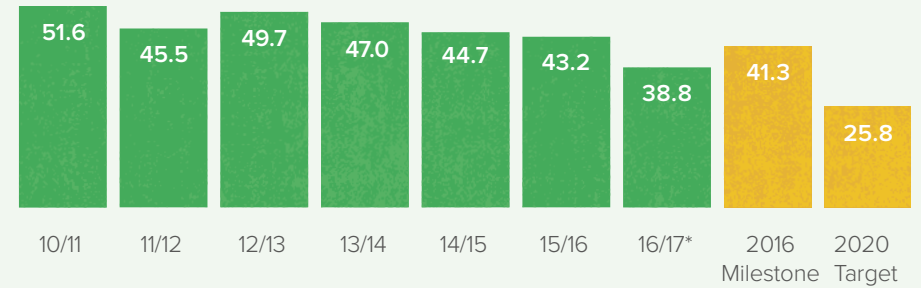
Our 'market-based' carbon footprint is 317,852 tonnes (2015/16: 359,790 tonnes CO₂e), rather than 366,145 tonnes in our 'location-based' footprint. Further details are included in our Data Appendix www.kingfisher.com/sustainabilityresources

10%

reduction in our absolute carbon footprint since 2010/11

PROPERTY PORTFOLIO CARBON INTENSITY

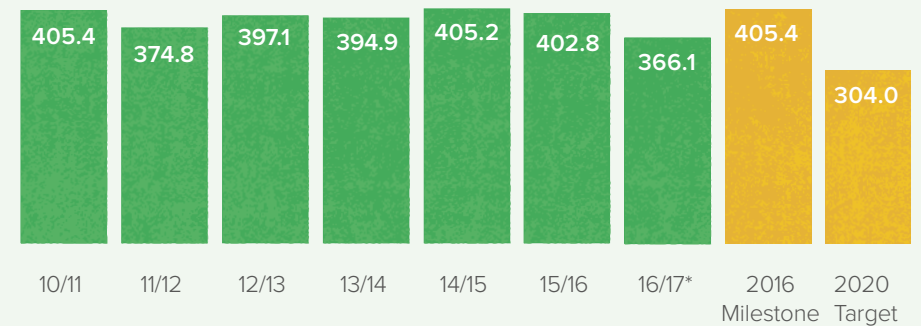
kg CO₂ equivalent/ m² reported floor space



*Independently assured by Deloitte LLP

ABSOLUTE CARBON FOOTPRINT (SCOPES 1 & 2)

Thousand tonnes CO₂ equivalent



*Independently assured by Deloitte LLP

GREENER TRANSPORT AND TRAVEL

We aim to reduce the carbon impact of transporting our products to distribution centres, stores and customer homes. This is challenging as our business grows and we make more sales online resulting in an increase in home deliveries.

Our process to unify our procurement and product ranges will have an impact on our logistics, increasing the volume of goods we transport and store ourselves. Our sustainability team is working with our logistics professionals to embed sustainability criteria into the redesign of our logistics network, and ensure it operates as efficiently as possible.

We are working with transport suppliers to improve vehicle efficiency, to transport more products on each journey, improve route planning and driver behaviour. Where it is cost effective, we have introduced lower carbon fuels, for example, we are using LNG (liquefied natural gas) in France for some vehicles. We have also switched many journeys to rail rather than road freight. For example, B&Q now uses rail to transport 49% of containers from port up from 19% the previous year.

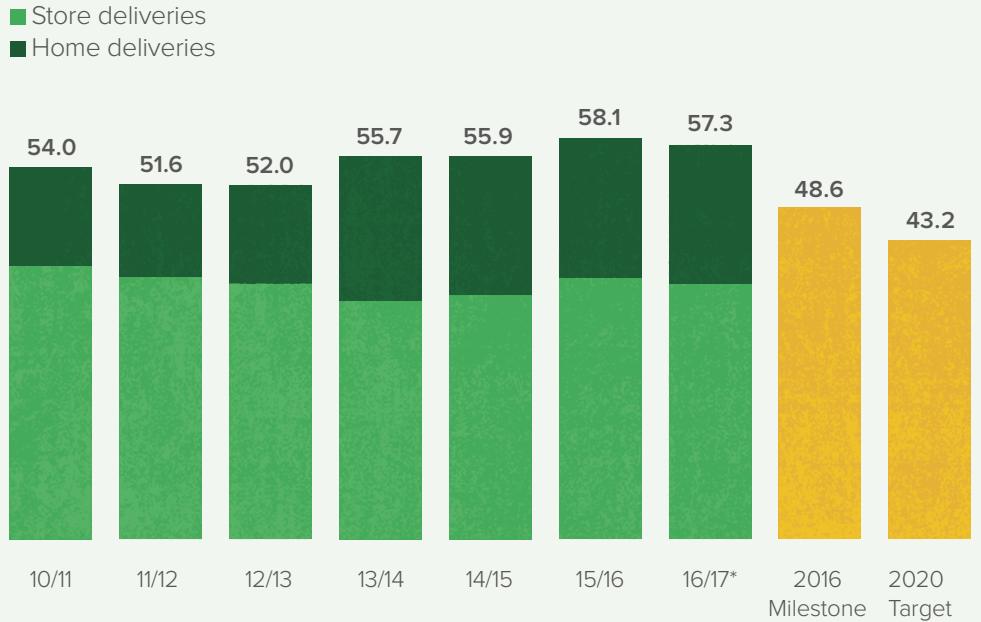
B&Q is also training its home delivery drivers on safe and fuel efficient driving and introducing a remote monitoring system in their cabs to identify behaviours such as harsh acceleration and braking, that can create inefficiencies. Screwfix has introduced a bonus system to reward drivers for fuel efficient driving.

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.

Our companies have introduced a range of green travel measures such as: encouraging employees to use video conferencing instead of travelling to meetings; car sharing systems; and subsidies for using public transport or cycling to work. In many of our markets, we make it easier for customers to car share or use public transport and some stores have introduced shuttle buses for customers.

CARBON EMISSIONS DIRECT HAULAGE

Thousand tonnes CO² equivalent from dedicated store and home delivery fleets



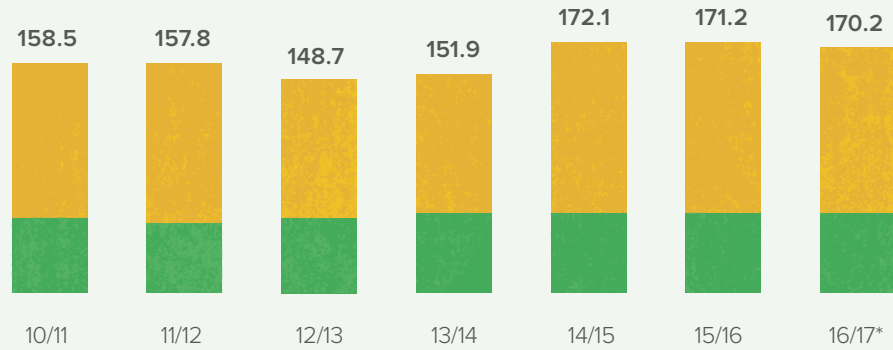
*Independently assured by Deloitte LLP

Direct haulage emissions data covers store deliveries for B&Q, Castorama France, Castorama Poland, Screwfix UK and Germany and home deliveries for B&Q, Castorama France and Castorama Poland.

CARBON EMISSIONS DIRECT AND INDIRECT HAULAGE

Thousand tonnes CO² equivalent

■ Direct
■ Indirect



*Independently assured by Deloitte LLP

TRANSPORT – HOW ARE WE DOING?

Direct haulage emissions (those from our own dedicated delivery fleets) increased by 6% against our 2010/11 baseline. This is due to an increase in home deliveries with emissions from store deliveries reducing over the same period.

Our indirect haulage emissions (from non-dedicated delivery fleets, and some rail, sea and air transport) have increased by 8% since 2010/11. This reflects an increase in deliveries as well as improvements in our data collection to include rail transport emissions in more of our markets.

Our combined direct and indirect emissions have increased from our baseline year but decreased year on year for the last two years. This decrease partly reflects a reduction in air haulage and an increase in the use of sea freight to transport goods from our sourcing offices in Asia. We do not yet have comprehensive data on transport in all markets and are working to address this.

49%

of containers from port now transported by rail not road at B&Q

6%

direct haulage emissions increase

WE'RE GROWING THE NEXT GENERATION OF GARDEN CHAIRS...

It seems everyone loves wood. In fact, around a third of the products we sell contain wood or paper. That's wood for floors, for building extensions, for tool handles, and not forgetting the bird house. So for us, responsible sourcing of wood and paper is critical – that's why we've been working on it for over 25 years.



...SO THERE'LL ALWAYS BE SOMEWHERE GOOD TO SIT

Our goal is that all our customers can buy wood that's been grown and logged sustainably without even having to think about it. What's more, we're actively involved in projects to restore forests from Spain to Indonesia, so we're working to protect this precious resource as we go.



WOOD AND PAPER

WOOD AND PAPER IS FOUND IN ABOUT A THIRD OF OUR PRODUCTS. IT'S A MATERIAL THAT OUR CUSTOMERS LOVE TO USE IN THEIR HOMES FROM WOODEN FLOORS TO GARDEN FURNITURE, AND IT PLAYS AN ESSENTIAL PART IN MANY HOME IMPROVEMENT PROJECTS.

We have been working on the responsible sourcing of wood and paper for over 25 years. We want to make sure that the wood and paper we buy and sell comes from well-managed forests and that we don't contribute to deforestation. In fact, we aim to go even further; playing an active role in protecting and restoring forests.

Responsible sourcing is not just better for the environment it is good for our business too – helping us to secure supplies of this important material even as global demand grows.

Progress: 96% of wood and paper products responsibly sourced



2050 ASPIRATION

Kingfisher creates more forest than it uses.



2020 TARGET

100% responsibly sourced wood and paper in all our operations.

SUSTAINABLE TIMBER MADE EASY FOR CUSTOMERS

It's easy for customers to make a sustainable choice when they buy wood and paper from us. Over 96% of our wood and paper products² are responsibly sourced – meaning the wood and paper is independently audited by recognised certification schemes such as FSC and PEFC or is recycled.

This covers all our products, even those where wood or paper are used in small quantities such as tool handles. B&Q has already reached 100% responsibly sourced wood and paper and a further four of our companies have reached over 90%. The volume of FSC wood and paper sold across the group increased by 21% during the year.

100%

of wood and paper products responsibly sourced at B&Q

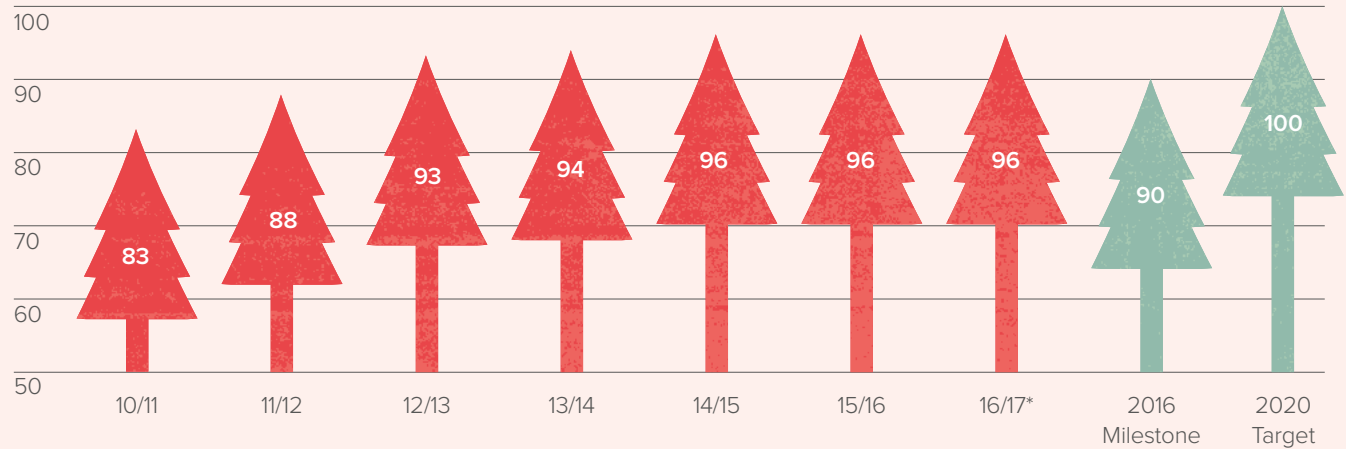
21%

increase in volume of FSC wood and paper sold

² By volume (RWE) sold

RESPONSIBLY SOURCED WOOD AND PAPER PRODUCTS

% of timber sold (by volume) responsibly sourced



* Independently assured by Deloitte LLP
Data covers operating companies, which account for 97% of Group turnover.
It does not include data for Castorama Russia.

COMMUNICATING THE BENEFITS OF RESPONSIBLE SOURCING

We want our customers to know about our commitment to sustainable wood and paper, and we include information on our approach in our stores, online and in catalogues.

However, to really engage our customers, we need better information on how sustainable forest management is benefiting people and the environment. We helped found the Value and Impact Analysis (VIA) initiative, to develop a robust approach to quantifying and communicating the impacts of FSC certification. We are working with a range of other businesses, academia and NGOs on the project including IKEA, Tetra Pak, IDH and ISEAL Alliance – the global membership association for sustainability standards. Initial findings based on independent research, audit findings, mapping exercises and expert input show a positive impact. For example, research in Kalimantan, Indonesia found that FSC certification benefits the health and wellbeing of local people through reduced levels of air pollution and respiratory infections.

³ Our data covers all operating companies except for Castorama Russia, 97% of group turnover.

AN HOLISTIC APPROACH

Our commitment to responsible sourcing also covers the wood and paper we use in our business including our packaging, catalogues, office paper and timber used in construction. For example, we reached 96% responsibly sourced paper in our catalogues, customer marketing materials and office paper³. Information on our progress against our targets is on pages 82-84, in our Performance Summary section.

We are training our colleagues to make sure they understand and apply the requirements of our wood and paper policy. Responsible wood and paper sourcing is one of the topics covered in our e-learning module for colleagues in our Offer and Supply Chain function. We are also engaging with our catalogue and stationery buyers who source paper not for resale. We held four supplier workshops in China during the year to communicate our requirements which were attended by over 600 suppliers.

ADDRESSING CHALLENGES IN THE SUPPLY CHAIN

In some countries, establishing responsible sourcing systems for wood and paper can be more challenging. There may be low awareness of the benefits of responsible sourcing or problems such as weak governance and lack of resources that can make it harder to enforce regulation. We aim to work with others to improve standards where we can have a positive impact, see case study.

PARTNERING TO PROTECT FORESTS IN ROMANIA

Romania is home to some of the most beautiful forests in the world but faces challenges from deforestation and illegal logging. We source a small amount of wood from Romania and our Brico Dépôt Romania operating company has 15 stores in the country. We want to play our part in helping protect Romania's forests for the future.

Brico Dépôt Romania has signed a year-long partnership with WWF committing to at least a 10% improvement in the percentage of FSC timber products sourced from Romania. Together, we are creating an information platform. This will make it easier for those sourcing timber from Romania to understand and apply the EU timber regulations and for local stakeholders to participate more actively in the FSC certification process, thus supporting the protection of the country's forests.

We have also further strengthened our due diligence systems in Romania to ensure no illegally logged wood enters our supply chain.

“WE ARE VERY PLEASED THAT WE HAVE SIGNED THIS PARTNERSHIP WITH WWF. IT IS IMPORTANT TO US THAT WE DO EVERYTHING WE CAN TO PROTECT OUR FORESTS AND THIS PARTNERSHIP TAKES US ANOTHER STEP CLOSER TO ACHIEVING THAT.”

Christian Mazauric, Brico Dépôt România's CEO

RESTORING TROPICAL FORESTS AT HARAPAN, BURUNG INDONESIA

We are supporting an innovative project in Sumatra, Indonesia aimed at protecting and restoring an area of over logged tropical forest almost the size of Greater London. The project, developed by RSPB and their Birdlife International partner Burung Indonesia, is the first of its kind in Indonesia. As well as restoring the forest and helping to protect endangered species such as the Sumatran tiger, the project partners aim to improve livelihoods for local forest communities through the processing and sale of sustainable forest products.

The Harapan Rainforest programme has shown positive results during the first year of Kingfisher support. For example, the incidence of forest fires has reduced by 75% and 135 hectares of cleared land has been replanted. Several local communities have been trained in sustainable

rubber production and forest honey processing techniques, generating new forms of income to support their livelihoods.

We are donating cash and staff time to support the Harapan Rainforest and are sharing our commercial insights with the RSPB and partners to help them develop the programme to be economically viable in the long term. To help engage our colleagues on sustainable wood and paper and to assess the potential of projects like Harapan to support future security of timber suppliers, members of our Sustainability and Offer & Supply Chain teams visited Harapan during early 2017 and will share their experiences with colleagues via videos and blogs. During 2017, we plan to use our donations to provide seed-funding to support new sustainable forest product enterprises in and around Harapan.

PROTECTING FORESTS

We aim to have a positive impact beyond our business by helping to protect and restore forests. For example, our partnership with the RSPB and their Birdlife International partner Burung Indonesia is supporting efforts to restore 100,000 hectares of Indonesian rainforest, see case study. We hope that in the longer term projects like this will help to generate new sources of sustainable timber for use in our business.

Projects in our operating companies help inspire colleagues and customers on the importance of protecting forests. For example, in Poland during 2017, we ran a FSC Friday event in partnership with a local NGO. Over 400 children participated in workshops at five stores, creating artworks and products from wood and paper. Forty-eight employees from Brico Dépôt Iberia spent the day with their families working in a forest in the Valle del Baztán near Pamplona. Colleagues helped to prune the trees to improve their growth and reduce their vulnerability to forest fire while the children completed activities to learn about the forest ecosystem.

Our operating company forest projects, have benefited forested areas covering at least 13,000 hectares (equivalent to 19,000 full-sized football pitches) since 2013.

RECOGNITION OF OUR WORK

Our work on sustainable timber has been recognised in a number of rankings and benchmarks during 2016/17. These included:

- **Baromètre PAP50:** Castorama France was ranked sixth out of 54 companies in this assessment of the responsible use, sourcing and recycling of paper.
- **CDP Forests Program:** We are a founding participant in the CDP's Forests Program, an investor initiative which aims to improve understanding around how companies are addressing their exposure to deforestation risks. We were ranked in the leadership category for the timber with an A- rating.
- **WWF Furniture Report:** B&Q was included in the WWF Furniture Report on the sustainability performance of the UK's furniture retailers. B&Q was ranked among the top scorers.

13,000

hectares of forest have benefited since 2013

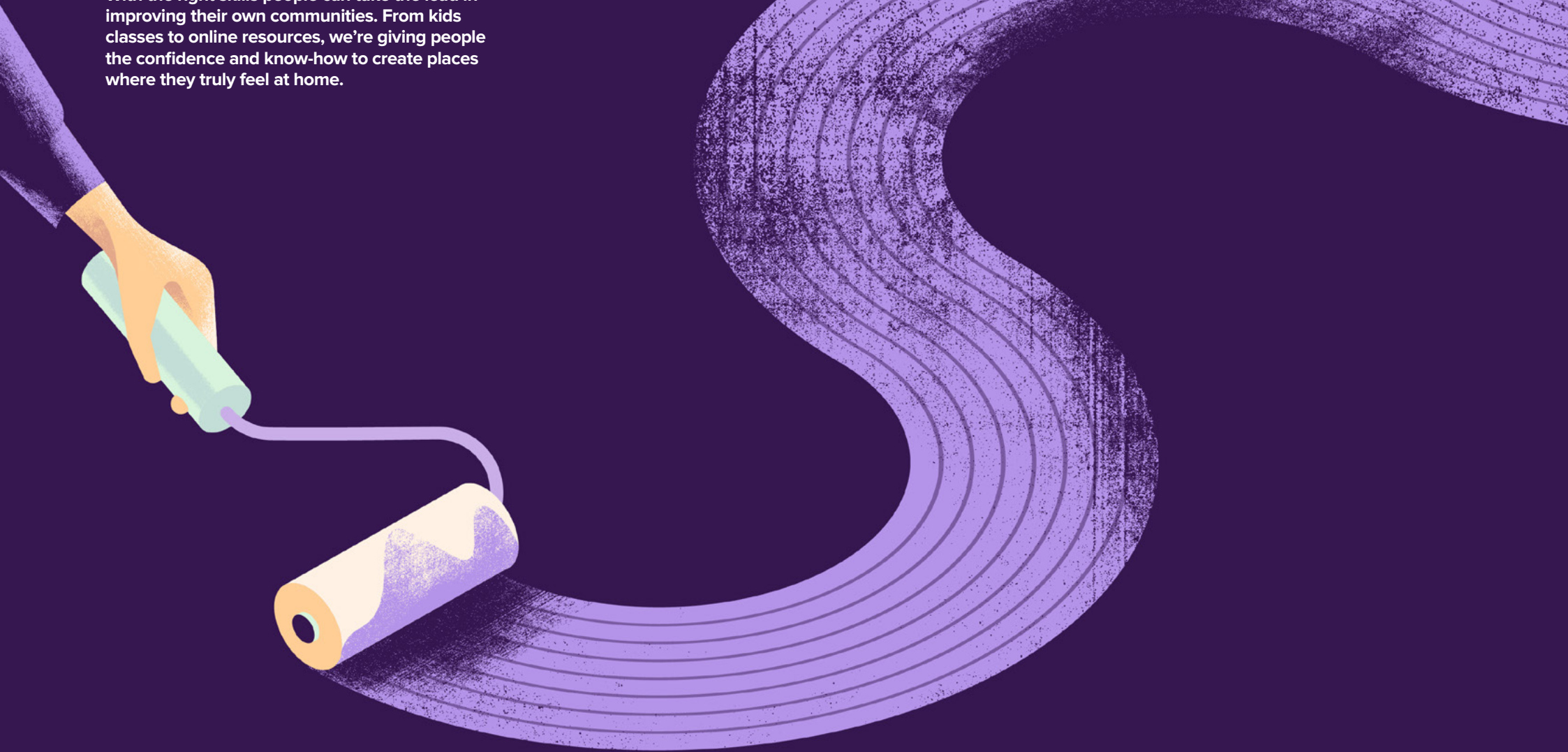
WE'RE BUILDING COMMUNITIES...

Our goal is to become a force for good in the communities we are a part of. Through our community projects and donations, we can make a real difference to people's lives. Whether it's helping the Red Cross provide emergency assistance or funding repairs to local community facilities, we get stuck in to create change for the better.



...WHERE PEOPLE REALLY WANT TO BELONG

With the right skills people can take the lead in improving their own communities. From kids classes to online resources, we're giving people the confidence and know-how to create places where they truly feel at home.



COMMUNITIES

WE WANT TO BE A FORCE FOR GOOD IN THE COMMUNITIES WHERE OUR OPERATIONS ARE LOCATED. WE DONATE TIME, MONEY AND PRODUCTS TO CREATE A POSITIVE IMPACT AND TO HELP MORE PEOPLE TO HAVE A GOOD HOME – WHETHER THAT’S THROUGH IMPROVING FACILITIES, SHARING SKILLS OR SUPPORTING COMMUNITIES IN AN EMERGENCY.

We focus on projects which are aligned with our ambition of creating good homes by making home improvement accessible to everyone. Our community investment is something we’re very proud of and we aim to get our customers and colleagues involved through fundraising and volunteering.

Progress: 1,453 community projects supported



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.

HOW MUCH DID WE GIVE?

We gave a total of £1.8 million through our community investment in 2016/17, an increase on the previous year (2015/16: £1.7 million), equivalent to 0.23% of underlying pre-tax profits (2015/16: 0.24%⁴). This includes cash donations, employee time and gifts in kind, with product donations valued at cost price. We have supported 1,453 community projects since 2012/13 narrowly missing our milestone of 1,500. Our data suggests that over 59,300 people benefited from our community projects during 2016/17.

Our employees spent over 7,000 working hours volunteering in their local communities, with 1,907 employees volunteering during work hours. The total value of employee time (including volunteering hours and management costs) was £323,000.

We provide ways for our customers and colleagues to raise money for charity through in-store collections, payroll giving, fundraising events and using our contact centres to take pledges from the public during charity fundraising appeals. In 2016/17, these donations were worth £1.24 million for charity (2015/16: £774,000).

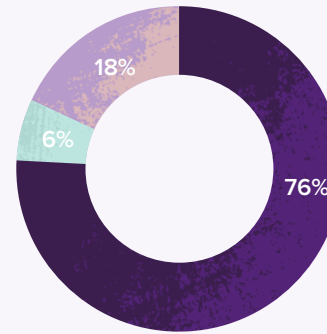
⁴ This is calculated using our underlying pre-tax profit figure as reported in our Annual Report and Accounts.

COMMUNITY INVESTMENT: DETAILS OF COMPANY GIVING 2016/17*

£ thousand

■ Cash	£1,353
■ Gifts in kind	£109
■ Time	£323

*Independently assured by Deloitte LLP



£1.8m

community investment

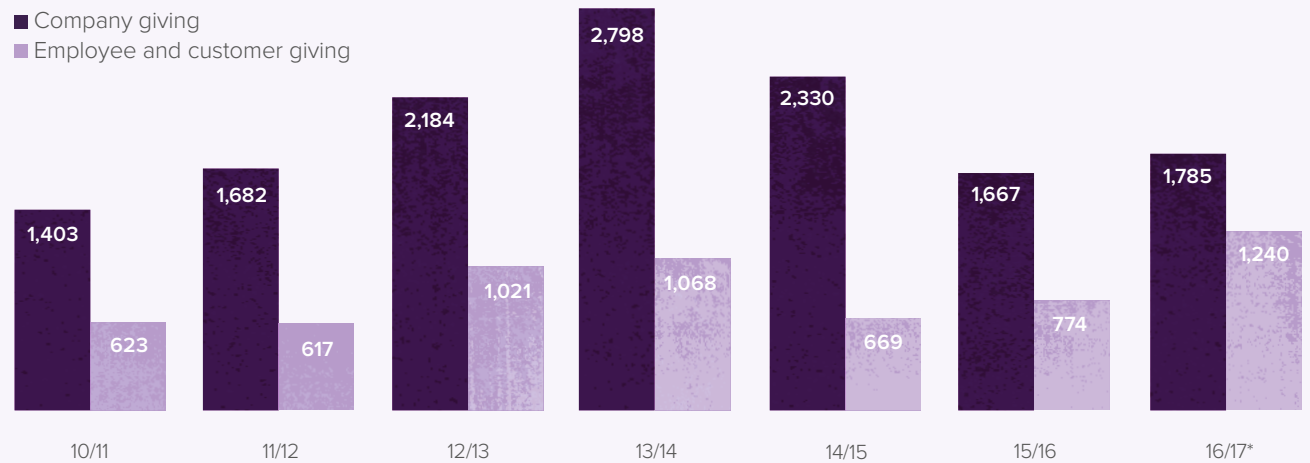
1,453

community projects supported

COMMUNITY INVESTMENT

£ thousand

■ Company giving
■ Employee and customer giving



*Independently assured by Deloitte LLP

OUR RED CROSS PARTNERSHIP – SUPPORTING OUR COMMUNITIES TO FEEL SAFE AND SECURE.

Our business exists to help people create good homes. This isn't just about helping in the good times, it's also about being there when things go wrong. We've launched a new international and local partnership with the Red Cross, so when an emergency happens - be it a flood, fire or earthquake - we can help communities feel safe and secure in their homes.

We have established local partnerships with the Red Cross in the UK, France and Poland, to provide funding and products to help them prepare for and respond to emergencies. For example, in Poland during 2016, we donated funds to purchase equipment to help communities affected by natural disasters such as storms and flooding.

We will also be supporting the Red Cross internationally, coming together with colleagues and customers to fundraise for those affected during and after major global emergencies.

HELPING MORE PEOPLE ENJOY A GOOD HOME

Our people like to be active in their local community and we can have a positive impact when we help our employees to get involved. Through Brico Dépôt's Home project in France, our colleagues join forces with local non-profit organisations to help renovate social housing for people in need. Employees from three stores helped renovate properties during 2016/17 with products donated by Brico Dépôt.

Brico Dépôt also organised a customer collection for the Foundation Abbé Pierre, which works to address homelessness and improve housing for all, raising over €58,000.



€ 58,000

raised at Brico Dépôt France to address
homelessness and improve housing for all

LEARNING AND SHARING SKILLS

We want to help people connect with each other and to learn and share skills to improve their homes and communities. We are investing in online information platforms as well as classes to help young people and adults develop their skills.

Castorama France, for example, has created wikiforhome.org, an online home improvement 'encyclopaedia' with articles, videos and information on different home improvement projects. Anyone can contribute to the site or access the information resources. In the UK, the Screwfix Community Forum provides a supportive place where customers can share and benefit from each other's expertise. It has over 170,000 members with around 1.5 million page views a month including an Eco Talk Forum section for sharing ideas on sustainable homes.

We are working with French NGO, Sikana, on its housing programme to help more people develop basic home improvement skills through online videos, which are free to access and free of advertising. With our support, Sikana work with experts in subjects such as energy efficiency to produce 'how-to' content which is translated into six languages and available on sikana.tv.

We run kids DIY classes at our stores in many of our markets. For example, 80,000 kids have completed our Majsterkowo DIY classes at Castorama Poland since 2012. In 2016, we launched a Castorama Zone at the Moscow Kidzania, the indoor theme park, enabling children to learn DIY skills and improve their confidence. Over 10,400 children have visited the Castorama Zone since it opened in August 2016.

£1.5M

raised through Screwfix Foundation since 2013

80k

children completed DIY classes in Poland since 2012

170,000

members of the Screwfix Community Forum

10,400

children have visited the Castorama Zone since it opened at Moscow Kidzania in 2016

COLLEAGUES AND CUSTOMERS HELP MAKE A DIFFERENCE

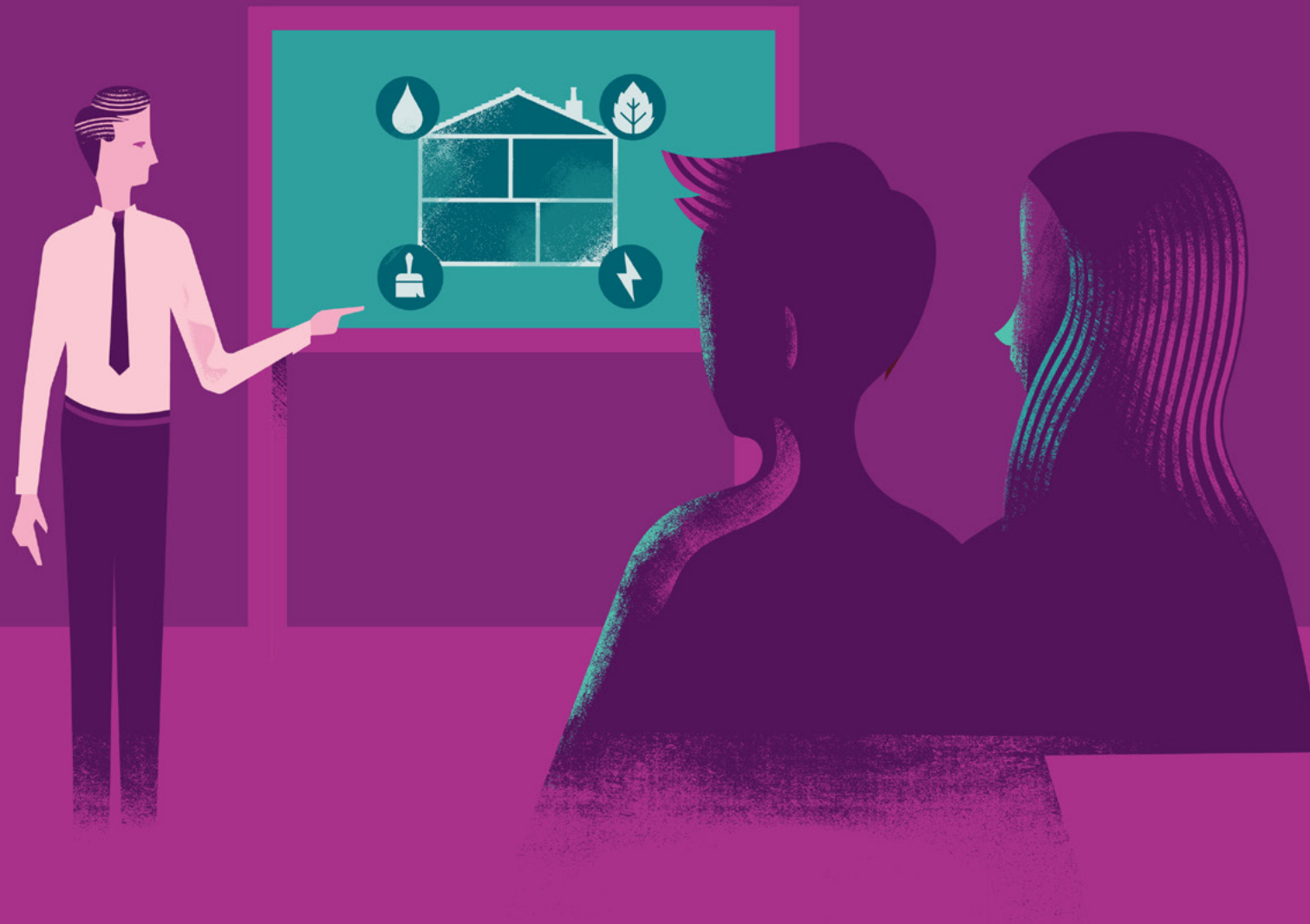
The Screwfix Foundation brings together customers and colleagues to raise funds to fix and improve facilities for those in need across the UK. It has raised over £1.5 million since launching in 2013, helping local charities throughout the UK, as well as its national charity partners; Barnardos and Macmillan.

To encourage even more employees to get involved Screwfix launched its Pay Day Lottery in 2016, giving colleagues the chance to win prizes for each £1 they donate to the Foundation. Screwfix customers can make donations in store and online via Pennies the electronic charity box. Screwfix match funds donations by employees.

St Margaret's Hospice, a charity providing high quality, responsive care to patients and their families facing a life shortening illness, was one of the causes to benefit during 2016 through a donation of £80,000.

THROUGH DEDICATION TO OUR PEOPLE...

We're always looking for ways to improve how we operate as a business, and we know that it's our people who really make the difference. They're curious and diverse individuals motivated by excellence – and it's their commitment and drive that shape who we are. By investing in our people's progression and development, together we can build a stronger business for the future.



...PASSION IS PASSED ON TO OUR CUSTOMERS

The greatest way to empower our customers is by encouraging our people to spread their knowledge. We want that feeling of empowerment to cascade from the classroom to the shop floor and beyond. It means a focus on sustainability in our training will be naturally passed on, helping customers to embed it into their homes.



OUR PEOPLE

IT IS OUR COLLEAGUES WHO MAKE OUR AMBITION A REALITY. WE AIM TO ATTRACT THE BEST PEOPLE AND TO SUPPORT THEIR DEVELOPMENT. WE USE A MIX OF TRADITIONAL, DIGITAL AND LOCAL ADVERTISING RECRUITMENT CHANNELS TO ENSURE OUR VACANCIES ARE AVAILABLE TO A WIDE AUDIENCE, ATTRACTING A DIVERSE RANGE OF CANDIDATES WHO ARE REFLECTIVE OF THE CUSTOMERS AND COMMUNITIES WE SERVE.

We prioritise employee engagement and we are developing our reward mechanisms and improving our learning and development capabilities for both our colleagues and our customers. We invest in building our people's sustainability knowledge to help us achieve our goals.

Our central people team is working with our HR leaders from across the organisation to review and develop our people philosophy and plan.

Progress: 39% women in our workforce



OUR ASPIRATION

We want Kingfisher to be a rewarding place to work where all our colleagues feel engaged and supported.

ENGAGEMENT AND CULTURE

Our values and culture are a crucial and fundamental enabler to building ONE Kingfisher. To help us identify our desired culture and assess if we have the core qualities needed, we invited the Kingfisher Leadership team to take part in a culture survey. The results highlighted the alignment between our Kingfisher ambition, values and desired culture.

In order to drive the culture we want, we need to put our colleagues at the centre and to design productive and meaningful employee experiences. Digital technology is enabling us to get closer to our employees, to understand how they think and feel, what they do and say and feedback to us.

In 2017, we will map the Employee Experience Journey and develop a new way of engaging with our employees. We will foster a digital workplace through social and collaboration tools.

We provide opportunities both formally and informally for employees to share their views with company leadership. This includes our employee survey conducted in conjunction with Gallup which provides our leaders with an insight into how engaged our people feel in their work and to identify opportunities for improvement. Individual team results are reviewed by line managers, who are encouraged to have regular engagement

conversations with their teams and agree improvement actions for the year.

We achieved an overall engagement score of 4.23 out of 5.00 in 2016, an improvement from 4.20 in 2015, based on an 88% response rate. More than 62% of our people are now classified as engaged, putting us in the top 50% of the Gallup database of retail companies. The results show that our strengths include recognising employee achievements and engagement between co-workers. Further work is needed to make sure that employees know what is expected of them at work and have the right equipment and materials to do their job.

Several of our companies have introduced employee forums to support communication with our people. For example, at B&Q staff can elect representatives to the B&Q People's Forum to understand the company direction and to work with management on important strategic and change priorities. Employee forums also exist in our French and Polish businesses.

Managing change

We are one year into our five year transformation to become ONE Kingfisher. This is a period of change for our employees and our business as we reorganise ourselves. We need to manage these changes carefully to minimise negative impacts on our people.

During the programme to close 65 B&Q

stores as part of a two year plan to reshape our store portfolio, we worked hard to support all colleagues who were affected. We were delighted that almost 700 colleagues were able to move to new roles within B&Q or elsewhere within Kingfisher. Those who didn't want to, or were unable to move into a new Group role were provided with a variety of support and training including CV writing, practise interviews and a guaranteed interview offered by incoming tenants to stores that were closing.

Employee turnover

Our employee turnover rate was 32% (2015/16: 24%). This includes voluntary and involuntary leavers.

62%

of our people are now classified as engaged

IN ORDER TO DRIVE THE CULTURE WE WANT, WE NEED TO PUT OUR COLLEAGUES AT THE CENTRE AND TO DESIGN PRODUCTIVE AND MEANINGFUL EMPLOYEE EXPERIENCES.



CREATING AN INCLUSIVE WORKPLACE

We value diversity in our workforce. We believe that teams are most effective when they reflect the diversity of our customer base. This is borne out in research which shows that diverse companies are more likely to out-perform their peers⁵.

We aim to create an inclusive culture where employees of any background can be themselves and do great work. It is our policy to ensure there is no discrimination in employment including in relation to race, gender, age, disability, marital status, sexual orientation or religious belief.

Gender

We aim to achieve gender balance at all levels of our workforce. Women accounted for 44% of our Board, well above the average for the FTSE 100⁶, and 43% of our Group Executive during 2016/17. Overall representation of women in our workforce remained at 39% but there was an increase to 33% among all management positions (2015/16: 31%).

⁵ Diversity Matters Report, McKinsey, <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁶ Women account for around 27% of FTSE 100 boards <https://30percentclub.org/about/chapters/united-kingdom>

Our companies have introduced a range of programmes to support the recruitment, retention and promotion of female employees. Examples include:

- Castorama France is focusing on increasing the number of women in its sales force and senior management. Its approach includes flexible working options and benefits to support working parents, regular gender pay audits, and tracking gender diversity at store and regional level. Specific actions in store are also helping to make sales force roles more accessible to a wider range of people. For example, Castorama has introduced a special team responsible for lifting heavy and bulky items so that this no longer forms part of the role for other retail employees.
- B&Q has launched a three-year plan to help it further boost diversity in its workforce and create an inclusive culture that attracts talented employees from all backgrounds. A key focus area is on increasing diversity in leadership and management roles.

GENDER DIVERSITY

% female employees

	12/13	13/14	14/15	15/16	16/17*
Board	27	27	40	44	44
Senior management**	21	21	19	20	20
All management	29	29	29	31	33
Total workforce (FTE)	40	39	39	39	39

*Independently assured by Deloitte LLP

**Senior management includes Board members, directors and heads of department

44%

women accounted for 44% of our Board

33%

female management positions

- Koçtaş, our joint venture in Turkey, is participating in the United Nations HeForShe programme which aims to end discrimination against women and girls and ensure the equal participation of women in the workforce. During 2016, 81% of Koçtaş employees completed HeForShe training to improve understanding of the benefits of gender balance in the workforce. The training gives employees the knowledge and tools to identify and address unconscious bias and helps them to take action to improve gender equality in the workplace.

81%

of Koçtaş employees completed HeForShe training

30%

of workers aged over 50 at B&Q

- Women are underrepresented in the IT and digital industries, and the challenge starts early with girls less likely to see IT as a potential career option. Through Women in IT, KITS, our IT division, is focusing on encouraging more young women to see IT as a potential career path as well as supporting KITS female employees to develop their careers. During 2016/17 activities included visits to schools and universities in France and the UK, a bring your kids to work day and improving the information available on potential career paths supported by “real life” career stories featuring female role models.

Ethnicity

We do not currently have accurate data to track ethnic diversity in our workforce. More information is provided in our Data Appendix.

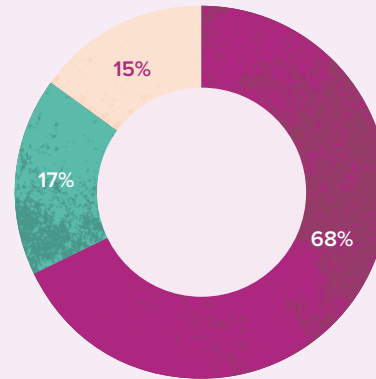
Age

We believe that each generation brings a valuable perspective and set of experiences to their work. We encourage age diversity in our workforce and a number of our companies have programmes targeted at young people and older workers. For example, B&Q has encouraged the recruitment and retention of older workers for many years and today over 30% of its workers are aged over 50.

We have a range of programmes designed to attract young people into our workforce. For example, Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for undergraduate and master’s degree placements. The programme offers a wide range of in-store placement opportunities. In 2016, a total of 713 apprentices were recruited across Castorama and Brico Dépôt France.

EMPLOYEES BY AGE 2016/17*

- 24 and under
- 25-49
- 50 and over



*Independently assured by Deloitte LLP

Disability

We aim to create an accessible workplace and support employees affected by disability. During 2016/17, 2.5% of employees had a declared disability, a slight decrease on 2.6% the previous year.

Our companies in France have made further progress on disability, in line with national legislation, focusing on support for disabled employees, training and guidance for managers and partnering with disability organisations. 10.3% of workers employed directly or indirectly by Brico Dépôt France have a disability (6.7% of full-time equivalent employees) and 7.1% of workers employed directly or indirectly by Castorama France (5.4% of full-time equivalent employees), compared with the French national target of 6% of workers employed directly or indirectly⁷.

B&Q has a long-standing commitment to employing disabled people in its workforce. It has reached Level 1 in the UK government’s Disability Confident employers programme and is now working towards level 2.

Brico Dépôt Iberia has joined the Incorpora initiative run by the La Caixa Foundation which supports companies to increase inclusion in the workforce for people with disabilities, learning difficulties and the long-term unemployed. So far, sixty people have benefited from work placements at Brico Dépôt Iberia and the goal is for every Brico Dépôt store in Spain to collaborate with its local Incorpora organisation. This new partnership builds on Brico Dépôt Iberia’s work with the Red Cross since 2011 on disability and inclusion.

⁷ Indirect employment includes partnerships with organisations who specialise in providing work for people with disabilities.

LEARNING AND DEVELOPMENT

We invest in training and development for employees at every stage of their career, spending almost £17 million in 2016 with 14 hours of training on average per employee.

We are developing a new learning strategy for our colleagues to enhance their knowledge of home improvement and our new unified product ranges and to improve the service that we provide to customers. This includes a range of courses and training sessions for colleagues in our Offer and Supply Chain function.

£17 million

invested in learning and development

Examples of training at our companies during 2016/17 include:

- Screwfix runs a number of programmes that develop people in their careers, all the way from the shop floor into management and leadership roles. Their store management '1st Steps' and 'Fast Track' programmes are fully accredited with City & Guilds and the Institute of Leadership and Management Level 2, 3 & 4 qualifications, with approximately 820 colleagues on the programmes in 2016/17.
- B&Q's Aspire Talent Programme offers fast-paced and challenging structured learning, for those identified as having talent, drive and the potential to grow their B&Q career. It's completed within a six-month period alongside their current role, with a further four months to consolidate and apply their learning. This year, 258 colleagues have completed the programme, with 167 from our stores and 91 from our Store Support Office.



'BIENVENUE CHEZ MOI'

So we can serve our customers better, we need our employees to experience first hand what it's like to complete a home improvement project and what the challenges can be. In 2016 Castorama France launched 'Bienvenue Chez Moi' – Welcome to my place – that saw colleagues helping each other with their DIY projects.

Over 50 employees took part, mainly from the Castorama France sales force. Each session was supervised by a home improvement professional, enabling staff to improve their skills and gain new insight into the practicalities of home improvement.

AWARDS



Kingfisher won the FTSE Executive Women Award at Business in the Community's (BITC) Gender Equality Awards 2016. The award is made for being the FTSE 100 business that employs the most female executives and is in recognition of the diversity of Kingfisher's leadership teams.



Kingfisher received the 2016 Gallup Great Workplace Award, one of just 35 companies worldwide to receive it. The award recognises companies that create an engaged workplace culture.



Castorama Poland was awarded the "Investor in Human Capital" award by the Management Observatory Institute in Poland and recognised as a 'Good Employer 2016' by the Leaders of Social Responsibility programme – a collaboration of the Business Forum (Media Press Group) and Institute of Philosophy and Sociology at the Polish Academy of Science.



Screwfix was named one of the Best Places to Work in the UK by Glassdoor's Employees' Choice Awards.



Brico Dépôt Spain came top of the 'Best Workplaces Spain 2016' list, in the category for companies employing over 1,000 people. It is the first time that a retailer has topped the ranking in Spain.

HEALTH, SAFETY AND WELLBEING

Protecting the health and safety (H&S) of our employees is a fundamental part of being a responsible business. We have clear policies and structures in place to help us do this including a Board-level Group Safety Committee which meets bi-monthly, a Group Safety Manager, a senior management safety committee in each operating company and a network of safety professionals.

Our H&S Dashboard summarises performance at each operating company and is reviewed at every meeting of our Group Board and Group Executive Committee.

Health and safety legislation differs across our markets and some countries do not require the reporting of minor accidents. We launched a new accident management system during 2016 to strengthen our data and reporting systems and ensure greater consistency between markets. This will improve how we monitor risks, accidents (including minor accidents) and near-misses and help us to share information and lessons learned across the business.

We audit our stores against our mandatory minimum H&S standards and each company has an action plan to address any areas for improvement.

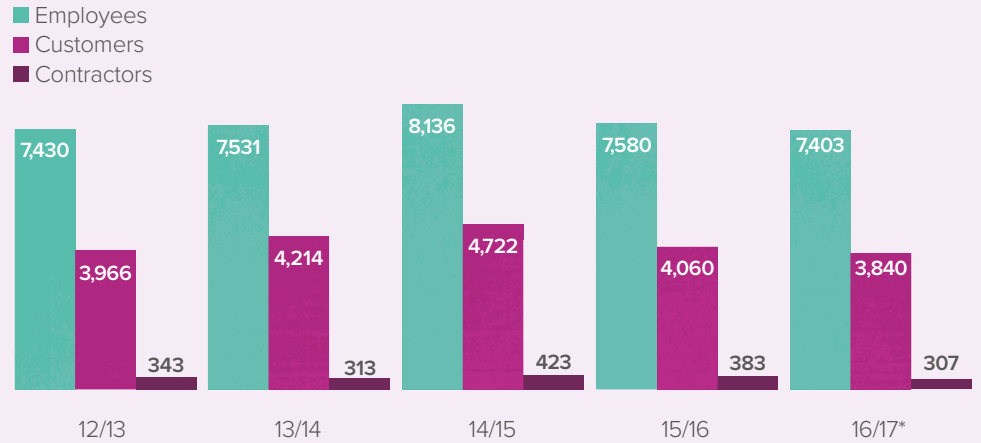
How are we doing?

Our total employee accident rate (number of all work-related accidents per 100,000 full-time equivalent employees) was 11,611, a decrease of 5% year on year and 7% reduction since 2012/13. There were no work-related fatalities and none for the previous nine years.

CUSTOMERS AND CONTRACTORS

There were 3,840 accidents reported by customers in our stores during the year (2015/16: 4,060) and 307 contractor accidents (2015/16: 383). The majority of customer accidents relate to slips, trips and falls. Customer accidents are included in our monthly H&S Dashboard and new accident management system.

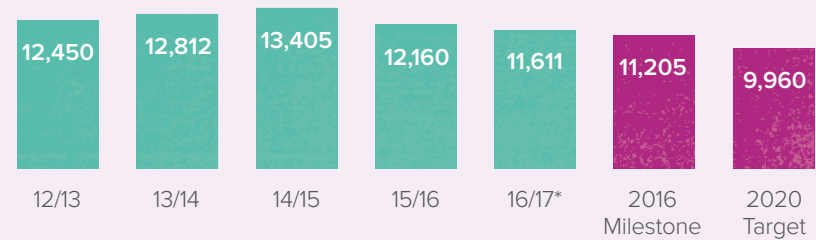
HEALTH & SAFETY: ALL ACCIDENTS



* Independently assured by Deloitte LLP

EMPLOYEE ACCIDENT RATE

Number of all work-related accidents per 100,000 full-time equivalent employees



* Independently assured by Deloitte LLP

EMPLOYEE WELLBEING

Our operating companies implement programmes to support the physical and mental wellbeing of our colleagues. For example, B&Q offers an Employee Assistance Programme for colleagues who may need counselling, financial and legal advice or specialist support for critical incidents. It provides occupational health assistance to support colleagues in the workplace and discounted rates on healthcare and medical benefits for employees and their families.

133

webinars on sustainability topics delivered via Kingfisher Exchange

102

sustainability champions in Brico Dépôt France's stores.

BUILDING OUR SUSTAINABILITY EXPERTISE

We are using learning and development opportunities to raise awareness of our commitment to sustainability and build our knowledge base around the business and with our employees.

During 2016/17, leaders and managers from around the business attended a bespoke two-day residential course run by the Cambridge Institute of Sustainable Leadership exploring trends, new thinking, best practices and insights for embedding sustainability into the business. 35 people attended including our Group Sustainability Committee and representatives from our operating companies and Group functions.

During 2017, we will roll out sustainability e-learning for all OSC colleagues and more in-depth sustainability modules in our OSC university covering topics including responsible sourcing, sustainable home products and sustainable timber. We plan to extend this to colleagues in other parts of the business.

We create opportunities for colleagues to share knowledge and information. For example, the Kingfisher Exchange enables

colleagues in our sustainability, retail operations, health and safety and customer insight teams to share information and best practices. 133 webinars were delivered via the site in 2016/17 which has around 500 Kingfisher members.

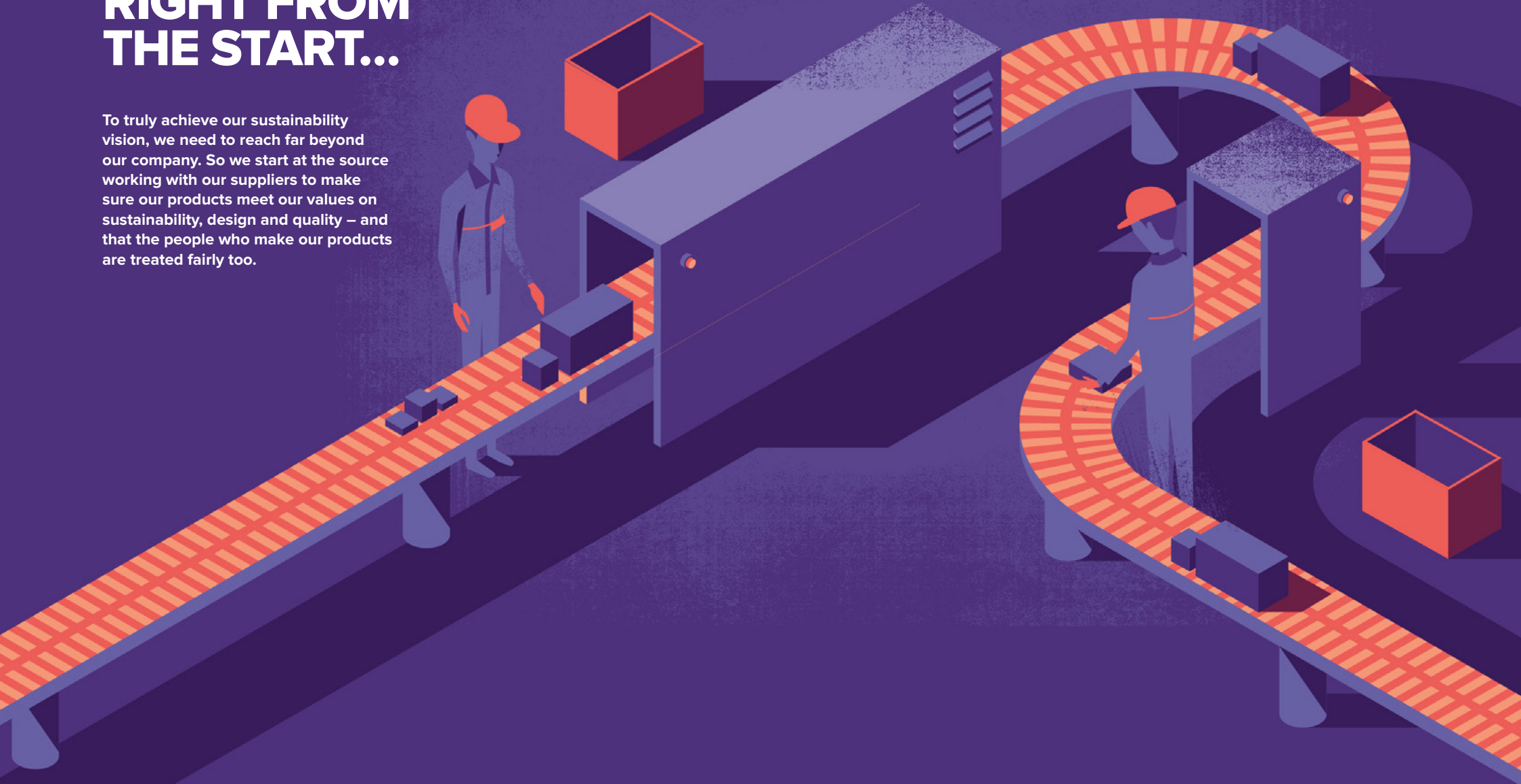
Our companies run training and campaigns to engage employees on sustainability. Five of our companies now include sustainability in their induction programme. Examples of employee engagement include Brico Dépôt France's 'Essentiel' supported by a network of 102 sustainability champions in its stores. It ran a series of employee engagement campaigns during 2016, including a Sustainability Week with events on reducing waste and increasing recycling, energy efficiency and sustainable home products.

We include sustainability in the induction process for recruits to the Kingfisher Graduate Programme. During 2016/17, our graduates were tasked with exploring different aspects of sustainability including customer attitudes and opportunities for integrating sustainability in key ranges. At the end of the project they presented their ideas to our Chief Customer Officer and leaders from our Offer and Supply Chain function.

WE ARE USING LEARNING AND DEVELOPMENT OPPORTUNITIES TO RAISE AWARENESS OF OUR COMMITMENT TO SUSTAINABILITY AND BUILD OUR KNOWLEDGE BASE AROUND THE BUSINESS.

SUSTAINABLE RIGHT FROM THE START...

To truly achieve our sustainability vision, we need to reach far beyond our company. So we start at the source working with our suppliers to make sure our products meet our values on sustainability, design and quality – and that the people who make our products are treated fairly too.



... ALL THE WAY THROUGH TO THE FINISH

We're making a big effort to get to know our suppliers well – from their people and processes to their core values. By strengthening our ethical sourcing standards and focussing on larger contracts with a smaller number of trusted suppliers, we're working to make sure our products reflect our values.



SUPPLIERS AND PARTNERS

WE HAVE AN EXTENSIVE SUPPLY CHAIN, AND WE CHOOSE OUR SUPPLIERS CAREFULLY, AIMING TO WORK WITH PARTNERS WHO CAN DELIVER GREAT PRODUCTS WHILE MEETING OUR STANDARDS ON HUMAN RIGHTS, ETHICAL CONDUCT AND THE ENVIRONMENT.

We want to use our £7 billion buying scale to positively influence standards in our supply chain, reflecting customer expectations and reducing risks to our business.

As part of our work to unify our product offer and to streamline our sourcing of goods not for resale, we aim to negotiate larger contracts with a smaller number of suppliers. This will bring opportunities to develop closer and deeper relationships with suppliers, potentially giving us more visibility over our supply chain and reducing risk, including human rights risks. In the first year of our transformation plan our unified ranges represented around 4% of our cost of goods sold.

We still have work to do to fully embed our approach to ethical sourcing and we have put in place a five year plan to further strengthen our performance.

Our approach to human rights is summarised in the Governance & Management section on page 72.



OUR ASPIRATION

We work with our suppliers to integrate sustainability into our products, services and operations.

OUR ETHICAL SOURCING STANDARDS

Our expectations of suppliers are explained in our Supply Chain Workplace Standards. These explain our commitment to human rights and our expectations in relation to issues such as health and safety, working hours and wages, and freedom of association. Our Group Ethical Sourcing Policy Statement and our Group Supplier Workplace Ethical and Environmental Assurance Policy Standard set out our approach to implementing our Supply Chain Workplace Standards.

We are committed to prevent any modern slavery or human rights abuses in our business and supply chain and to investigate any alleged breaches of our policies. We reviewed and updated our ethical sourcing policies during 2016/17 to enhance our due diligence processes in light of the Modern Slavery Act. You can read more about our approach in our first Modern Slavery Act Transparency Statement, which is published on our website: kingfisher.com/modern-slavery

WE HAVE A NEW TEAM IN OUR OFFER AND SUPPLY CHAIN FUNCTION DEDICATED TO IMPLEMENTING OUR ETHICAL SOURCING STANDARDS IN OUR SUPPLY CHAIN.

MANAGING STANDARDS IN OUR SUPPLY CHAIN

We have a new team in our Offer and Supply Chain function dedicated to implementing our ethical sourcing standards in our supply chain. We carry out due diligence and require ethical audits of high risk production sites to check compliance against our requirements. We are rolling out Sedex, the online supplier data exchange, across our sourcing of goods for resale, to help us identify risks in our supply chain and track and share audit results.

We aim to work with our suppliers to continually improve standards and we use our ethical audit process to identify areas for improvement which are detailed in a Corrective Action Plan (CAP). No sourcing can take place until all issues of a business-critical nature have been resolved through the CAP process.



We prioritise engagement with suppliers presenting a higher risk due to factors such as the products or services they supply and their geographical location. To date, we have focused on suppliers of our own and exclusive brand products, but following the changes to our business model, we will be expanding our focus to cover more of our supply chain.

Our independent and confidential whistleblowing service enables suppliers to report any breaches of our standards. All reports to the helpline are fully investigated and followed up and the outcome reported to the Audit Committee of the Board of Directors.

TRAINING OUR EMPLOYEES

Our Buying Offices train relevant employees on ethical sourcing and workshops are run for suppliers on our ethical and environmental requirements. As our structure changes, we are developing new training materials on our standards for our buying office teams including our sourcing, range, supply and logistics professionals. These will be rolled out during 2017/18.

We are also working with Stop the Traffik, the anti-slavery organisation, to review training requirements across the Group on modern slavery.

AUDIT RESULTS

In previous years we sourced some goods for resale via our group buying offices and some via our operating companies. During 2016 we transitioned our sourcing into our Offer and Supply Chain function. We now source goods for resale via our group buying offices and established additional group buying offices during the year.

Our data for ethical audits during 2016/17 covers the group buying offices that were operational for the full financial year⁸ and excludes vendors previously managed by our operating companies. This means it is not comparable with our data on ethical audits for previous years. We are extending our data collection systems to cover all buying offices and types of suppliers to enable us to report full data in future years.

These group buying offices sourced from 1,071 production sites during 2016/17 of which 45%* have had an on-site ethical audit in the last year (483 production sites) and 89% have had an on-site audit in the past three years (949 production sites).

270,000

pallets have been reused

Five potential production sites were not accepted in 2016/17 because they failed to meet our ethical sourcing standards. 350 sites were required to implement a CAP in relation to ethical sourcing requirements following an audit in 2016/17 (72% of factories audited).

There were no reports relating to modern slavery made via our whistleblowing line in 2016/17.

Further data can be found in our Sustainability Data Appendix: kingfisher.com/sustainabilityreport

RAW MATERIAL SUPPLIERS

We prioritise engagement with our finished goods suppliers, but we also take a broader approach in some key areas to identify and address risks further down our extended supply chain. Our responsible timber sourcing is one example, see page 35, in our Wood & Paper section.

We are also working with the TFT Responsible Stone Programme, to improve ethical and environmental standards in quarries and stone processing factories in developing countries.

11.7%

reduction in carbon emissions by Chinese suppliers in the Low Carbon Manufacturing Programme

SUPPLIERS OF GOODS NOT FOR RESALE

We spend around £1.2 billion each year on goods not for resale (GNFR), from cleaning services to fork lift trucks. We aim to unify these contracts, negotiating goods and services on behalf of our operating companies. This will improve efficiency, reduce costs and provide an opportunity to embed sustainability criteria into our GNFR purchasing.

We have now integrated sustainability criteria into the standard tender process template for new GNFR suppliers procured through group contracts.

We have started to work with Stop the Traffik to identify modern slavery risks associated with procurement of goods and services not for resale, covering sectors such as logistics, cleaning and construction.

A GREENER SUPPLY CHAIN

We also work with our suppliers to reduce environmental impacts in our supply chain. For example, wooden pallets used to ship products are a major source of waste in the supply chain.

B&Q has partnered with Scott Pallets and developed a range of higher quality pallets for B&Q products which are made from sustainably sourced timber. Unlike traditional returnable pallet solutions these can be made in bespoke sizes and used by suppliers globally to ship products to B&Q. After use the pallets are picked up, repaired if necessary, then shipped back to the supplier for reuse.

Since launching in 2015, over 270,000 pallets have been reused and over 900 lorry trips between forest, saw mill and pallet manufacturer have been avoided. The initiative was recognised with awards during 2016/17 from Ethical Corporation and Edie. We hope to extend the programme to Screwfix during 2017/18.

Our group sourcing office helped develop and has been participating in WWF's Low Carbon Manufacturing Programme (LCMP) in China since 2012. 25 of our suppliers have taken part in LCMP, collectively avoiding over 15,110 tonnes of carbon, an estimated 11.7% reduction in carbon emissions compared with business as usual. We have also established a partnership with the Environmental Defense Fund's Green Supply Chain Program (GSC). Four suppliers joined GSC in 2016 and are working to achieve carbon reductions.

*Independently assured by Deloitte LLP

⁸ These buying offices are located in Brazil, China, India, Poland, Turkey and Vietnam. The data excludes our newly established buying offices in Europe.

ETHICAL CONDUCT

Our Code of Conduct and Group Governance Manual – ‘The Way We Do Business’ – explains our ethical principles, key policies and minimum standards, and help us comply with regulations such as the UK’s Bribery Act. We aim to create a compliance culture in which all employees feel able to raise concerns and companies have the confidence to identify, acknowledge and address gaps in policies or performance.

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

Our operating companies’ reporting and compliance procedures include: the appointment of a senior compliance officer in each operating company; training for relevant employees; raising awareness of our whistle-blowing procedures; and integration of the Code of Conduct into employee and supplier contracts. We have a compliance network for our operating company compliance officers to share information and best practices.

Our internal audit function monitors compliance with our Code and policies, working with our operating companies to help them strengthen policies or procedures where needed.

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. 161 cases were opened during 2016/17. Operating companies are required to raise employee awareness of the hotline and email address.

We will be reviewing and updating our Code of Conduct and approach during 2017/18.

Download our Code of Conduct: www.kingfisher.com/sustainabilitypolicies

WE AIM TO CREATE A COMPLIANCE CULTURE IN WHICH ALL EMPLOYEES FEEL ABLE TO RAISE CONCERNS AND COMPANIES HAVE THE CONFIDENCE TO IDENTIFY, ACKNOWLEDGE AND ADDRESS GAPS IN POLICIES OR PERFORMANCE.

WORKING WITH SUPPLIERS TO INTEGRATE SUSTAINABILITY

Our new unified and unique bathroom ranges have been designed to be stylish and affordable as well as easy to install, easy to use, easy to clean, and easy to maintain. Our teams have worked with our suppliers to integrate a range of sustainability features from FSC certified wood in our cabinets to shallow profile sinks that encourage customers to use less water. Quality and durability have been a priority in the range development, with products such as our Beloya shower and Imandra bathroom cabinet, carrying a 10 year guarantee – this is better for customers and means less waste and a lower impact on the environment. We are now working with our suppliers to extend our unified bathroom range including embedding water efficiency in our taps, toilets and other water-using products.

WE'RE USING FEWER RESOURCES...

Just like our customers, we don't like waste. We're redesigning our packaging to see how we can use less but still protect our products. Take our new triangular box for taps – 30% smaller than previous designs, it is saving 45 tonnes of packaging material per year.



...FOR A BETTER ENVIRONMENT

In fact, we're working to make all our products and operations better for the environment - from cutting out waste to implementing sustainable store designs. Step by step we're helping to create a cleaner, less wasteful environment for us all to enjoy.



ENVIRONMENT

WE WANT TO HELP OUR CUSTOMERS CREATE LOW IMPACT, HEALTHY HOMES FREE FROM WASTE AND HARMFUL CHEMICALS. THE SAME IS TRUE IN OUR OWN BUSINESS AND OUR SUPPLY CHAIN. OUR ASPIRATION IS TO HAVE A RESTORATIVE IMPACT ON THE ENVIRONMENT, ELIMINATING NEGATIVE IMPACTS AND CREATING CHANGE FOR THE BETTER.

As we unify our sourcing and functions, we aim to identify the best practices in each of our individual companies and apply these to the group as a whole, further improving our environmental performance.

Other important environmental issues for our business include wood and paper, energy and closing the loop. Progress against our environmental targets is summarised on pages 89-90, in our Performance Summary section.

Progress: 74% of waste recycled



OUR ASPIRATION

We are reducing our impacts as the first step towards being restorative to the environment.

BETTER, MORE SUSTAINABLE PACKAGING

We are reviewing the packaging design for all our unified and unique ranges to ensure high quality packaging, that protects our products, looks good, is easy to open and has a lower impact on the environment.

Sustainability is integrated into our Kingfisher packaging standards which are applied to the packaging specification process for each own brand and exclusive range. We aim to use fewer resources, design our packaging to be more efficient to transport and store and to select materials which are responsibly sourced or recycled and easy to recycle after use. We are also making traceability of packaging materials and registration with Sedex a pre-qualification requirement for nominated packaging suppliers.

We have appointed a partner to help us collect data on 52 packaging materials used and monitor compliance with our packaging policy. In 2016/17, we used 10.1 tonnes of packaging/ £ million sales (2015/16: 11.1 tonnes/£ million sales)⁹.

45 tonnes

of material saved through redesigning packaging for kitchen taps

MANAGING CHEMICALS IN OUR PRODUCTS AND SUPPLY CHAIN

All our products have a chemical content, from paint and cleaning products to a hammer or a drill. Chemicals are also used in the manufacturing processes for our products.

There is increasing customer interest in the use of chemicals and a growing number of chemicals are being identified for phase out or immediate restriction through chemicals legislation such as the EU REACH Regulation and regulation on biocides.

Our chemical policy is designed to protect workers in the factories making our products, our customers and the environment by phasing out substances of potential concern and identifying sustainable alternatives that can be used in product manufacturing.

This is challenging given the many thousands of products in our ranges and global supply chain. While we already have good information on the chemicals used in chemical-based products, such as paint or cleaning products, effectively implementing our policy for chemicals found in other finished goods or used in the making of our products will take much longer.

⁹ Packaging data covers B&Q, Brico Dépôt France and Castorama France (71% of Group turnover in 2016/17).

We have expanded our Regulatory Chemicals team in our Group Quality function and have created a new Sustainable Chemicals Management team in our sustainability department. The teams will work closely together and with the rest of the business and our vendors to implement our strategy and to identify and phase out higher risk chemical substances. We are undertaking a hot-spotting exercise to identify priority substances, materials and product lines to guide future work.

BETTER PACKAGING FOR CUSTOMERS AND THE ENVIRONMENT

New packaging for our unified kitchen tap range is saving resources and is better for our customers too. Many taps now come in a triangular box which is 30% smaller than the previous packaging design. This saves 45 tonnes of packaging material each year and means more taps can be transported in each load, reducing freight costs and fuel use. The packs are easy to open for our customers and widely recyclable.



PHASING OUT PEAT AND PROMOTING BIODIVERSITY

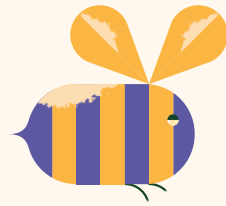
The use of peat in horticulture contributes to climate change and loss of important habitats. We are working with suppliers to phase out peat from the compost, growing media and plants that we sell ahead of voluntary UK government targets. B&Q accounts for around one quarter of the UK growing media market, so phasing out peat from our ranges can have a significant impact on the use of peat in the UK.

In 2016/17, 61.4% of UK bagged growing media (by volume sold) was peat-free – a slight decrease from 62% the previous year. 48% of growing media used by B&Q's plant suppliers was peat free, up from 46% the previous year.

Gardens can be an important habitat for wildlife and we want to help our customers create nature friendly gardens. During 2016, B&Q partnered with the Butterfly Conservation Society to raise awareness of the important role of butterflies and other pollinators, to

promote our range of 'Perfect for Pollinator' plants and peat free compost, and to encourage people to connect with the wildlife in their gardens by participating in the UK Garden Butterfly survey, to assess butterfly numbers across the UK. We are also exploring the link between access to nature and health and wellbeing and the role that gardens can play, see case study.

B&Q was awarded the Greenest Garden Centre Award, at the Garden Retail & Garden Industry Awards 2017 for the second consecutive year recognising its work to reduce its own environmental impact, its collaboration with suppliers on issues like peat and timber and its efforts to make sustainable gardening accessible to all.



HELPING BRING NATURE CLOSER TO HOME

The UK is home to 24 million gardens and at B&Q we want to help people get the most out of them. We believe that welcoming wildlife into our gardens is key to that – but on top of that we have a feeling that the role our gardens play in supporting British wildlife has been underestimated. We commissioned research during 2016 to understand people's views and explore how we can best help our customers bring wildlife closer to home in even the smallest outdoor spaces.

Our research showed that gardens are an increasingly important refuge for wildlife, with 45 of the UK's threatened species found in gardens – including the sparrow, song thrush, starling, common toad, hedgehog and stag beetle.

Yet while 63% of us believe that there are real benefits for ourselves in bringing more nature into our gardens, many people are unsure about what they can do to support wildlife and space, time, money and knowledge were regarded as real barriers to doing more.

Drawing on the research, B&Q has devised Ten Simple Steps to Bringing Wildlife Closer to Home, designed for everyone and specifically tailored for the UK, they include taking part in wildlife surveys like Garden Butterfly Conservations Survey, planting for pollinators, creating habitats and adding water from a bird bath to a pond.

EMBEDDING SUSTAINABILITY INTO STORE DESIGN

We aim to embed sustainability into the way we design, build and operate our stores. During 2016, we opened four Big Box format best practice stores in the UK, France, Poland and Russia designed to improve the shopping experience for customers while reflecting best practice in sustainable design. Features include LED lighting, a unified waste management process and sustainability communications for customers and employees. Our store at Radom Poland is one example, see case study.

We now have 26 learning stores across the business where we test out sustainable approaches to building design, construction and operation including three flagship stores that champion low carbon and sustainability innovation.

We have rolled out LED lighting to 41% of our estate and are investing in renewable energy generation, see pages 27-28, in our Energy & Carbon section.

26

learning stores testing out sustainable building design

41%

of our estate now has LED lighting



RADOM, A MORE SUSTAINABLE STORE FOR POLAND

Castorama Poland opened its first eco-learning store in 2016 at Radom in central Poland. The store is energy efficient, and is expected to consume 20% less energy a year than the average Castorama Poland store. Energy saving features include thicker insulation, LED lighting and a heat recovery system that utilises natural cooling techniques. The store also uses heat pumps, a low carbon method for heating water and plans to install photovoltaic panels. Rainwater is harvested and used to water the plants around the store.

The store is engaging customers and staff on sustainability with in-store information on products for a sustainable home. Customers can return their waste electronic items to the store for recycling.

REDUCING BUSINESS WASTE

We aim to use resources carefully, keep waste to a minimum and recycle as much as possible.

We generated 222,767 tonnes of waste in 2016/17, a decrease of 6.3% year-on-year, compared to an increase in sales of 1.7%. Our recycling rate was 74%, narrowly missing our 2016/17 milestone of 75%.

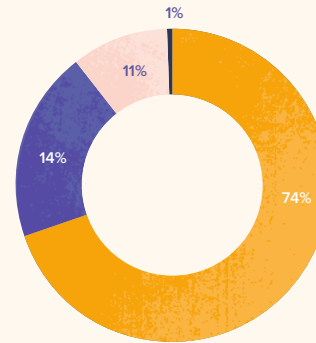
Screwfix has achieved our 2020 target ahead of schedule, with zero waste to landfill from its stores and distribution centres by improving how it sorts, stores and transports waste. All Screwfix stores segregate cardboard and plastic waste which is sent back in Screwfix's own delivery vehicles to its distribution centre for processing by a recycling partner. Any waste which cannot be recycled is used for energy-from-waste. B&Q is now at 99% waste diverted from landfill, from 82% in 2010/11. Brico Dépôt France and Castorama Poland have also achieved our milestone.

We encourage customers to get involved in recycling through take-back campaigns. For example, Castorama France ran five take back campaigns during 2016/17 for customers to return unwanted and used paints, lightbulbs, electrical heating appliances, power tools and furniture. Customers received a €5-20 voucher to spend in store.

WASTE RECYCLING AND DISPOSAL 2016/17*

Thousand tonnes

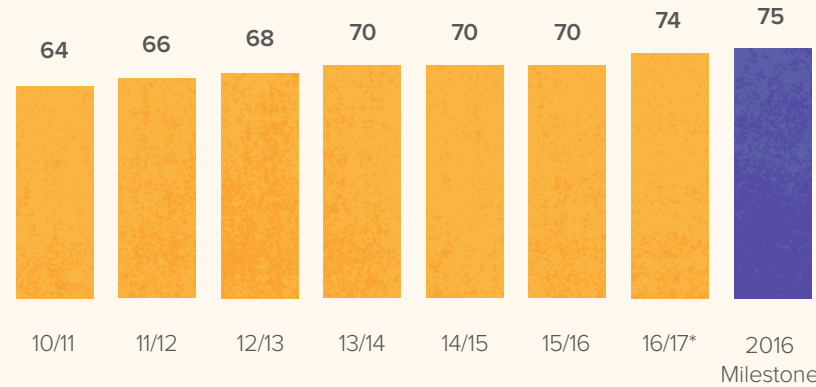
Waste recycled	165
Waste disposed to landfill	31
Waste disposed to incineration with energy recovery	24
Waste disposed to incineration without energy recovery	3



*Independently assured by Deloitte LLP

WASTE RECYCLED

% of waste recycled



*Independently assured by Deloitte LLP

ENVIRONMENTAL PROSECUTION

There were no environmental prosecutions during 2016/17.

PRIORITISING WASTE MANAGEMENT AT BRICO DÉPÔT FRANCE

Brico Dépôt France made waste reduction a focus area during 2016, improving the information and incentives provided to logistics managers encouraging them to increase recycling and reduce the costs of waste disposal. A new template was developed for each of the 119 stores in the programme, tracking the recycling rate and waste disposal costs. Monthly reports are reviewed by the sustainability team as well as logistics managers, store and regional managers and waste suppliers. Bonuses for logistics managers are now linked to the recycling rate at each store. The stores involved have now reached an average 81% recycling rate. Brico Dépôt also ran an information campaign at its head office with new recycling bins and briefings for staff resulting in a 28% increase in recycling.

GOVERNANCE AND MANAGEMENT

SUSTAINABILITY, AS A PILLAR OF THE ONE KINGFISHER BUSINESS STRATEGY, IS THE RESPONSIBILITY OF OUR CHIEF EXECUTIVE OFFICER. THIS RESPONSIBILITY IS DISCHARGED TO OUR CHIEF CUSTOMER OFFICER, WHO IS A MEMBER OF OUR LEADERSHIP TEAM AND REPORTS DIRECTLY TO OUR CEO. HE IS RESPONSIBLE FOR INTEGRATING SUSTAINABILITY ACROSS THE WHOLE BUSINESS. OUR BOARD RECEIVES REGULAR UPDATES ON OUR SUSTAINABILITY PERFORMANCE.

Our Group Sustainability Committee provides direction on the development and integration of sustainability. It is responsible for providing the governance framework to deliver our strategy. The Committee, which met two times during the year, is chaired by the Chief Customer Officer and its members include senior leaders from our Group functions and

operating companies. It monitors progress against our targets and reviews risks and opportunities. 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 on our goals.

Our central sustainability team develops and leads implementation of our sustainability strategy and engagement with our stakeholders. It provides oversight of governance across all areas of sustainability and is a source of expertise for the business. It works closely with our companies and functions including Offer and Supply Chain, Group purchasing, digital and retail operations to embed sustainability into how we work. We have a sustainability director in our Offer and Supply Chain function to lead on integrating sustainability into our products and sourcing.

We have a sustainability lead in every operating company and sustainability teams in our largest markets. They report into a director or Board member who is responsible for delivery of our strategy. The Kingfisher Sustainability Network provides a monthly forum for our sustainability experts to review progress and share ideas.

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 by the Group Sustainability Committee and communicated to all operating companies.

We are continuing to develop and improve our sustainability governance, and will complete a full review of the Group Sustainability Committee's terms of reference during 2017/18.

STAKEHOLDER ENGAGEMENT

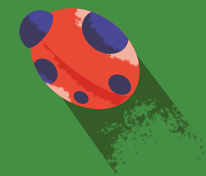
We engage with a wide range of stakeholders to understand their views, learn from their expertise and share our approach and performance. Our stakeholders include our customers, investors, people, suppliers and regulators as well as NGOs, the media and other organisations working on sustainability and business issues.

Our customers are our most important stakeholder group and we carried out research during 2016/17 to better understand their views in relation to sustainability, see page 14, in our Introduction section.

You can read a perspective from Sally Uren, Chief Executive of Forum for the Future, on page 6, in our Introduction section.

ENGAGEMENT, ADVOCACY AND PARTNERSHIP IN 2016/17

We engage with governments, NGOs and other businesses to share our views, learn from others and stimulate progress on sustainability issues. Examples from 2016/17 are included here.



ENGAGEMENT, ADVOCACY AND PARTNERSHIP

INNOVATION

Issue	Organisation	Country	Activities during 2016/17
Circular economy	ACES - the Alliance for Circular Economy Solutions	Brussels	We spoke at an ACES event to share information and best practices with other businesses, NGOs and policymakers.
Circular economy	AFEP - French Federation of Private Companies	France	We contributed to AFEP's work to raise awareness of the circular economy.
Circular economy	British Standards Institute	UK	We contributed to the development and testing of the first BSI standard for the circular economy, BS 8001.
Circular economy	Circular Economy Association	Poland	We are an active member of the Circular Economy Association in Poland and presented at their conference during 2016.
Circular economy	Ellen MacArthur Foundation	UK	We are members of the Ellen MacArthur Foundation and are supporting a research project focused on understanding customer engagement with the circular economy in the retail sector
Circular economy	Envie	France	Envie, the French circular economy network, takes discarded electronic items and repairs them for resale or recycles the component materials. We sponsored their Repair Truck to visit nine French cities and engage members of the public on reducing electronic waste.
Circular economy	Green Alliance Circular Economy Taskforce	UK	We are members of this taskforce exploring policy solutions for promoting the transition to a circular economy.
Circular economy	Institute of Innovative Economy	Poland	We participated in events to share information and best practices with other businesses.
Health and wellbeing	UK Green Building Council	UK	We are active members of the UK Green Building Council meeting regularly with their team and participating in many of their events and training sessions.
Resource efficiency and ecodesign	New Economics Foundation	Europe	We participated in an event at the New Economics Foundation on how ecodesign can contribute to resource efficiency in Europe.
Resource efficiency	Innovation Gateway	UK	We are partners to Innovation Gateway, a platform for crowdsourcing and testing innovation ideas to improve resource efficiency.

INNOVATION

Issue	Organisation	Country	Activities during 2016/17
Sharing economy	Fablab Festival	France	We are partners to the Fablab Festival which celebrates new methods of building and manufacturing using digital technology. We exhibited at the 2016 event attended by 7,500 people and ran DIY workshops for visitors to learn how to build their own lamp. Our partnership will continue during 2017 and 2018.
Sharing economy	Innovate UK	UK	We supported Innovate UK's 'Funding competition: digital innovation in the sharing economy', to encourage innovative ideas for the sharing economy in the home improvement sector. We provided the winning company with support to further develop their proposition.

ENERGY AND CARBON

Renewable energy	Solar Trade Association	UK	We worked with the Solar Trade Association to call on the government to reverse the increase in business rates on solar panels.
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WOOD AND PAPER

Sustainable timber	British Retail Consortium	UK	Through B&Q, we chair the Timber Working Group of the British Retail Consortium.
Sustainable timber	Eurocommerce	Europe	Members of the Timber Working Group (TWG) within the Non-Food Committee of Eurocommerce.
Sustainable timber	European Sustainable Tropical Timber Coalition	Europe	We were members of the strategy and advisory group to setup this coalition convened by IDH, the sustainable trade initiative.
Sustainable timber	Filling the FLEGT Information Gap	UK	We are advisory group members to this initiative funded by the UK government Department for International Development (DFID) that seeks to improve and share information on illegal deforestation.
Sustainable timber	FSC	International	We are a founding partner of FSC via B&Q UK and a member in various countries. We are a Business Advisory Group member to FSC International's work on ecosystem services.
Sustainable timber	PEFC	International	We work with PEFC, the forest certification organisation, and B&Q is a member of its UK board of directors.
Sustainable timber	RSPB	International	We are partnering with the RSPB and their Birdlife International partner Burung Indonesia on a project to restore an area of over logged rainforest, see page 37, in our Wood & Paper section.

WOOD AND PAPER

Issue	Organisation	Country	Activities during 2016/17
Sustainable timber	Timber Retail Coalition (TRC)	Europe	We ran the secretariat and worked with other retailers through the TRC to ensure that the review of the EU Timber Regulation (EUTR) resulted in a strengthened regulatory framework for Europe, including consistent enforcement across EU member states and increased recognition for certification schemes such as FSC.
Sustainable timber	Transparent Forests	Europe	We were advisory group members to this initiative funded by the European Space Agency to use satellite imagery to strengthen forest monitoring and certification.
Sustainable timber	Value and Impact Analysis	International	We are founding partners and sit on the steering committee for this collaboration to communicate the impact of FSC certification.
Sustainable timber	WWF UK Forest Campaign	UK	We worked with WWF on its campaign aimed at improving the EU Timber Regulation to prevent illegally or unsustainably sourced wood from entering European markets.
Sustainable timber	Zoological Society of London	International	Technical Advisory Group member to ZSL's work on the SPOTT Timber, Pulp & Paper initiative.

COMMUNITIES AND OUR PEOPLE

Apprenticeships	Screwfix Trade Apprenticeships guide and awards	UK	Screwfix published a pocket guide to encourage more trades people to hire an apprentice in partnership with the Department for Business, Innovation and Skills and the Skills Funding Agency, with versions now launched in England and Scotland. It runs the Screwfix Trade Apprenticeship's awards to raise awareness of apprenticeships and hosted visits from the Business Secretary and a local MP during 2016 to raise awareness of the guide.
Employment law	Government consultation on the French Labour Code	France	We participated in a consultation on the review of the French Labour Code, sharing our view that it can be reformed to better suit employees, businesses and France.
Skills and education	Various	Poland	Castorama Poland supported a number of competitions for young people including: the Summer Architecture Course organised by Warsaw's Centre for Family Support for young people aged 16 – 21; the Steel Bridge Competition organised by Wroclaw University of Science and Technology; and the European BEST Engineering Competition for students.

SUPPLIES AND PARTNERS

Issue	Organisation	Country	Activities during 2016/17
Ethical sourcing	British Retail Consortium	UK	We are active members of a number of the BRC's working groups, such as the Responsible Sourcing, Ethical Labour and Timber Working Groups, to engage with Government and other stakeholders to improve standards in the retail supply chain.
Ethical sourcing	European DIY Retail Association	Europe	We are working with EDRA, the DIY retail association and other EDRA member companies, to develop a collaborative approach to resolving common issues and challenges. Initially, we are working on a means by which to share ethical audit information.
Ethical sourcing	HERproject	International	We are participating in the HERproject, led by BSR, the sustainability organisation, aimed at improving standards in global supply chains by empowering low-income women.
Ethical sourcing	Retail Week Supply Chain Summit	UK	Our sustainability director, Offer and Supply Chain, spoke at this summit to promote action on sustainable supply chains.
Ethical sourcing	Sedex	International	We participate in Sedex working groups, for example, the working group focusing on improving standards in the sourcing of goods not for resale.
Supporting small businesses	Policy Exchange	UK	Screwfix collaborated with the Policy Exchange on a study, 'Being your own boss', into the evolution of work and the impact on SMEs and the self-employed, including tradesmen. We co-hosted a launch event at the Conservative Party Conference to engage key politicians.

ENVIRONMENT

Brexit and the environment	Chartered Institute of Ecology and Environmental Management	UK	We spoke at an event organised by the Chartered Institute of Ecology and Environmental Management alongside the UK's environment secretary. We articulated our view that Brexit should not result in existing environmental protections being diluted or removed.
Brexit and the environment	Aldersgate Group	UK	We spoke at an event organised by the Aldersgate Group alongside other businesses and the chair of the Parliamentary Environment Committee following the Brexit vote.
Peat	Responsible Sourcing and Manufacture of Growing Media Project	UK	B&Q participates in the DEFRA sponsored Responsible Sourcing and Manufacture of Growing Media Project which is focusing on 'what makes a sustainable growing media'.

INVESTOR INDICES AND OTHER RANKINGS

We communicate our approach to sustainability to our investors and participate in many responsible investment benchmarks and indices and we include information on sustainability in all investor presentations.

We maintained an above average ranking in the leading benchmarks during 2016/17 and were recognised in other sustainability benchmarks.

HUMAN RIGHTS

We respect human rights and take steps to protect the rights of our employees, workers in our supply chain and others affected by our business activities. We are guided by international standards such as the UN’s Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

We are signatories to the UN Global Compact (UNGC), and are committed to its 10 principles including those relating to human rights. See page 97, in our Appendices section, for our UNGC Index.

We have published our Modern Slavery Act Transparency Statement on our website which explains our approach to preventing modern slavery in our business and supply chain.

SUSTAINABILITY BENCHMARKS

Baromètre PAP50	Castorama France was ranked sixth in this assessment of French businesses on the responsible use, sourcing and recycling of paper.
CDP Climate Change	We disclosed our climate change performance through CDP Climate Change and received a rating of B.
CDP Forest Programme	We are a founding participant in the CDP’s Forests Program, an investor initiative which aims to improve understanding around how companies are addressing their exposure to deforestation risks. We were ranked in the leadership category for the timber with an A- rating.
Dow Jones Sustainability Index	We have been included in the DJSI World and Europe Indices since 2010.
FTSE4Good Index	We are listed in this index with a rating of 4.3 out of 5.
STOXX® Global ESG Leaders	We are included in this Index of the leading global companies in terms of environmental, social and governance criteria.
Sustainalytics	We received a positive view of our ability to manage ESG issues.
WWF Furniture Report	B&Q was included in the WWF Furniture Report on the sustainability performance of the UK’s furniture retailers. B&Q was ranked among the top scorers.

MATERIALITY

A wide range of social, environmental and economic issues are relevant to our business and to our stakeholders. We want to make sure we prioritise the issues that are most important and where we can make the most difference.

We prioritise our most material issues through extensive consultation. We look at which issues are of most concern to our customers and other 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: identifying priority stakeholders for engagement, and collating and reviewing feedback and information.
2. External review: engaging directly with stakeholders through channels such as customer visits, face-to-face meetings, and membership of organisations such as Forum for the Future. 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.

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

Updating our materiality assessment

We conducted a new materiality assessment during 2016/17, using research with our customers, expert stakeholders and our managers and employees. We are using the results to develop our new sustainability strategy and will publish the findings in our next Sustainability Report.

Net Positive theme	Material issues for stakeholders	Business drivers
Products and innovation	Sustainable lifestyles, natural resource use, waste	Customer preference and revenue growth
Energy	Climate change, fuel poverty	Cost reduction, customer preference and revenue growth
Wood and paper	Deforestation, climate change, biodiversity	Access to resources
Communities	Community cohesion, access to good housing, skills	Stable, prosperous communities
People	Human rights, equality and diversity, health and safety, youth employment, skills	Access to talent and skill
Suppliers & partners	Human rights, labour standards, ethical conduct, anti-bribery and corruption	Operational efficiency, security of supply
Environment	Natural resource use, chemicals, waste, biodiversity, water	Operational efficiency, access to resources
Governance & management	Tax, lobbying	Risk management and regulatory compliance, opportunity identification

AUDIT AND RISK

We have robust governance processes in place to ensure the completeness, accuracy and reliability of our sustainability 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 sustainability reporting. For example, sustainability experts Bioregional coordinate our head office data review process for sustainability and review our data and monitor our progress on sustainable home product innovation. Our timber data is reviewed by Efeca, an independent consultancy.

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 sustainability targets. They are required to complete an annual self-certification process to confirm that sustainability 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 Deloitte LLP to provide a limited assurance opinion on selected information within this report. Further details on the work they performed and their conclusion are set out in their full assurance statement on page 95, in our Appendices section.

Identification and management of risks relating to sustainability, at an operating company and Group level are incorporated in our strategic risk assessment processes. This means key risks to achieving our targets are considered at least twice a year. In addition, we conduct topic-specific internal audits or risk reviews where required, for example, in 2016/17 Group Internal Audit conducted a Chain of Custody (FSC® and PEFC) audit in B&Q.

Read more on our approach to risk management in our Annual Report and Accounts: www.kingfisher.com/annualreport16-17

PUBLIC POLICY

Government policy can help stimulate progress on sustainability issues and on business issues more generally. We work with non-governmental organisations and regulators at the national and regional level to encourage legislation that incentivises sustainable business practices and creates a level playing field to support investment in sustainable business and innovation. Examples of our engagement and advocacy on sustainability issues are included on page 68, in our Governance & Management section.

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 and the retail sector.

Approach and standards

Our Group Director of Government Affairs and Communities manages our public policy activities and reports to our Chief Customer Officer. The Board of Directors reviews the key aspects of our public policy activity at least twice a year. All our public policy

work must meet the ethical standards set out in our Code of Conduct and reflect our public sustainability commitments. We are registered on the EU Transparency Register of lobbying activities.

We work with a number of external lobbying companies, which are all members of recognised self-regulatory organisations such as the Association of Professional Political Consultants in the UK and the European Public Affairs Consultancies' Association (EPACA) in the EU and governed by their codes of conduct. The lobbying companies we use in the EU are also listed on the EU Transparency Register.

In line with EU and UK corporate governance best practice and as stated in our Code of Conduct, it is our policy not to make donations directly to political parties or politicians.

We follow government guidelines in relation to employing former public officials (the "revolving-door"). On occasion, we collaborate with government departments to provide secondments for public officials, including through the UK civil service's high potential secondment programme.

Public policy priorities

We engaged with governments on a range of policy issues during 2016/17 including: corporate governance; the impact of Brexit; changes to property taxes; employment policies including changes to the French Labour Code and the UK's National Living Wage and Apprenticeship Levy; housing policy; the circular economy; biodiversity; and Sunday Trading laws in several markets.

Examples of public policy activity from 2016/17:

- **Brexit – UK and Europe:** We are engaging with governments in our major markets directly and via organisations such as the BRC, CBI and the Horticulture Trade Association. Our priority is that the Brexit negotiations are conducted in a way that avoids negative impacts on trade and the economy and on our customers both in the UK and Europe. We believe that the Brexit process should not result in a weakening of the UK's environmental protection laws. We believe that EU colleagues working for us and in our supply chain in the UK should be given the opportunity to stay beyond Brexit. We have established an internal Brexit working group to oversee our engagement in this area.

- **Biodiversity – France:** We engaged with the French government over its Biodiversity Bill, encouraging more flexibility in the requirements for how biodiversity is promoted on new store developments and renovations. The updated legislation now enables businesses to choose from a wider range of options as appropriate for each site.
- **Corporate governance – UK:** We responded to the UK government consultation on corporate governance sharing our view that changes to regulation in this area should encourage long-term behaviour by business leaders; support greater alignment between the interests of shareholders and other stakeholders; and help to address public lack of trust in business. We stressed the importance of avoiding complexity and of balancing the need for greater transparency in areas such as executive pay with the importance of commercial confidentiality.

MEMBERSHIP OF TRADE ASSOCIATIONS

Some of our public policy work is conducted via trade associations and industry groups which can help to increase the impact of our policy messages. These relationships are overseen by our Group Director of Government Affairs with trade associations in the UK, France and Brussels and, in other markets, by the relevant local CEO. Our memberships include:

- EU – the European DIY-Retail Association (EDRA) and EuroCommerce
- UK – the British Retail Consortium (BRC), Confederation of British Industry (CBI), and the GC100 – the Association of General Counsel and Company Secretaries working in FTSE 100 Companies
- France – the French Association of Private Businesses (AFEP), and the French Federation of DIY Retailers (FMB)
- Ireland – Retail Excellence Ireland
- Russia – AKORT, the Russian retail association; the Franco Russian Chamber of Commerce and the Foreign Investment Advisory Council (FIAC)
- Poland – The Polish Confederation of Private Employers and the Polish Organisation of Commerce & Distribution (POHID).
- Portugal – Portuguese Association of Retail Companies (APED)
- Spain – Association of Distributors of Hardware and DIY (ADFB)
- Turkey – Chain Stores Association (KMD), Turkish Industry and Business Association (TÜSİAD).

PENSIONS

The Kingfisher Pension Scheme (KPS) manages the pensions of past and present employees. Reflecting our commitment to sustainability, 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 have also explored opportunities to invest in specific funds that support progress on sustainability issues, 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 and a £20m investment in a global renewable energy fund.

The 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 have formed part of the regular Trustee training days. Communication between the KPS Trustee Directors and senior Kingfisher executives and the Kingfisher Sustainability team help to improve understanding of ESG factors from both a pension scheme and corporate perspective.

The KPS keeps investment managers updated on its investment approach and raises awareness of Kingfisher's commitment to responsible business.

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, with 78% of players stating that it encouraged them to think about saving for their future. This approach helped reduce opt-out rates from 6.2% to 2.42% by 31 March 2016.

External recognition

Pension Age Awards 2016 – DC Scheme of the Year

Financial News 2016 Pension Awards – Best De-Risking

Pensions & Investments' World Pension Summit - Runner Up "Innovation in Communication Award 2016"

PLSA Pension Quality Mark

ABOUT OUR REPORTING

OUR SUSTAINABILITY REPORT EXPLAINS OUR PROGRESS TOWARDS OUR 53 TARGETS AND LONGER-TERM ASPIRATIONS. IT SUMMARISES PERFORMANCE AT A GROUP LEVEL COVERING THE FINANCIAL YEAR 1 FEBRUARY 2016 – 31 JANUARY 2017.

WE ALSO COMMUNICATE OUR PROGRESS VIA OUR ANNUAL REPORT FOR INVESTORS THAT EXPLAINS THE FINANCIAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL VALUE OUR BUSINESS CREATES OVER BOTH THE SHORT AND LONG TERM, SEE WWW.KINGFISHER.COM/ANNUALREPORT16-17

REGULAR UPDATES ARE ALSO POSTED ON OUR WEBSITE WWW.KINGFISHER.COM/SUSTAINABILITY

ABOUT OUR DATA

Sustainability experts Bioregional coordinate our head office data review process. Bioregional helped to develop our Sustainable Home Product Guidelines which are reviewed and updated on an annual basis. They also monitor our progress on sustainable home product innovation and calculate our figure for customer energy savings.

This report contains our key performance data showing progress against our targets. More detailed data is available in our Sustainability Report Appendix – Detailed Performance Data.

Our sustainability data covers our wholly-owned operating companies, except where stated. Data for our joint venture Koçtaş is included in the following areas:

- Community projects and community investment data (as Koçtaş is included in our pre-tax profit and our community investment is stated as a % of pre-tax profit)
- Scope 3 Greenhouse Gas (GHG) emissions, category 'Investments' (this data is included in our Sustainability Report Appendix – Detailed Performance Data).

For both areas, 50% of Koçtaş data is included, in line with our 50% equity share.

Detailed information on the scope of the data and the methodologies used to calculate our data are explained in our Sustainability Data Collection Methodology document.

PROGRESS AGAINST TARGETS

We indicate on pages 78-90, in our Appendices section, where we achieved our milestones for the end of financial year 2016/17. We also publish a Group score for each of our targets for 2020 (see pages 91-93, in our Performance Summary section). For the 34 operating company targets, this score is calculated as follows:

- For qualitative targets: Group scores are based on individual operating company performance and are signed-off by a panel consisting of the Kingfisher sustainability team, Kingfisher internal audit and Bioregional.
- For quantitative targets: A Group score is allocated based on Group KPI performance data.

Our data is still incomplete in some areas and we are working to address this.

EXTERNAL ASSURANCE

We appointed Deloitte LLP to provide a limited assurance engagement over selected information within our Sustainability Report

for the year ended 31 January 2017. The information marked throughout the report with the symbol * or Δ indicates the scope of their work.

Please see page 95, in our Appendices section, for their full independent limited assurance report which includes details on their scope, work performed and conclusion.

REPORTING STANDARDS

This report contains standard disclosures from the Global Reporting Initiative G4 Sustainability Reporting Guidelines. To aid comparison with other businesses, we provide a GRI Index on our website: kingfisher.com/sustainabilityreport

UNITED NATIONS GLOBAL COMPACT INDEX

We joined the United Nations Global Compact (UNGC) in 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. Our UNGC Index on page 97, in our Appendices section, shows where information on our performance relevant to the 10 principles is included in our Report. Read our Sustainability Report Appendix – Detailed Performance Data and Sustainability Data Collection Methodology at: kingfisher.com/sustainabilityreport

PROGRESS AGAINST MILESTONES 2016/17

This section summarises our progress during 2016/17 and since launching Net Positive in 2012.

We measured our progress on 53 milestones and targets for 2016/17. We achieved 24 of these (45%)* and performed particularly well in key areas such as sales of sustainable

home products, responsible sourcing of wood and paper, saving energy for customers and reducing energy use in our business. We narrowly missed our milestones for waste and community investment. In some areas, our business transformation means that targets are no longer relevant and we will address this through the launch of our updated strategy in 2017.

A summary of performance against our 2020 targets is on page 91-93, in our Appendices section.

We have followed a process^Δ, as described in our Data Collection Methodology, to determine our progress towards our sustainability targets, see www.kingfisher.com/sustainabilityresources

PRODUCTS AND INNOVATION

Target and milestone

Summary of performance





Status against milestone

<p>Sustainable home products – best in class 2020 target: To achieve 10% of Group sales from the best in class products that help create a more sustainable home.</p> <p>2016/17 milestone: 5% of Group sales.</p>	<p>Sales of best in class products, our most innovative sustainable home products were worth £619 million in 2016/17, 6% of sales.</p>	<p>Achieved milestone</p> 
<p>Sustainable home products 2020 target: To achieve 50% of Group sales from products that help create a more sustainable home.</p> <p>2016/17 milestone: 25% of Group sales.</p>	<p>28% of our sales come from sustainable home products (2015/16: 28%) - products that help our customers create good homes while having a positive or much lower impact on people and the environment. This generated £3.1 billion for the business. During the year 40% of products sold at B&Q were sustainable home products, far exceeding our group target.</p>	<p>Achieved milestone</p> 

*Our target for sustainable forestry does not have a milestone for 2016/17. We have included it in our total as we are on track for achieving our 2020 goal.

^Δ Our statement that we have followed the process described in the Data Collection Methodology to determine progress towards our sustainability targets is within Deloitte's limited assurance scope."

PRODUCTS AND INNOVATION






Target and milestone	Summary of performance	Status against milestone
<p>Sustainability of own brand 2020 target: Demonstrate leadership on sustainable innovation across our Group own brands (focusing on relevant issues to each brand).</p> <p>2016/17 milestone: All Group own-brands to conform to Kingfisher minimum sustainability criteria.</p>	<p>Our Offer and Supply Chain Sustainability Director and product sustainability experts are working with our buying offices, product leads, designers, engineers and product communication experts to integrate sustainability into the development of our unique and unified ranges and customer communications. Sustainability has been embedded into our own brand strategy and is one of the key criteria for an own brand product. We have updated our Sustainable Home Product Guidelines to make them easier to use and published them on our website: www.kingfisher.com/shpguidelines. We have created sustainability roadmaps with short, medium and longer-term plans and targets for each of our seven range categories.</p>	<p>Did not achieve milestone</p> 
<p>Sustainable lifestyles 2020 target: To use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles.</p> <p>2016 milestone: To give customers comprehensive information and/or advice in-store and online to help them with their sustainable choices.</p>	<p>All our companies made progress on engaging customers on sustainability in 2016/17. For example, Castorama Russia's social media campaign, 'Choice for a good home' gave customers energy efficiency tips and Screwfix has icons for Saves Energy, Saves Water, Solvent Free in its catalogues and online to help customers identify sustainable products.</p>	<p>Achieved milestone</p> 
<p>Sustainable marketing 2020 target: Embed sustainable home products into the marketing strategy for each of our brands/ divisions/ operating companies.</p> <p>2016/17 milestone: Evidence of sustainable home products embedded in the annual marketing plan and/or sustainable home products featuring in at least three significant marketing campaigns.</p>	<p>We are integrating sustainability into our marketing to increase sales of more sustainable products. For example, Castorama France's 18h39, a daily online magazine with ideas for home improvement includes articles about sustainability topics such as waste reduction and energy savings.</p>	<p>Did not achieve milestone</p> 
<p>Water-using products 2020 target: All water-using products to meet 'best practice' standards on water efficiency.</p> <p>2016/17 milestone: 50% of water-using products to meet 'best practice' standards on water efficiency.</p>	<p>Our best practice standards for water-using products (such as toilets, baths, taps and showers) were developed with experts Bioregional. In 2016/17, 51% of water-using products at Screwfix and 27% at B&Q met our best practice standards. We do not have reliable data to report progress at our other operating companies.</p>	<p>Did not achieve milestone</p> 

PRODUCTS AND INNOVATION



Target and milestone	Summary of performance	Status against milestone
<p>Closed loop products 2020 target: 1,000 Kingfisher products with closed-loop credentials. 2016/17 milestone: 300 Kingfisher products with closed-loop credentials.</p>	<p>We reached 818 products in our ranges with closed loop credentials, as defined in our Sustainable Home Product guidelines. We are on track to meet our 2020 target.</p>	<p>Achieved milestone </p>
<p>Circular value chains 2020 target: Work with partners across the product lifecycle to achieve ten circular value chains. 2016/17 milestone: Five circular value chains.</p>	<p>We have identified three circular value chains using our scoring methodology developed with sustainability experts Bioregional including Easygrow bedding plants and our green pallets initiative (page 58, in our Suppliers & Partners section). Our third circular value chain was developed by Castorama France during 2016/17 working with recycling specialists Neo-Eco. It is a new material that will be used in a paving product expected to launch in 2017. The product uses recycled materials and is better for customers because it is lighter and easier to install than traditional paving.</p>	<p>Did not achieve milestone </p>
<p>Alternative services 2016/17 target: Explore and trial alternative business models, such as product hire and repair, which encourage a perpetual reuse of products.</p>	<p>We're investing in new types of services and enabling customers to share information, ideas and resources to help with their home improvement projects. We offer rental services in many stores. B&Q, for example, has launched a partnership with Speedy Hire at its Tradepoint counters enabling customers to rent tools and equipment.</p>	<p>Achieved target </p>
ENERGY & CARBON		
<p>Customer energy use 2020 target: 38 TWh of energy saved for customers. 2016/17 milestone: 11 TWh of energy saved for customers.</p>	<p>Our customers have saved an estimated 12.8 TWh of energy through sales of energy saving products and services since 2011/12. These include products such as LED lighting, insulation and energy efficient windows and doors. We estimate this could save our customers over £840 million every year¹⁰. Although, we met our milestone, we are not on track for our 2020 target.</p>	<p>Achieved milestone </p>
<p>Energy using products 2020 target: All energy-using products meet best practice standards on energy efficiency. 2016/17 milestone: 50% of energy-using product sales to meet 'best practice' standards on energy efficiency.</p>	<p>Our best practice standards for energy efficiency cover products such as fridges and freezers, dishwashers, tumble dryers, ovens, vacuum cleaners and heating and cooling systems. Screwfix was our strongest performing company, with 65% of its energy-using products meeting our best practice standards, while B&Q reached 40%. Reliable data was not available at other operating companies and further work is needed in this area.</p>	<p>Did not achieve milestone </p>

¹⁰ Based upon the average UK household energy bill.

ENERGY & CARBON

Target and milestone	Summary of performance	Status against milestone
<p>Energy use in our operations 2020 target: 45% reduction in the energy intensity (kWh/m²) of our property portfolio from a 2010/11 baseline. 2016/17 milestone: 15% reduction.</p>	<p>We have reduced energy intensity by 16.5% since 2010/11, exceeding our milestone, including a 1.3% reduction year on year. This reflects work to improve the energy efficiency of our buildings including investments in LED lighting and energy management. Our electricity consumption reduced 3.3% year on year.</p>	<p>Achieved milestone </p>
<p>Carbon footprint 2020 target: 25% reduction in our absolute carbon footprint (tonnes CO₂e) from a 2010/11 baseline. 2016/17 milestone: No increase from a 2010/11 baseline.</p>	<p>We have achieved a 10% reduction in our absolute carbon footprint against the baseline year of 2010/11. This is largely due to a reduction in our store footprint in the UK following the closure of a number of B&Q stores as well as improvements in the carbon intensity of the electricity we purchase in the UK. It also reflects our work to improve store energy efficiency and our investment in renewable energy. During 2017, our UK operations will be moving to 100% renewable power which will make a further contribution to reducing our carbon footprint.</p>	<p>Achieved milestone </p>
<p>Carbon intensity property 2020 target: 50% reduction in the carbon intensity (CO₂e/m²) of our property portfolio from a 2010/11 baseline. 2016/17 milestone: 20% reduction.</p>	<p>Our property carbon intensity has reduced by 25% since 2010/11. However, much of the improvement is due to changes in the carbon intensity of national grids rather than an improvement in our performance.</p>	<p>Achieved milestone </p>
<p>Renewable energy 2016/17 target: We will develop a renewable energy plan for our own operations.</p>	<p>We are installing on-site renewables to generate our own zero carbon power. By April 2017, we had installed renewable energy generation at one headquarter's building, two stores and three distribution centres with plans underway for another three distribution centres and 12 stores during 2017. We have established a renewable energy plan with a roll out strategy for each of our markets, identifying the best technologies for each location.</p>	<p>Achieved target </p>
<p>Direct transport impacts 2020 target: 20% reduction in CO₂ emissions from direct transport impacts from a 2010/11 baseline. 2016/17 milestone: 10% reduction.</p>	<p>Direct haulage emissions (those from our own dedicated delivery fleets) increased by 6% against our 2010/11 baseline. This is due to an increase in home deliveries with emissions from store deliveries reducing over the same period.</p>	<p>Did not achieve milestone </p>





ENERGY & CARBON

Target and milestone	Summary of performance	Status against milestone
<p>Indirect transport impacts 2020 target: Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts.</p> <p>2016/17 milestone: Have made progress in measuring and reducing the carbon footprint of our indirect transport impacts, e.g. in a key supply chain.</p>	<p>We aim to reduce indirect haulage emissions from delivery fleets operated by suppliers on behalf of our operating companies. Overall, indirect haulage emissions have increased by 8% since 2010/11.</p> <p>Examples of our work in this area include B&Q's green pallet initiative to reuse timber pallets, see page 58, in our Suppliers & Partners section. Castorama France is working with TK'Blue to reduce transport-related carbon emissions. See page 30, in our Energy & Carbon section.</p>	<p>Achieved milestone</p> 
<p>Green travel 2020 target: Demonstrate proactive green travel programme to minimise the environmental impact of travel by employees and customers.</p> <p>2016/17 milestone: Some key actions taken on green travel to minimise the environmental impact of travel by employees or customers.</p>	<p>Our companies have introduced a range of green travel incentives such as: encouraging employees to use video conferencing instead of travelling to meetings; car sharing systems; and subsidies for using public transport or cycling to work. Electric car charging points have been installed in some locations and some companies have introduced limits on carbon emissions for company cars. In many of our markets, we make it easier for customers to car share or use public transport and some stores have introduced shuttle buses for customers. Carbon emissions from air travel and business travel by road have increased by 12.7% and 3.2% respectively since 2010/11.</p>	<p>Achieved milestone</p> 






WOOD AND PAPER

<p>Responsible sourcing 2020 target: 100% responsibly sourced wood and paper in all our operations.</p> <p>2016/17 milestone: Achieve our 2016 milestones on wood and paper used in products, packaging, Goods Not For Resale (GNFR) and construction.</p>	<p>We have made good progress on responsible sourcing, particularly for our products, however, we missed our milestones for timber in packaging and construction. We have continued to work on strengthening our reporting systems to enable us to monitor progress on our targets.</p>	<p>Did not achieve milestone</p> 
<p>Wood and paper in our products 2020 target: 100% of the wood and paper we sell to be responsibly sourced.</p> <p>2016/17 milestone: 90% of the wood and paper we sell to be responsibly sourced.</p>	<p>We achieved 96% responsibly sourced timber in our products, with B&Q at 100% and a further four operating companies over 90%. There was a significant increase in responsible sourcing at Brico Dépôt Romania during the year. Our data does not yet include our business in Russia. When this is included it could reduce the percentage of timber that is responsibly sourced overall. We are on track for our 2020 target.</p>	<p>Achieved milestone</p> 


WOOD AND PAPER

Target and milestone	Summary of performance	Status against milestone
<p>Wood and paper in packaging 2020 target: 100% of packaging which contains wood fibres to be responsibly sourced. 2016/17 milestone: To develop a methodology and data collection system for achieving our 2020 target on responsible sourcing of wood fibres in packaging.</p>	<p>We have appointed a partner to help us collect data on packaging materials used and to monitor compliance with our packaging policy and responsible sourcing policy. We hope to be able to report progress against our 2020 target next year.</p>	<p>Did not achieve milestone</p> 
<p>Wood and paper in construction 2020 target: 100% of wood and paper procured for construction and fit-out to be responsibly sourced. 2016/17 milestone: 90% of wood and paper procured for construction and fit-out to be responsibly sourced.</p>	<p>We are working with contractors to improve data collection in this area.</p>	<p>Did not achieve milestone</p> 
<p>Wood and paper in goods not for resale 2020 target: 100% of the wood and paper used in our Goods Not For Resale (GNFR) to be responsibly sourced. 2016/17 milestone: All paper used in catalogues and customer marketing to be responsibly sourced.</p>	<p>We have reached 96% responsibly sourced paper in our catalogues and customer marketing materials and office paper. Our data covers all operating companies, except for Castorama Russia, representing 97% of group turnover. As we consolidate our procurement, purchasing more of our products and GNFR centrally, this will help us to further embed our timber policy.</p>	<p>Achieved milestone</p> 
<p>Tropical deforestation 2020 target: None of our products to be sourced from materials that are linked to tropical deforestation (including products containing wood and/or paper sourced from forests in tropical countries, palm oil and cow leather). 2016/17 milestone: All new products containing wood and/or paper sourced from forests in tropical countries to comply with Kingfisher's Wood and Paper Policy Standard.</p>	<p>All new tropical hardwood products in B&Q UK, Castorama France, Brico Dépôt Iberia and Screwfix complied with our policy. Further work is needed at our other operating companies and to improve internal mechanisms for identifying products that may contain timber from tropical areas. We have also made progress to improve traceability of leather products.</p>	<p>Did not achieve milestone</p> 





WOOD AND PAPER

Target and milestone	Summary of performance	Status against milestone
<p>Sustainable forestry 2020 target: Work with partners to measure the impact of FSC certification on forests, biodiversity and forest communities and assess the effect of our responsible wood and paper sourcing.</p>	<p>In 2014, we helped found the Value Impact Analysis (VIA) initiative to develop a methodology for quantifying the impacts of FSC certification. Initial findings of independent research, for example in Indonesia, shows FSC certification has a positive impact.</p>	<p>On track to target </p>
<p>Strategic sourcing 2020 target: Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major wood and paper categories (by volume or value). 2016/17 milestone: Demonstrate a resilient supply chain relationship that can guarantee the future provision of responsibly sourced wood and paper for at least one of the Group's major wood and paper categories (by volume or value).</p>	<p>Strategic sourcing means securing affordable and sustainable timber supplies for our business over the long-term by implementing our responsible sourcing standards, establishing long-term relationships with suppliers and helping to create secure timber supply chains. We are developing a Group strategic sourcing plan for wood and paper, and are exploring a risk-based approach for sourcing regions. Colleagues across the Offer and Supply Chain, sustainability, sourcing and production teams are collaborating to progress our strategic sourcing plans.</p>	<p>Did not achieve milestone </p>
<p>Reforestation 2020 target: Implement a unified group forest or woodland enhancement initiative that makes a substantial quantifiable step towards our aspiration of creating more forest than we use. 2016/17 milestone: Group to have at least one forest or woodland enhancement initiative that makes a quantifiable contribution towards the Group aspiration of creating more forest than we use.</p>	<p>In total our operating company forest projects have benefited forested areas covering over 13,000 hectares (equivalent to 19,000 full-sized football pitches). We are supporting an innovative project in Sumatra, Indonesia aimed at protecting and restoring an area of over logged tropical forest almost the size of Greater London, see page 37, in our Wood & Paper section.</p>	<p>Achieved milestone </p>
<p>COMMUNITIES</p>		
<p>Community plan 2016/17 target: We will create a unified plan for community involvement across our business, focusing on our core purpose.</p>	<p>We are reviewing and updating our communities strategy and plan to publish a new strategy in 2017/18.</p>	<p>Did not achieve target </p>
<p>Community projects 2020 target: 4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'. 2016/17 milestone: 1,500 community projects.</p>	<p>We have supported 1,453 community projects since 2012/13 and narrowly missed our milestone. We gave a total of £1.8million through our community investment in 2016/17, an increase on the previous year (2015/16: £1.7 million), equivalent to 0.23% of pre-tax profits (2015/16: 0.24%). This is calculated using our underlying pre-tax profits figure reported in our Annual Report.</p>	<p>Did not achieve milestone </p>





COMMUNITIES

Target and milestone	Summary of performance	Status against milestone
<p>Skills sharing 2016/17 target: Promote sharing of skills and ‘know-how’ in local communities by building online community platforms in the UK and France.</p>	<p>Our businesses in the UK and France have launched online platforms for people to connect and learn from each other’s skills to improve their homes and communities. These include wikiforhome.org developed by Castorama France and The Screwfix Community Forum which has over 100,000 members with around 1,300 posts a week.</p>	<p>Achieved target </p>

PEOPLE




<p>Engagement surveys 2016/17 target: Improve our employee engagement by extending engagement surveys to cover all employees.</p>	<p>Our annual Engagement Survey covers all operating companies and employees. In 2016/17, we achieved an overall engagement score of 4.23 out of 5.00, an improvement from 4.20 in 2015. 62% of our people are now classified as engaged, putting us in the top 50% of the Gallup database of retail companies.</p>	<p>Achieved target </p>
<p>Diversity and inclusion 2020 target: To be recognised as a ‘best practice’ company for equality and diversity within our local retail markets. 2016/17 milestone: All our operating companies to have in place an action plan to become a ‘best practice’ retailer in their market on equality and diversity.</p>	<p>Four of our companies have made progress and put action plans in place (B&Q UK, Brico Dépôt France, Brico Dépôt Iberia and Castorama France) but further work is needed at our other companies.</p>	<p>Did not achieve milestone </p>
<p>Health and safety – employees 2020 target: Achieve a 20% reduction in the employee accident rate (number of accidents per 100,000 full-time equivalent employees) from a 2012/13 baseline. 2016/17 milestone: 10% reduction in the employee accident rate from a 2012/13 baseline.</p>	<p>Our total employee accident rate (number of all work-related accidents per 100,000 full-time equivalent employees) was 11,611, a decrease of 5% year on year and 7% reduction since 2012/13. We launched a new accident management system during 2016 which will improve how we monitor risks, accidents and near-misses and share information and lessons learned across the business.</p>	<p>Did not achieve milestone </p>
<p>Health and safety – customers and contractors 2016/17 target: Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target.</p>	<p>There were 3,840 accidents reported by customers in our stores during the year (2015/16: 4,060) and 307 contractor accidents (2015/16: 383). The majority of customer accidents relate to slips, trips and falls. Customer accidents are included in our monthly H&S Dashboard and new accident management system. We have not set a reduction target. Our data does not include any construction contractor accidents.</p>	<p>Did not achieve target </p>

PEOPLE

Target and milestone	Summary of performance	Status against milestone
<p>Senior management sustainability training 2016/17 target: Top 250 managers from around the Group to have completed a development programme on Net Positive issues.</p>	<p>We have run a range of development programmes for senior management. For example, between 2014 and 2016, 86% of senior management attended our Kingfisher One Academy Net Positive executive education module designed to inspire leaders on sustainability. During 2016/17, 35 leaders and managers attended a bespoke two-day residential course run by the Cambridge Institute of Sustainable Leadership exploring trends, new thinking, best practices and insights for embedding sustainability into the business.</p>	<p>Did not achieve target</p> 
<p>Performance management for sustainability 2020 target: Integrate Net Positive into the performance management systems for all relevant employees. 2016/17 milestone: Integrate Net Positive into the performance management systems for the top managers from around the Group.</p>	<p>We have made progress in this area but did not meet our milestone. Our operating companies have integrated sustainability into performance management for key employees in areas such as health and safety, energy efficiency, sustainable home products, waste management and workforce diversity. For example, the role expectations documents used to manage performance for store colleagues at B&Q requires colleagues to offer greener product choices to customers wherever available.</p>	<p>Did not achieve milestone</p> 
<p>Net Positive engagement 2020 target: Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home. 2016/17 milestone: To include Net Positive in induction training for every new employee.</p>	<p>Our companies run training and campaigns to engage employees on sustainability. Five of our companies now include sustainability in their induction programme. Examples of employee engagement include Brico Dépôt France's 'Essentiel' supported by a network of 115 sustainability champions in its stores. It ran a series of employee engagement campaigns during 2016, including a Sustainability Week with events on reducing waste and increasing recycling, energy efficiency and sustainable home products.</p>	<p>Did not achieve milestone</p> 
<p>Sustainable product training 2020 target: Every employee has the right skills to help customers lead sustainable lifestyles. 2016/17 milestone: Our store staff who give advice to customers are trained on sustainable home products and services so they can help customers make more sustainable choices.</p>	<p>Our operating companies have rolled out training to relevant store staff on our sustainable home products. We do not include Screwfix and Screwfix Germany in our scoring for this target¹¹.</p>	<p>Achieved milestone</p> 




¹¹ The Screwfix business model is based around trade counters and its customer base includes more professionals, meaning less opportunity and demand for staff to provide advice to customers.

SUPPLIERS AND PARTNERS

Target and milestone	Summary of performance	Status against milestone
<p>Supplier ethical assessment 2020 target: All goods for resale suppliers will meet or exceed our ethical and environmental standards.</p> <p>2016/17 milestone: High priority goods for resale suppliers will meet or exceed our ethical and environmental standards.</p>	<p>We aim to work with our suppliers to continually improve standards and we use our ethical audit process to identify areas for improvement.</p> <p>Our data for ethical audits during 2016/17 covers the group buying offices that were operational for the full financial year¹² and excludes vendors previously managed by our operating companies. See page 58, in our Suppliers & Partners section, for further information. These group buying offices sourced from 1,071 production sites during 2016/17 of which 45% have had an on-site ethical audit in the last year (483 production sites) and 89% have had an on-site audit in the past three years (949 production sites).</p> <p>Five potential production sites were not accepted in 2016/17 because they failed to meet our ethical sourcing standards. 350 sites were required to implement a CAP in relation to ethical sourcing requirements following an audit in 2016/17 (72% of factories audited).</p>	<p>Did not achieve milestone</p> 
<p>GNFR contracts 2020 target: Key Goods Not For Resale (GNFR) contracts will meet or exceed our sustainability standards.</p> <p>2016/17 milestone: Process established to apply our sustainability standards to key GNFR contracts.</p>	<p>We have integrated sustainability criteria into the standard tender process template for new GNFR suppliers procured through group contracts. We have also made progress in key areas such as paper used in our marketing and catalogues.</p>	<p>Did not achieve milestone</p> 
<p>Supplier footprint 2020 target: Require our top 40 goods for resale suppliers to develop a waste, carbon and water reduction plan by 2020, towards delivering a 50% impact reduction.</p> <p>2016/17 milestone: 50% of our top 40 goods for resale suppliers have demonstrated that they have waste, carbon and water reduction plans in place towards delivering a 50% impact reduction by 2020.</p>	<p>We have a number of projects underway to help reduce the environmental impact of our supply chain. These include our work with WWF's Low Carbon Manufacturing Programme (LCMP) in China since 2012. 25 of our suppliers have taken part in LCMP, collectively avoiding over 15,110 tonnes of carbon, an estimated 11.7% reduction in carbon emissions compared with business as usual. B&Q's award winning green pallets programme is reducing waste and resource use in its supply chain.</p>	<p>Did not achieve milestone</p> 

¹² These buying offices are located in Brazil, China, India, Poland, Turkey and Vietnam. The data excludes our newly established buying offices in Europe.

SUPPLIERS AND PARTNERS




Target and milestone	Summary of performance	Status against milestone
<p>Ethical conduct 2020 target: Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct.</p> <p>2016/17 milestone: Operating companies to demonstrate robust reporting and compliance with the Group Governance Manual and Code of Conduct.</p>	<p>Our companies' reporting and compliance procedures include: 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. We have a compliance network for our operating company compliance officers to share information and best practices.</p> <p>We will be reviewing and updating our Code of Conduct and approach during 2017/18.</p>	<p>Achieved milestone</p> 
<p>SRI Indices and CR ratings 2016/17 target: Kingfisher to maintain its position in key SRI indices and corporate responsibility ratings.</p>	<p>We participate in several SRI indices and corporate responsibility ratings and maintained our ranking in these surveys during 2016/17, in line with best practice. These are: the Dow Jones Sustainability Index, FTSE4Good Index and CDP Climate Change and Forest programmes. We were also included on the STOXX® Global ESG Leaders for the first time and received a positive view of our ability to manage ESG issues from analysts Sustainalytics.</p>	<p>Achieved target</p> 
<p>Sustainability accounting 2016/17 target: Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees.</p>	<p>We measure the financial impact of our sustainability strategy in key areas, including sales of sustainable home products and cost savings associated with energy efficient LED lighting, and energy efficient IT. We have analysed the sales of sustainable home products in more depth to understand the value contributed by these ranges to our turnover and profit.</p>	<p>Did not achieve target</p> 






ENVIRONMENT

Target and milestone

Summary of performance

Status against milestone

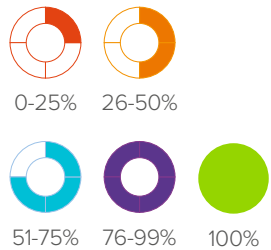
<p>Standardised policies 2020 target: To standardise company policies across all relevant product sustainability issues. 2016 milestone: Have signed off at least half of company policies across a range of key product sustainability issues.</p>	<p>We now have in place group policies for wood and paper, packaging, chemicals and ethical sourcing, as well as Sustainable Home Product Guidelines. During 2016/17 all policies were reviewed and updated and are available on our website: www.kingfisher.com/sustainabilitypolicies</p> <p>Our Group Ethical Sourcing Policy Statement and our Group Supplier Workplace Ethical and Environmental Assurance Policy Standards were updated to adopt a consistent approach for all vendors and to comply with the UK Modern Slavery Act. During 2017/18, we plan to review our policies and positions on key issues.</p>	<p>Achieved milestone </p>
<p>Packaging 2020 target: Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging standards. 2016/17 milestone: Packaging on new own-brand and exclusive brand products to conform to Kingfisher packaging standards.</p>	<p>Sustainability is integrated into our Kingfisher packaging standards which are applied to the packaging specification process for each own brand and exclusive range. We aim to use fewer resources, design our packaging to be more efficient to transport and store and to select materials which are responsibly sourced or recycled and easy to recycle after use. For example, we have improved the packaging on our kitchen taps saving 45 tonnes of packaging material a year.</p>	<p>Achieved milestone </p>
<p>Chemicals 2020 target: None of our Goods Not for Resale (GNFR), own-brand, unbranded or exclusive brand products and packaging will contain the unregulated chemicals of concern we have committed to remove. 2016/17 milestone: Work is in progress to phase out, substitute or eliminate the unregulated chemicals of concern we have committed to remove from our own-brand or exclusive brand products.</p>	<p>We developed our company-wide chemicals policy in 2015. We have expanded our Regulatory Chemicals team in our Group Quality function and have created a new Sustainable Chemicals Management team in our sustainability department. The teams will work closely together and with the rest of the business and our vendors to implement our strategy and to identify and phase out higher risk chemical substances. We are undertaking a hotspotting exercise to identify priority substances, materials and product lines to guide future work.</p>	<p>Did not achieve milestone </p>
<p>Peat elimination 2020 target: All growing media for sale and use in our operations in the UK to be from sustainable sources ahead of the government 2020 and 2030 deadlines. 2016/17 milestone: 65% of 'bagged' growing media (by volume) sold in the UK to be from sustainable sources.</p>	<p>61.4% of UK bagged growing media (by volume sold) was peat-free – a decrease from 62% the previous year. 48% of growing media used by B&Q's plant suppliers was peat free.</p>	<p>Did not achieve milestone </p>

ENVIRONMENT		
Target and milestone	Summary of performance	Status against milestone
<p>Waste 2020 target: Achieve zero waste to landfill from our own operations. 2016/17 milestone: Recycle at least 75% of the waste we generate.</p>	<p>We generated 222,767 tonnes of waste in 2016/17, a decrease of 6.3% year-on-year, compared to an increase in sales of 1.7%. Our recycling rate was 74%, an increase on the previous year but narrowly missing our 2016/17 milestone of 75%.</p> <p>Several of our companies reached our milestone including B&Q, Brico Dépôt France, Castorama Poland and Screwfix UK. During 2017/18, we plan to review our policies and positions on key issues.</p>	<p>Did not achieve milestone</p> 
<p>Construction waste 2020 target: 90% of construction waste recycled in new build and major refurbishments. 2016/17 milestone: 50% of construction waste recycled in new build and major refurbishments.</p>	<p>We recycled 81% of construction waste from new build and major refurbishment projects and are on track to meet our 2020 target.</p>	<p>Achieved milestone</p> 
<p>Water 2016/17 target: To understand the water footprint of our own operations.</p>	<p>We are not major water users, although our companies are taking steps to minimise water use in some locations. Our overall water use has risen by 10% compared with 2010/11. However, this partly reflects increases in our data collection which now covers an additional 28% of floor space compared to 2010/11. See our Data Appendix for more information.</p>	<p>Did not achieve target</p> 
<p>Learning stores 2016/17 target: Every Operating Company to develop at least three 'learning stores' and to have delivered, or confirmed, a site for a flagship store that champions low carbon and sustainability innovation.</p>	<p>We now have 26 learning stores across the business where we test out sustainable approaches to building design, construction and operation including three flagship stores that champion low carbon and sustainability innovation.</p>	<p>Did not achieve target</p> 
<p>Biodiversity 2020 target: Enhance biodiversity on new build projects, major refurbishments and existing stores. 2016 milestone: Biodiversity audits and action plans to be completed for all new-build projects and major refurbishments.</p>	<p>Biodiversity audits were carried out for some new-build projects and major refurbishments during 2016/17 but we did not meet our milestone.</p>	<p>Did not achieve milestone</p> 

APPENDICES: PROGRESS TO 2020 TARGETS

We have set 53 targets to help us make progress towards our Net Positive aspirations and stimulate innovation. We are making progress on our priority issues, however, we need to increase the rate of change in many areas to achieve our 2020 targets.

A more detailed summary of progress during 2016/17 is on pages 78-90, in our Performance Summary section. We have followed a process^Δ, as described in our Data Collection Methodology, to determine our progress towards our sustainability targets.



^Δ Our statement that we have followed the process described in the Data Collection Methodology to determine progress towards our sustainability targets is within Deloitte's limited assurance scope.

PRODUCTS AND INNOVATION

Sustainable home products – best in class: To achieve 10% of Group sales from the best in class products that help create a more sustainable home.



Sustainable home products: To achieve 50% of Group sales from products that help create a more sustainable home.



Sustainability of own brand: Demonstrate leadership on sustainable innovation across our Group own brands (focusing on relevant issues to each brand).



Sustainable lifestyles: To use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles.



Sustainable marketing: Embed sustainable home products into the marketing strategy for each of our brands/ divisions/ operating companies.



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



Closed loop products: 1,000 Kingfisher products with closed-loop credentials.



Circular value chains: Work with partners across the product lifecycle to achieve ten circular value chains.



Alternative services: Explore and trial alternative business models, such as product hire and repair, which encourage a perpetual reuse of products.



ENERGY AND CARBON

Customer energy use: 38 TWh of energy saved for customers.



Energy using products : All energy-using products meet best practice standards on energy efficiency.



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



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



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



Renewable energy: We will develop a renewable energy plan for our own operations.




Direct transport impacts: 20% reduction in CO₂ emissions from direct transport impacts from a 2010/11 baseline.



Indirect transport impacts: Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts.




Green travel: Demonstrate proactive green travel programme to minimise the environmental impact of travel by employees and customers.




WOOD AND PAPER


Responsible sourcing: 100% responsibly sourced wood and paper in all our operations.




Wood and paper in our products: 100% of the wood and paper we sell to be responsibly sourced.




Wood and paper in packaging: 100% of packaging which contains wood fibres to be responsibly sourced.




Wood and paper in construction: 100% of wood procured for construction and fit-out to be responsibly sourced.




Wood and paper in goods not for resale: 100% of the paper used in our Goods Not For Resale (GNFR) to be responsibly sourced.




Tropical deforestation: None of our products to be sourced from materials that are linked to tropical deforestation.




Sustainable forestry: Work with partners to measure the impact of FSC certification.



Strategic sourcing: Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced wood and paper.




Reforestation: Implement a unified group forest or woodland enhancement initiative that makes a substantial quantifiable step towards our aspiration of creating more forest than we use.




COMMUNITIES


Community plan: Create a unified plan for community involvement across our business, focusing on our core purpose.



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




Skills sharing: Promote sharing of skills and 'know-how' in local communities by building online community platforms in the UK and France.




OUR PEOPLE


Engagement surveys: Improve our employee engagement by extending engagement surveys to cover all employees.




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



Health and safety – employees: Achieve a 20% reduction in the employee accident rate from a 2012/13 baseline.




Health and safety – customers and contractors: Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target.




Senior management sustainability training: Top 250 managers from around the Group to have completed a development programme on Net Positive issues.




Performance management for sustainability: Integrate Net Positive into the performance management systems for all relevant employees.



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








Sustainable home product training: Every employee has the right skills to help customers lead sustainable lifestyles.









SUPPLIERS AND PARTNERS




Supplier ethical assessment: All goods for resale suppliers will meet or exceed our ethical and environmental standards.



<p>GNFR contracts: Key Goods Not For Resale (GNFR) contracts will meet or exceed our sustainability standards.</p>	
<p>Supplier footprint: Require our top 40 goods for resale suppliers to develop a waste, carbon and water reduction plan by 2020, towards delivering a 50% impact reduction.</p>	
<p>Ethical conduct: Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct</p>	
<p>SRI Indices: Kingfisher to maintain its position in key SRI indices and corporate responsibility ratings.</p>	
<p>Sustainability accounting: Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees.</p>	

ENVIRONMENT

<p>Standardised policies: To standardise company policies across all relevant product sustainability issues.</p>	
<p>Packaging: Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging standards.</p>	
<p>Chemicals: None of our GNFR, own-brand, unbranded or exclusive brand products and packaging will contain the unregulated chemicals of concern we have committed to remove.</p>	
<p>Peat elimination: All growing media for sale and use in our operations in the UK to be from sustainable sources ahead of the government 2020 and 2030 deadlines.</p>	
<p>Waste: Achieve zero waste to landfill from our own operations.</p>	
<p>Construction waste: 90% of construction waste recycled in new build and major refurbishments.</p>	

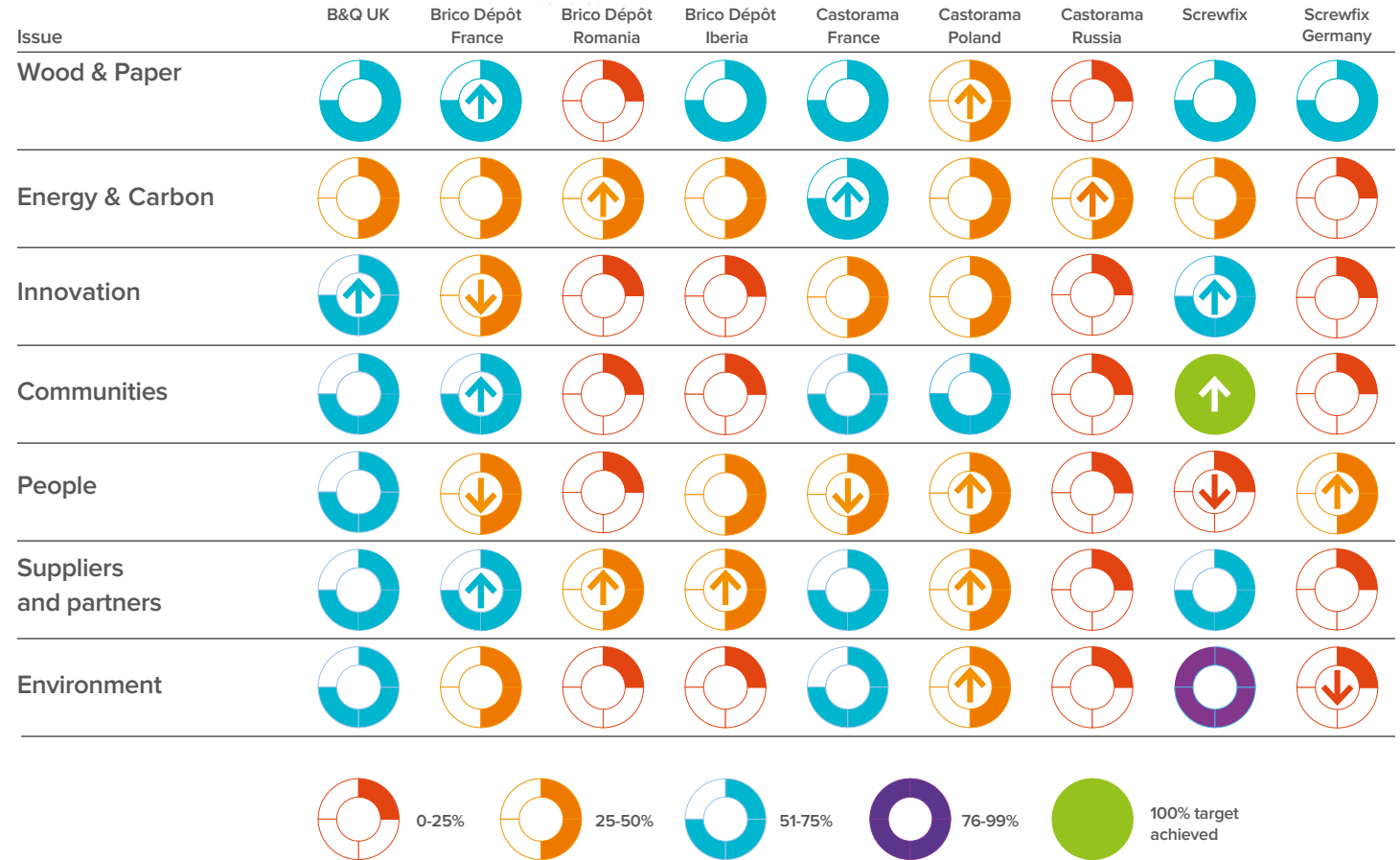
<p>Water: To understand the water footprint of our own operations.</p>	
<p>Learning stores: Every Operating Company to develop at least three 'learning stores' and to have delivered, or confirmed, a site for a flagship store that champions low carbon and sustainability innovation</p>	
<p>Biodiversity: Enhance biodiversity on new build projects, major refurbishments and existing stores.</p>	

APPENDICES: OPERATING COMPANY PROGRESS TOWARDS 2020 TARGETS

We measure the progress of each of our companies against our 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/sustainabilityfoundations).

The up and down arrows indicate where scores have changed since 2015/16. Our performance is strongest in our largest and longest established companies – those in the UK and France, with most work still to do in our businesses in Russia and Romania.



APPENDICES: ASSURANCE STATEMENT

Independent assurance statement by Deloitte LLP to Kingfisher plc on selected information for inclusion in the Sustainability Report 2016/17.

Our assurance opinion

Based on the assurance work performed, nothing has come to our attention that causes us to believe that the selected information described below has not been prepared, in all material respects, in accordance with Kingfisher's Reporting Criteria, as disclosed within the Data Methodology Document set out at www.kingfisher.com/sustainabilityresources

Scope of our work

Kingfisher plc ("Kingfisher") engaged us to provide limited assurance over the following selected information for the year ended 31 January 2017:

Product Innovation

- Sustainable Home Products (% of retail sales (compliant products / best in class))
- Household energy savings – estimated annual saving from products purchased from Kingfisher since 2011/12 (TWh)

Energy and carbon

- Property portfolio energy intensity (kWh/m² reported floor space)
- Absolute carbon footprint (Scope 1 and 2) (tCO₂e)
- Property portfolio carbon intensity (tCO₂e/m² reported floor space)
- Carbon emissions from direct haulage (dedicated store and home delivery fleets) (tCO₂e)
- Carbon emissions from indirect haulage (tCO₂e)

Wood and paper

- Responsibly sourced timber products (% of responsibly sourced timber sold, by volume)

Communities

- Community investment – company giving (cash, gifts in kind and time) (£ thousand)
- Community investment – company, employee and customer giving (£ thousand)

People

- Gender diversity (% female employees (Board, senior management, all management))
- Employees by age (% by age group (24 and under, 25 – 49 and 50 and over))
- Ethnic diversity (% of UK employees from an ethnic minority)
- Employee accident rate (number of all work-related accidents per 100,000 full time employee equivalents)
- Health and safety – number of accidents (employees, customers and contractors)

Environment

- Waste recycling and disposal – waste recycled, waste disposed to landfill, waste disposed to incineration with energy recovery (thousand tonnes)
- Waste recycling (% of waste recycled)

Suppliers and partners

- Production site ethical and environmental audits (%)

Targets

The assertion by Kingfisher that they have followed their stated process (as detailed in the Data Collection Methodology) to determine the progress towards selected sustainability targets for the year ended 31 January 2017.

Basis of our work and level of assurance

We carried out limited assurance on the selected information in accordance with the International Standard on Assurance Engagements 3000 (Revised) (ISAE 3000). To achieve limited assurance ISAE 3000 requires that we review the processes, systems and competencies used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls.

To form our conclusions, we undertook the following procedures:

- Interviewed the Group Sustainability Team and other members of Kingfisher management to understand the governance and review process for data management and collection, the organisational and operational boundaries of data collection, the internal validation procedures and the effectiveness of these, the interpretation of reporting guidance and the methodologies and assumptions used to calculate the data;
- Interviewed Kingfisher's Subject Matter Experts (SMEs) and those with operational responsibilities for, or key accountabilities in, the data collection process for the subject matters as shown in the 'Scope of our work' section;
- Understood the role of internal validation processes, including the role of Kingfisher Internal Audit, in supporting the quality of data submitted by operating companies prior to its consolidation at group level;
- Re-performed a sample of Internal Audit's work, testing the key structures, systems, processes, procedures and controls related, but not limited to, the collation, validation and reporting of sustainability information; and
- Reviewed the content of the Sustainability Report 2016/17 and the Data Collection Methodology document 2016/17.

Responsibilities of Directors and independent assurance provider

Kingfisher's responsibilities

The Directors are responsible for the preparation of the Sustainability Report 2016/17, the Data Collection Methodology 2016/17 and for the information and statements contained within them. They are responsible for determining the sustainability targets and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte's responsibilities, independence and team competencies

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Federation of Accountants' Code of Ethics for Professional Accountants in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the Sustainability Report 2016/2017 and the Data Collection Methodology document 2016/17. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have confirmed to Kingfisher that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.

Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with a combination of environmental, corporate responsibility and stakeholder engagement experience, including many years' experience in providing sustainability report assurance.

Our responsibility is to independently express conclusions on the subject matters as defined within the scope of work above to Kingfisher in accordance with our letter of engagement. Our work has been undertaken so that we might state to the Firm those matters we are required to state to Kingfisher in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Kingfisher for our work, for this report, or for the conclusions we have formed.

Deloitte LLP London, United Kingdom

29 June 2017

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 is our third Communication on Progress against the Global Compact Principles, covering our financial year 2016/17. This table summarises our approach and shows where information on our targets and progress for each principle can be found in the report:

“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

HUMAN RIGHTS AND LABOUR

Principles	Summary of approach	Location in reporting
<p>Principle One Businesses should support and respect the protection of internationally proclaimed human rights;</p> <p>Principle Two make sure they are not complicit in human rights abuses.</p> <p>Principle Three Businesses should uphold the right to freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle Four the elimination of all forms of forced and compulsory labour;</p> <p>Principle Five the effective abolition of child labour; and</p> <p>Principle Six eliminate discrimination in respect of employment and occupation.</p>	<p>We take steps to protect the human rights of people affected by our business, including employees and suppliers. 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, to promote diversity and to protect the health and safety of employees, customers and contractors.</p> <p>We have clear policies on human rights and labour standards including our Code of Conduct, our Ethical Sourcing Policy Statement and our Supply Chain Workplace Standards. These reflect international human rights frameworks including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. We carry out due diligence and require ethical audits of high risk production sites to check compliance against our requirements.</p> <p>We are committed to prevent any modern slavery or human rights abuses in our business and supply chain and to investigate any alleged breaches of our policies. We reviewed and updated our policies during 2016/17 to enhance our due diligence processes in light of the Modern Slavery Act.</p> <p>Employees and suppliers can report concerns via our independently managed hotline. The number of open and resolved cases and the outcomes are reported to the Audit Committee of the Board of Directors.</p>	<p>Human rights, page 72, in our Governance & Management section.</p> <p>Suppliers & partners, page 56-57, in our Suppliers & Partners section.</p> <p>Ethical conduct, page 59, in our Suppliers & Partners section.</p> <p>Creating and inclusive workplace, page 48, in Our People section.</p> <p>Health, safety and wellbeing, page 52, in Our People section.</p> <p>Modern Slavery Act Transparency Statement, kingfisher.com/modern-slavery</p>

ENVIRONMENT

Principles	Summary of approach	Location in reporting
<p>Principle Seven Business should support a precautionary approach to environmental challenges;</p>	<p>We aim to be restorative to the environment, going beyond zero impacts to create positive change. We aim to improve the environmental performance of our products so customers can create more sustainable homes and to cut the environmental footprint of our operations.</p>	<p>Products and innovation, page 18, in our Products & Innovation section.</p>
<p>Principle Eight undertake initiatives to promote greater environmental responsibility; and</p>	<p>We prioritise the issues of sustainable product innovation, energy efficiency and responsible wood and paper sourcing as well as reducing impacts in areas such as waste, transport, packaging, water, store design, chemicals and biodiversity. We have set ambitious targets and report progress annually. Our approach is summarised in our Sustainability Policy.</p>	<p>Energy and carbon, page 25, in our Energy & Carbon section.</p>
<p>Principle Nine encourage the development and diffusion of environmentally friendly technologies.</p>	<p>We support a precautionary approach as illustrated by examples such as our decision to remove pesticide products containing certain neonicotinoid chemicals that are thought to contribute to bee decline, across our global operations.</p>	<p>Wood and paper, page 34, in our Wood & Paper section.</p> <p>Environment, page 62, in our Environment section.</p> <p>Sustainability Policy www.kingfisher.com/sustainabilitypolicies</p>

ANTI-CORRUPTION

Principles	Summary of approach	Location in reporting
<p>Principle Ten Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>We will not tolerate bribery or corruption in any form. Our Code of Conduct and Group Governance Manual – ‘The Way We Do Business’ - explain our approach and helps us to comply with regulation such as the UK’s Bribery Act.</p> <p>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.</p> <p>All employees whose location or role poses a potential corruption risk must complete our anti-bribery and corruption training module.</p> <p>We have a target on ethical conduct and we monitor compliance with our standards through our internal audit programme and annual self-certification process.</p> <p>We will be reviewing and updating our Code of Conduct and approach during 2017/18.</p>	<p>Ethical conduct, page 59, in our Suppliers & Partners section.</p> <p>Code of Conduct: www.kingfisher.com/sustainabilitypolicies</p>

FIND OUT MORE

Our sustainability website

www.kingfisher.com/sustainability

Annual Report and Accounts

www.kingfisher.com/annualreport16-17

Sustainability Report Appendix – Detailed
Performance Data and Sustainability Data
Collection Methodology

www.kingfisher.com/sustainabilityresources

GET IN TOUCH

We want to hear your feedback, positive or negative.
You can tell us what you think about sustainability at
Kingfisher at netpositiveconversation@kingfisher.com