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B&Q UK & Ireland

B&Q is the largest home improvement and garden centre retailer in the UK and Ireland, offering products for the homemaker, occasional to serious DIYers and trade professionals.

360
Stores
40,000+
Products
21,146
Employees



B&Q China

B&Q China is adapted to the local preference for a 'Do-it-for-Me' model, specialising in fitting out and decorating new apartments.

39
Stores
19,000
Products
3,997
Employees



Castorama France

Castorama stores offer everything that's needed to make a better home and garden. The stores are aimed at the mainstream consumer and have a growing emphasis on style and inspiration.

105
Stores
50,000
Products
11,322
Employees



Castorama Poland

Castorama is the market leader in Poland, which has a large, mostly home-owning population with good DIY skills. Castorama stores are particularly strong in 'harder' DIY products.

72
Stores
34,000
Products
10,197
Employees



Castorama Russia

Castorama Russia is tapping into a home improvement market that has grown quickly along with the disposable income of Russia's middle class.

20
Stores
25,000
Products
2,648
Employees



Brico Dépôt France

Brico Dépôt is primarily aimed at serious DIYers and professional builders. It is a low-price format that offers customers a wide range of DIY and renovation products available in 'building site quantities'.

109
Stores
11,000
Products
6,875
Employees

WELCOME

Kingfisher is Europe's largest home improvement retailer with over 1,120 stores in nine countries. We employ 79,000¹ people and nearly six million customers shop in our stores every week.

Net Positive is our ambition to make a positive contribution to people and the planet, while growing a stronger and more successful business. This report summarises progress in our first full year since we launched Net Positive.



Brico Dépôt Spain

Brico Dépôt expanded into Spain in 2003. The Spanish stores are based on the highly successful Brico Dépôt format in France.

24
Stores
12,500
Products
1,371
Employees



Screwfix

Screwfix is the UK's largest direct and online supplier of trade tools, accessories and hardware products to tradesmen, handymen and serious DIY enthusiasts all over the UK.

335
Stores
18,000
Products
4,375
Employees



Koçtaş

Koçtaş, Kingfisher's joint venture in Turkey, is now the number one home improvement retailer in the country.

45
Stores
25,000
Products
3,333
Employees



Brico Dépôt Romania²

Kingfisher acquired Bricostore's 15 home improvement stores in Romania in 2013. The stores are being converted into the Brico Dépôt format.

15
Stores
1,037
Employees

¹ Operating Company employee numbers are for full-time equivalent employees as at 1 February 2014. The total Group headcount figure is 79,000.

² Brico Dépôt Romania was purchased during the year and is not included in the scope for this report.

FROM OUR GROUP CHIEF EXECUTIVE

66-99



What we've learnt in our first year is that our challenge is the right one but that business 'unusual' isn't easy.

Sir Ian Cheshire
Group Chief Executive

In the first year since we launched Net Positive we have made steady progress, laying the groundwork for tackling some of the big challenges we face in transforming our business to become restorative.

Net Positive is our response to an uncertain future, one that looks set to be increasingly dominated by resource scarcity, social inequality and global climate change.

At Kingfisher we have long recognised our reliance on the planet's natural capital. For example, we know that with around 40% of our products containing paper or wood, we cannot afford to see a continued decline in the world's forests. We're already feeling the effects of a changing climate with extreme weather events and flooding costing our business. With further pressure on natural resources expected from a

growing global middle class it is obvious to us that business as usual is no longer an option. If we don't act now to address challenges like this, we face a future of increased costs, social instability and threats to our supply chain.

The good news is that by taking a restorative approach, putting back more than we take out, we will create positive change for people and the environment, and a stronger and more resilient business too. We will be better placed to compete, to connect with customers and to innovate. Taking just one example – through our work on closed-loop innovation we are developing new sources of revenue and raw materials that will enable us to create the products and services our customers need at the price they expect, even in an era of rising resource prices.

To seize this opportunity we are starting to redesign our business focusing on new product innovation and collaboration with our supply chain. We have also taken steps to further embed Net Positive into our business model (see page 5) through, for example, the appointment of our Group Sustainability

Director who reports directly to me, the roll-out of our One Academy executive engagement module on Net Positive and the integration of Net Positive objectives into our performance management systems. Reflecting our commitment to human rights, anti-corruption and environmental protection, we have become a signatory to the UN's Global Compact, the first major company in the UK's general retail sector to do so.

Our business has always been a source of growth and innovation. Now, by thinking differently we can unlock our creativity to create even more value for our investors, colleagues, customers and society. What we've learnt in our first year is that our challenge is the right one but that business 'unusual' isn't easy. Becoming a restorative business necessitates transformative change management, engaging hearts and minds at every level of the business. We've begun that journey and are pleased to share the results so far with you through this report. Now, to reach our targets and aspirations we've got to go further, more quickly. I'm confident we can achieve this acceleration and I look forward to updating you on our progress next year.



FROM OUR GROUP SUSTAINABILITY DIRECTOR

“–”



To succeed with Net Positive we need to take a systemic and integrated approach to sustainability that is rooted in our business model.

Richard Gillies
Group Sustainability Director

Net Positive is about having a positive impact on people and the planet while also creating value for our business. We are already starting to see what this can mean in practice, and identifying where we must go further to truly realise the commercial, environmental and social benefits.

To succeed with Net Positive, we need to take a systemic and integrated approach to sustainability, one that is rooted in our business model. Since joining in 2013, my role has been to help make this transformation possible, to make sure that sustainability is meaningful to our people and to give our companies the information, tools and inspiration they need to transform how they work. Significant progress has been made this year in building systems and capacity, establishing the tools and measurement systems we need to help us progress while also investing in innovation and experimenting with new approaches.

Closed-loop innovation, for example, offers a major business opportunity by enabling us to access new sources of raw materials and to design out waste. We began to explore opportunities during 2013/14, working with partners such as the Ellen MacArthur Foundation

and our suppliers. Successful examples include B&Q UK's revolutionary new easyGrow bedding plants that are set to eliminate peat and polystyrene, and Castorama France's Infinite 100% recycled kitchen worktop made from our own business waste.

On energy, we have expanded our energy-saving product ranges and services, making it easier for customers to reduce energy use and saving them an estimated £450 million a year on their energy bills. We engaged with thousands of customers, through DIY classes run at our stores and our other community projects.

Behind the scenes we have saved £30 million for the business over three years through reducing energy use and waste. We launched our closed-loop calculator that will help us measure and improve the closed-loop credentials of our product ranges, and measured our carbon footprint across our value chain to help us target further reductions. The launch of our Net Positive Advisory Council and the three 'Conversations' we held with expert stakeholders, challenged our thinking and provided us with new insights that are being put to use within the business.

These early examples are inspiring and show us that change is not just the right thing to do but beneficial, both for our business and our customers. However, the pace of change is not fast enough and while we are generating new sources of revenue from Net Positive, such as the £0.5 billion in sales of our most innovative eco-products, we're still only scratching the surface of the commercial benefits that Net Positive can bring.

In the year ahead we will be focused on further embedding Net Positive into our Operating Companies, strengthening our systems and governance structures and accelerating progress by making sure that what we do is truly relevant to our customers and employees at the local level. We will take what we've learnt from our early successes and start working with our partners to apply these lessons at scale across our business and stimulate further innovation. We have much to do to reach our 2020 targets but I believe we are in good shape to make the changes we need to get us there.

SUSTAINABILITY AND OUR BUSINESS

Our business purpose is to help customers have Better Homes, Better Lives. We provide the products and services our customers need to improve their homes, while creating jobs and generating returns for our investors and value for society.

We have a long-standing commitment to sustainable business and progressively we are harnessing our home improvement expertise, sourcing network and our sustainability heritage to bring innovative, affordable and more sustainable products to market.

OUR BUSINESS MODEL

We seek to maximise our cash generation in a responsible way, maximising sales and minimising costs while observing key behaviours – responsibility, honesty, passion, openness and adaptability. Our strategy for delivering business growth is known as Creating the Leader, and Net Positive is an integral part of this.

– Maximising sales

home improvement is an attractive retail sector and we aim to provide a wide product choice and expert advice while using our international strength and capability to bring new, more sustainable and more affordable products to market. We are launching new products and services in areas such as energy efficiency that move us towards our Net Positive goals while creating new revenue streams.

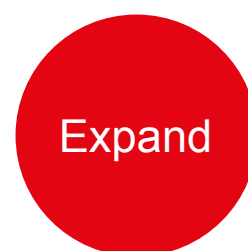
– Minimising costs

the biggest cost in our business is buying the products that we sell to our customers. We aim to minimise costs through giving suppliers the certainty of large-scale orders and through running our stores and distribution networks more efficiently. Through our focus on sustainability, we are designing out waste and exploring closed-loop approaches that give us access to new materials streams and help protect our business from price volatility.

– Cash and value generated

we have generated £5.5 billion of operating cash flow over the last six years, reinvested £1.7 billion in the business and returned £1 billion to shareholders as annual dividends. The value we create for customers and society gives us better brand preference and licence to operate over the longer term.

OUR CREATING THE LEADER STRATEGY



1 Making it easier for customers to improve their home

2 Giving our customers more ways to shop

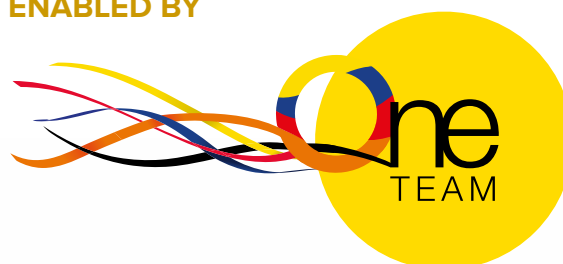
3 Building innovative common brands

4 Driving efficiency and effectiveness everywhere

5 Growing our presence in existing markets

6 Expanding in new and developing markets

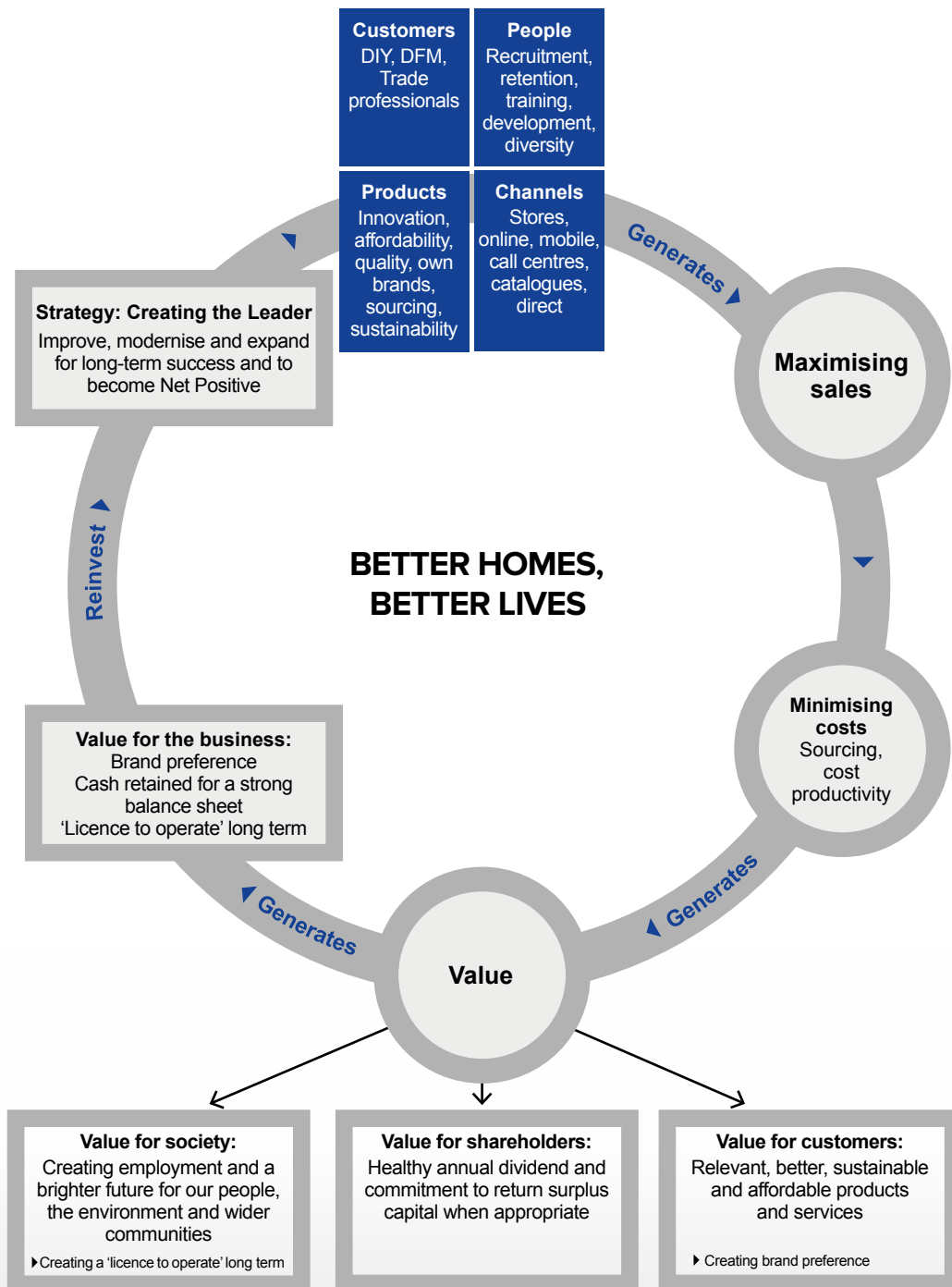
ENABLED BY



Developing leaders and connecting people

Sustainability: becoming 'Net Positive'

OUR BUSINESS MODEL



To view and download the business model go to
<http://annualreport.kingfisher.com/2013-14/strategic-report/our-business-model.html>

WHAT IS NET POSITIVE?

Net Positive is a restorative approach to business. It means making a positive contribution to people and the environment, while growing a stronger, more profitable business.

With Net Positive, we aim to:

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



To become Net Positive we must transform many aspects of our business, redesign our stores and products, find new ways to serve our customers and forge new partnerships and supply chains.

Why we need Net Positive

The world faces unprecedented social and environmental challenges, such as the growing pressure on natural resources from an expanding global middle class, to the impact of global climate change and increasing inequality.

These trends are reshaping the business environment, with the potential to increase our costs, restrict our access to resources and create instability in our global supply chains. For example, timber is used in up to 40% of our products making it an essential raw material for our business. We could be significantly affected by predicted price rises of up to 75% and timber shortages of up to 30% by 2020, resulting from growing demand and deforestation. Between 2000 and 2010, about 5.2 million hectares of forest were lost each year. To protect these vital resources over the longer term, we need to go further than just replacing what we use ourselves.

Our opportunity

Net Positive is how we will transform our business to be better prepared to respond to, and capitalise on, global social and environmental megatrends. It is both a response to the challenges we face and a plan for how we will seize new opportunities that come with more sustainable business practices. For example, it will equip us to take advantage of the predicted €70 billion new market for in-home energy efficiency across Europe by 2020. Through our focus on closed-loop innovation we will open up new sources of raw materials and foster productive partnerships with our supply chain. Responsible timber sourcing and forest projects will help us safeguard the supplies of timber we need to grow our business. Above all, Net Positive will help us to create better, more affordable and sustainable products that our customers want and need.

Our priorities

We have identified four priorities for our Group, areas that are closely connected with our business and where we can make a big difference: timber, energy, innovation and communities. We have established a clear vision in each area and set targets for 2020 to help us begin making progress. Transforming our business to become Net Positive is a challenging task, but by focusing our efforts on these priorities and setting clear targets we can make more progress more quickly. This report summarises progress towards these targets in our first year.

Net Positive

Our business has a Net Positive effect in the areas of the four pillars. By changing these, we expect to have learnt how to make our entire business Net Positive.

Net Positive tipping point

Shifting the balance from projects that plot a Net Positive approach to a business where Net Positive drives our decisions and actions. The majority of new initiatives in the four pillars have a Net Positive impact, with exceptions only where it is technically or financially unfeasible.

2021 – 2035 POSITIVE BALANCE

2036 – 2050 NET POSITIVE

Pioneering Net Positive projects

Rethinking four key pillars within our business model where we can have the biggest impact: timber, energy, innovation and communities. Our focus is on pioneering initiatives that will help us in becoming Net Positive in these areas or making a substantial step towards it. Continuing to deliver leadership in reducing our impact elsewhere.

2012 – 2020 POSITIVE IMPACT

Conventional approach to date

Reducing the environmental and social impact of our operations, and helping our customers to do the same in their homes through our products and services.

2000 – 2011 FUTURE HOMES

NET POSITIVE
THRESHOLD

IMPACT

2000

TIME

2050

INSTORE

Net Positive is already happening in our stores. With our suppliers we are developing new products that are better for the environment and make life easier for our customers, helping them to create homes that are more efficient, more comfortable and less wasteful.

Products with improved sustainability credentials are only 'better' if they also meet or exceed our customers' expectations for quality, value and functionality. This ensures that our customers will choose them in-store and continue to use them when they get home. That's why in all our product innovation we always prioritise customer benefits.

Creating Net Positive products requires us to rethink design, to source materials from more sustainable sources, to develop new types of materials that minimise waste and even to rethink traditional business models, moving from selling physical products to exploring how we deliver the same customer benefit through a service.

Change of this scale takes time and we face many challenges both at the innovation phase and in taking new ideas to scale across the business. Our focus in our first year has been on stimulating innovation and on testing out new ideas and approaches. Now we must take what we have learnt from these early examples to go even further and to create more positive change.

We have a long way to go but we are already seeing results. What's more, we generated annual revenues of £2.3 billion for the business through sales of products that are better for the environment, including £0.5 billion in sales of our most innovative eco products.

HIGH PERFORMANCE MATERIALS WITH A LOWER IMPACT

We are redesigning some of our most important products, finding new and more sustainable materials to use and eliminating waste. Much of our work is inspired by the opportunity of closed-loop innovation, the continual reuse, repurposing and recycling of raw materials. While it may take many years to produce our first completely closed-loop supply chain or product range, we can have a big impact at this stage by making more of our products more closed-loop, including through the use of recycled materials and by designing for recycling at products' end-of-life. We are developing working processes that bring together colleagues from different functions along with our suppliers to reimagine product design and materials from first principles.

B&Q

Harnessing Teabag Technology for easier gardening

Each Spring B&Q UK sells more than 80 million bedding plants, previously creating enough polystyrene waste to stretch from Land's End to John O'Groats. Now it has developed easyGrow, an innovative approach to bedding plants and their packaging that is 100% recyclable and better for gardeners and nature. With easyGrow, bedding plants come in individual 'tea bags' planted in sustainable coir that is 95% peat-free. They can be lifted straight into the ground from the pack still in their bags, making planting easier and less likely to damage delicate roots. The packs can then be easily recycled with other household waste.

100%
recyclable
packaging

Customer benefits:

- Easy to use with less mess
- Protects plant roots
- Container can be recycled with household waste

Sustainability benefits:

- 95% peat-free with better water retention
- Recyclable PET replaces polystyrene reducing waste to landfill
- 750 jobs created in our Sri Lankan coir supply chain
- Significantly fewer lorries needed to transport



**Customer benefits:**

- More water resistant, reducing water damage
- Lighter and easier to install
- Longer guarantee

Sustainability benefits

- 100% recycled materials, reducing waste and carbon emissions
- More efficient to transport

castorama**The Infinite worktop, stylish and more sustainable**

Made from waste wood from our stores and end-of-life DIY products, the Infinite worktop is also 40% lighter than similar products on the market, making it easier to handle and install and reducing breakages. Where traditional particle boards can be damaged by steam and water in the kitchen, Infinite has a wood composite structure that is more water resistant.

Customer benefits:

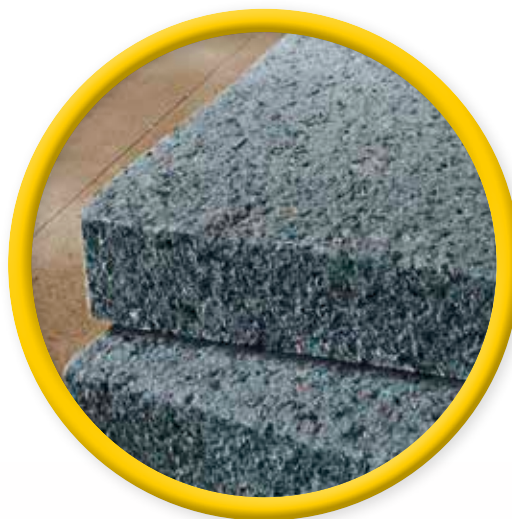
- Insulates homes from noise, heat and cold
- Highly fire resistant
- Can last longer than mineral wool insulation

Sustainability benefits:

- Made from recycled textiles, using fewer raw materials and reducing waste
- Supporting social enterprise and job creation

castorama**Métisse insulation helps customers improve energy efficiency, while cutting textile waste**

The Métisse range offers customers excellent thermal and acoustic insulation products. These panels are created from waste textiles collected by Castorama France's partner, Le Relais, a social enterprise creating jobs for disadvantaged people. In France, each person bins an average of 12kg of clothing every year. Many clothes are of low quality, making it hard to salvage, clean and resell them. Now 25% of the waste textiles collected by Le Relais are pulped and reprocessed to make Métisse panels, with the rest either resold, used as wiping cloths or used in energy generation. Métisse panels are on sale in 80 Castorama stores across France.



25%

of the waste textiles collected by Le Relais are pulped and reprocessed to make Métisse panels



Customer benefits:

- Reduces home energy use by up to 25%
- Customers can control their home heating, lighting and alarm, even when out and about

Sustainability benefits:

- Cuts energy use and carbon emissions

25%
less energy

castorama

An efficient, automated home with Blyssbox

Castorama France customers are cutting their home energy use by up to 25% with Blyss home automation and heating control systems. A central Blyssbox unit is used to control home heating, lighting and alarm systems as well as window shutters and gates, with customers able to operate it remotely via their smartphone, tablet or computer.



MORE COMFORTABLE, ENERGY EFFICIENT HOMES

An energy efficient home is cheaper to run and more comfortable to live in. Our companies are developing new product ranges and services that give customers greater control over their home energy use and enable them to cut their energy bills. We are saving customers an estimated £450 million a year through sales of our energy-saving products and services since 2011/12³.

Home energy efficiency projects are an increasingly important commercial opportunity for our businesses and, with home energy use accounting for over

one-quarter of UK greenhouse gas emissions, can also play an important role in tackling climate change.

The launch of new installation services means our energy efficiency offer meets the needs of both our 'Do-it-yourself' customers and the 'Do-it-for-me' customer, as well as professional tradesmen.

We also sell renewable energy products which have enabled customers to generate over 37.5 million kWh of green energy. We plan to further expand this part of our customer offer.

Customer benefits:

- Up to £305 saving on home energy bills
- Affordable product with a 10-year guarantee
- First boiler to carry the Energy Efficient Buildings BSI Kitemark quality standard

Sustainability benefits:

- 'A' rated for energy efficiency, reduces home energy use and carbon emissions

£305

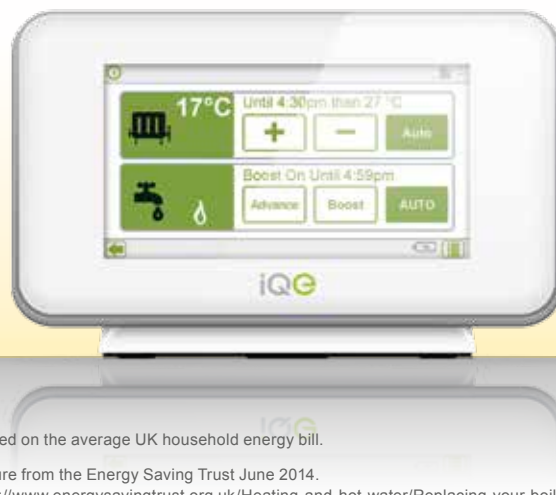
customer savings on their energy bills



More intelligent heating with the iQE range

The iQE Simplicity gas boiler and installation service from B&Q Energy Saving makes energy efficient heating more convenient and affordable for customers. 'A' rated for energy efficiency, the boiler has a 10-year guarantee and is the first to carry the Energy Efficient Buildings BSI Kitemark quality standard. Used with the Halo heating control system, it enables customers to control their heating remotely and to save up to £305⁴ off their energy bills.

B&Q Energy Saving helps customers cut energy use through home energy assessments; advice; help accessing government subsidies; and installation services. iQE is also available to professional tradesmen via Screwfix.



³ Based on the average UK household energy bill.

⁴ Figure from the Energy Saving Trust June 2014.
<http://www.energysavingtrust.org.uk/Heating-and-hot-water/Replacing-your-boiler>

**Customer benefits:**

- Lower heating bills
- Eligible for government subsidies

Sustainability benefits:

- Lower carbon emissions

€650

potential saving
on heating bills

castorama
Kausiflam wood pellet stove range helps customers cut bills and carbon emissions

Wood pellet stoves, one of our lower carbon energy products, are growing in popularity with customers. The Kausiflam range provides efficient heating that can save customers up to €650 a year on their heating bill while reducing carbon emissions. The stoves can be programmed to switch on and off at set times, which provides greater functionality and improves efficiency. They carry the Green Flame label, which recognises products that reach high performance standards on energy efficiency and carbon emissions.

The range is competitively priced and customers can access government subsidies via Castorama's Prime Energie initiative.

B&Q
DIAL LED bulbs, a customer Best Buy

B&Q UK's ultra low energy LED light bulbs have been recognised as a Best Buy by consumer organisation Which? with a score of 92%, the highest of all the bulbs Which? looked at.

**Customer benefits:**

- Cuts energy bills
- Lasts for 25 years
- Warm lighting tone

Sustainability benefits:

- Uses just 10% of the energy of an incandescent bulb

10%

of the energy use of an incandescent bulb

Customer benefits:

- One stop shop with product information and access to subsidies in one place
- Easier to plan and implement home energy efficiency projects

Sustainability benefits:

- More energy efficient homes

**BRICO
DÉPÔT**
A simpler approach to saving energy with Eco Prime

Eco Prime, an initiative from Brico Dépôt France, is making it easier for customers to plan home energy efficiency projects and access subsidies. Customers benefit from cash back vouchers when purchasing products such as insulation, heating and ventilation systems. They can visit Brico Dépôt's refit website, ecoperformance-bricodepot.fr, which helps them calculate the savings they can make and the subsidies they can use, identify the best products for their job and apply for any permits they need.



MAKING THE SUSTAINABLE CHOICE THE EASIER CHOICE

We want to make it easier for customers to choose more sustainable products without feeling they have to compromise on style, quality or functionality, or to spend time comparing products' eco credentials. Most importantly, customers shouldn't have to pay more for a greener product.

We are focusing on improving the sustainability of products across whole ranges so that increasingly, customers can be confident that any product they buy from us is better for people and the planet.

Transforming our ranges is a big job. There is a lot of work to do behind the scenes to make sure that sustainability is integrated

into our product development processes, but we are already seeing successes in areas like timber sourcing. New services can play a role too, like our customer rental and repair offers that enable customers to use a convenient service that is also better for the environment.



Customer benefits:

- 100% responsibly sourced paper and timber products with no price premium

Sustainability benefits:

- Responsibly sourced timber does not contribute to deforestation
- FSC certification has been proven to have a positive environmental and social impact

B&Q

A better sandpaper at B&Q

Customers don't have to consciously choose more sustainable timber when they shop at B&Q UK – 100% of its timber products are responsibly sourced, from proven well-managed sources. Now a new sandpaper range, certified to FSC standards, is hitting the shelves, meaning that customers can be confident that any paper products they buy at B&Q UK are responsibly sourced too.

FSC Trademark © Forest Stewardship Council, A.C.
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100%

of B&Q UK timber is responsibly sourced

Customer benefits:

- Easier to create bee-friendly gardens

Sustainability benefits:

- Eliminates chemicals that are harmful to bees

3

pesticides removed from sale

**Gardening that's better for bees**

To protect bees we eliminated three pesticides belonging to the neonicotinoid family (clothianidin, imidacloprid and thiamethoxam) during 2013 that are thought to contribute to bee decline. We introduced the ban ahead of EU regulation, and across all our companies, not just those in the EU.

B&Q UK, Europe's largest garden centre retailer, is working with Friends of the Earth to engage customers and government on the issue of bee decline. It has introduced the Royal Horticultural Society's Perfect For Pollinators logo that makes it easy for customers to identify plants which can help support bee populations in their own gardens.

**Customer benefits:**

- Save money by renting or repairing tools rather than purchasing new ones

Sustainability benefits:

- Fewer resources needed to manufacture new tools
- Rental tools are designed to last longer and be easier to repair

140,000
repairs**4,000**
rentals**castorama****Rental and repair services save customers money**

Castorama customers in Poland can save money on their DIY jobs by hiring the tools they need at their local store. They can also get old and faulty tools repaired rather than replacing them with new ones. Almost 140,000 repairs and 4,000 rentals were carried out last year.

IN BUSINESS

Behind the scenes we are transforming how we work, beginning our journey to becoming a Net Positive business that can operate with lower costs and build stronger relationships with our employees, suppliers and customers.

We're focused on making sure everyone in our business understands what Net Positive is and why it matters, working with suppliers to change the way we design and manufacture our products and source our raw materials, and improving our buildings and transport to reduce their environmental impacts and create spaces that are better for people and the planet. We're also getting involved in our local communities and partnering with others to tackle sustainability challenges that we can't solve on our own.

Redesigning our business to become restorative is extremely challenging and will take many years. However, by using what we learn from each project to improve how we work and to create further positive change across our companies, we will continue to make progress towards our goals.

FOSTERING A CULTURE OF NET POSITIVE INNOVATION

Already we have some great examples of Net Positive innovation in our products and business. Yet to achieve our goals by 2020, we need to accelerate the pace of change. Innovation always carries a risk of failure but without trying out new ideas we cannot progress. That is why we are starting to introduce new mechanisms to recognise, reward and celebrate innovation, and looking outside our business to bring in new ideas and expertise.

We have been focused over the last year at integrating Net Positive, working with people across our companies to help them each begin their own Net Positive journey. New practical tools, such as our closed-loop calculator, will give our people guidance and support to begin making Net Positive innovation a reality.

8%
reduction in property
energy intensity from 2010/11

31%
cut in transport carbon
emissions at B&Q UK from
2006/07

£30 million
saving over three years
through reducing waste
and energy use

170
products with
closed-loop credentials



of waste recycled



Sustainability benefits:

- Supports faster progress to our Net Positive targets

Business benefits:

- Supports employee engagement

250

will be reached by the One Academy programme

Making Net Positive part of our day

To progress to our goals we need all our people to work together and make Net Positive part of their day. We launched our One Academy Module, a bespoke leadership engagement programme for our 250 most senior leaders designed to improve understanding of Net Positive and help leaders to stimulate sustainable innovation in their businesses. We've also added Net Positive-related targets to the performance objectives for many key employees and introduced training on sustainability to help our people get involved and to support our customers to make sustainable choices too.



Sustainability benefits:

- Makes it easier for our companies to identify opportunities for closing the loop

Business benefits:

- Can help to cut costs associated with raw materials and waste disposal

170

products with closed-loop credentials

New tools help our companies close the loop

One of our priorities is to develop products with closed-loop credentials, enabling raw materials to be continually reused, repurposed and recycled. This is better for the environment and can reduce our costs and open up access to new sources of materials. To help our companies we developed our closed-loop calculator, a practical tool to identify those products in our ranges that already have closed-loop credentials, and those which are likely candidates for further improvements. The tool is being used by our buyers in product development and by using it we have already identified 170 products in our ranges with closed-loop credentials.



Sustainability benefits:

- Insight and expertise that will help us progress towards our Net Positive targets

Business benefits:

- A source of expert advice that can help us identify new risks and opportunities

Net Positive Advisory Council launched

Many of the issues we're tackling through Net Positive are complex and difficult, and new challenges and opportunities continue to arise. We've launched the Net Positive Advisory Council, a group of senior external experts in different aspects of sustainability, who will meet regularly to provide invaluable guidance, insight and challenge to help us on our Net Positive journey. Read a comment from Dr Sally Uren, Chair of our Net Positive Advisory Council on page 19.

REDESIGNING OUR SUPPLY CHAINS

Our relationship with suppliers is critically important to achieving our Net Positive goals. As well as communicating our sustainability requirements to suppliers, we need to work closely together to develop new solutions and unlock opportunities for Net Positive innovation.

This collaboration is particularly important in areas like closed-loop innovation which depend on creating more circular supply chains. We are also exploring new opportunities for local supply chains that can have benefits both for the environment and our business.



Sustainability benefits:

- Reduces waste and use of virgin raw materials

Business benefits:

- New revenues and raw materials streams

10

new material streams from recycled power tools



Creating a more circular supply chain at Screwfix

Screwfix is partnering with the reverse logistics company iFORCE, to create a new source of raw materials from what was once considered waste.

Old and faulty power tools are collected from Screwfix stores by iForce. These are broken down into component parts to create 10 new materials streams. Each stream is then sold to specific companies who repurpose the materials or parts. Some of the plastics come back into Screwfix stores as new products. For example, rubble bags contain at least 10% of plastic from our old power tools.

Sustainability benefits:

- Improved biodiversity
- Local communities engaged in forest conservation

Business benefits:

- New sources of sustainable timber products

11

stores involved in forest projects



Forest partnerships at Brico Dépôt Spain

Through partnerships with NGOs, Brico Dépôt Spain is helping to protect local forests and open up new sources of timber products for its stores. Four forest projects have been launched so far, involving employees from 11 stores and funded by sales of the Brico Dépôt reusable raffia carrier bag. Each project has a different focus, including enhancing biodiversity in a forest damaged by fire, tree planting and engaging local school children in forest conservation. A new range of sustainable cork products from one of the forests has been on sale in Brico Dépôt stores.



BETTER STORES AND TRANSPORT WITH A LOWER IMPACT

We are making energy efficient design a priority in each new store build. This is better for the environment, reduces our costs and can help create stores that are more comfortable for employees and customers. Already we have reduced the energy intensity of our property portfolio by 8% since 2010/11, achieving cost savings for the business.

We're also tackling carbon emissions from transport and making progress towards our target of zero waste to landfill. We have a lot further to go and have launched collaboration tools to help our companies learn from each other's successes and speed up the pace of change.



Sustainability benefits:

- 52% more energy efficient
- 100% sustainable timber

Business benefits:

- Lower energy bills
- Attractive store design with large gardens
- Comfortable building for employees and customers

52%

more energy efficient

**BRICO
DÉPÔT**

A lifesize laboratory for eco store design

Designed to be a better store for customers, employees and the planet, the Brico Dépôt store at Moulins is designed to optimise energy use and minimise running costs and environmental impact. Super-insulated walls and a high performance boiler make the site 52% more energy efficient

than regulatory requirements, while overnight ventilation and mechanical shutters keep the store at a comfortable temperature without air-conditioning. Lighting is all LED with an auto-dimming system that adjusts intensity as daylight levels change. An integrated energy and water monitoring system enables the store manager to keep performance at the optimum level. Part of the site has been set aside for planting with local species to encourage biodiversity and the frame of the building is made from 100% sustainably sourced timber. The building design received a 'very good' rating from both BREEAM, the international sustainable building certification scheme, and Bâtiment Basé Consommation, the French certification scheme for energy efficient buildings.



Sustainability benefits:

- Zero waste to landfill
- 5,400 tonnes of materials recycled

Business benefits:

- Lower costs
- Less space needed to store waste

5,400

tonnes of materials recycled

SCREWFIX

Achieving zero waste to landfill at Screwfix

Screwfix has developed a new approach to waste management, enabling it to achieve zero waste to landfill and to cut costs. Waste is now sorted at stores and transported in Screwfix's own fleet of delivery vehicles back to its distribution centre. Here recyclables are sorted and sold onto recycling firms, generating revenues. General waste is compacted and sent to an energy-from-waste plant. The stores no longer need a traditional waste collection service, reducing costs and space needed to store waste.



Sustainability benefits:

- Creates a new use for a potent greenhouse gas that would otherwise be released directly into the atmosphere
- 31% cut in transport carbon emissions

Business benefits:

- Improved cost efficiency
- Fewer journeys needed

35%

more products transported on each journey

B&Q

Greener fleet delivers at B&Q

B&Q's fleet of dual-fuel lorries that run on diesel and liquid biomethane are helping the business cut its carbon footprint. The gas is extracted from landfill sites and kept in B&Q's own refuelling station, creating a new reliable source of clean fuel. Along with other measures, like double decker lorries that enable 35% more products to be transported on each journey, these changes have enabled B&Q to cut carbon emissions from transport by 31% since 2006/07.

IN OUR COMPANIES

While our businesses have much in common, they each serve a different market and customer base, and whilst many of the sustainability challenges we face are shared across our markets, there are also many differences. That's why each of our companies has its own plan for how it will contribute towards achieving our Net Positive goals in a way that is most relevant to its business and its customers.

“—”



B&Q has been a pioneer in responsible retailing for over 20 years and in 2013 we continued to make good progress against our original One Planet Home targets

and a significant contribution to the Kingfisher Net Positive programme. We saw further cuts in store energy use, a number of innovative new ideas launched and the completion of our 20-year quest for 100% responsibly sourced timber and paper.

Our priorities in 2014 are to start cutting excess packaging, improve supply chain transparency and continue to bring our customers innovative eco-products at affordable prices.

Kevin O'Byrne
CEO, B&Q UK and Ireland

“—”



At Castorama we think that everyone should have the right to live better. We want everyone to be able to improve their home without effort, without complexity and without compromise. We know that feeling better at home and being happy in life is linked to the health of our planet and the wellbeing of others too.

Sustainable development is a huge challenge for the 21st century and we see a growing need to reconcile strong financial performance with societal wellbeing and protection of our environment. This changing world is a real opportunity. It encourages us to explore new market opportunities, to work differently with our partners and our suppliers and also, most importantly, with our employees.

Véronique Laury
CEO, Castorama France

“—”



In the future we think that being a sustainable business will just simply mean doing business. We have already made progress in some key areas, such as achieving zero waste across our stores, reaching 93% responsible timber and paper sourcing, and launching the Screwfix Foundation.

Now we want to go further and accelerate the delivery of our Net Positive targets. This year we will launch our new sustainability plan. Our plan is about being true to our customers, to our people and to our business. It will form part of our long-term business strategy, helping us to accelerate our growth and to continue to provide the best products, convenience and value for our customers while creating positive change for people and the environment.

Andrew Livingston
CEO, Screwfix

“—”



Net Positive is aligned with our business model – to maximise efficiency and decrease prices without compromising on quality. We are taking firm steps to become more sustainable, progressing towards our targets and making Net Positive part of how we work.

Alexandre Falke
CEO, Brico Dépôt France

IN PERSPECTIVE

Dr Sally Uren is Chief Executive at Forum for the Future and Chair of our Net Positive Advisory Council. Here she shares her perspective on our progress in year one of Net Positive and the challenges we still have to address.

66-99



There is no doubt Kingfisher is blazing a trail. The bold commitment to take a restorative approach and become Net Positive is not only shaking up Kingfisher's own business, but the wider business ecosystem. This in itself is a worthy achievement, as simply striving to minimise negative impacts isn't enough; stocks of every sort of capital, from natural to social and economic are running perilously low. If we are to get anywhere close to delivering a sustainable future, these assets need rebuilding – and quickly.

Kingfisher has all the ingredients in place to deliver on Net Positive. Governance and accountability around sustainability issues has been strengthened in the last year and this report demonstrates the hunger in the business for innovation and willingness to

experiment; there is also an acknowledgement that nothing short of business transformation will deliver the Net Positive aspirations.

There has been good progress in some areas, including an increase in sales of products with social and environmental benefits, as well as helping customers reduce their energy consumption. However, overall energy consumption has slightly increased within the property portfolio, as has emissions from delivery fleets. The challenge of decoupling environmental impact from business growth is therefore very real.

This report signals a business alive to such challenges and I would hope to see progress in the way Kingfisher tackles its environmental footprint, prioritising these direct impact areas, alongside efforts to give its core business offers sustainability makeovers.

Successful delivery of Net Positive will also require Kingfisher to navigate two central challenges. First, what is the right balance between central coordination and individual Operating Company autonomy? Go too far one way in the direction of central coordination, and innovation and ownership will be stifled. Go too far the other way, and efficiencies of scale and learning opportunities will be lost.

The second challenge is linked. What is the best way to embed Net Positive in the entire organisation, in a way that allows all of Kingfisher's thousands of employees to bring the ambition of Net Positive alive for the millions of people who pass through Kingfisher stores, and for the communities in and around Kingfisher's operations?

There is then a final challenge. What is the appropriate pace of business transformation that will allow Kingfisher to respond to a rapidly changing retail landscape? Taking a look as little as five years into the future shows a very different model for retail; more vertical integration, more localised and distributed manufacturing; demands for ultra-transparency from consumers, who may also be producers. These are of course all features of more sustainable retail, which is where Net Positive comes in. At its simplest, Net Positive will help deliver a sustainable business model for Kingfisher, as well as requiring Kingfisher to influence the retail system around it, not to just nod to sustainability, but to fully embrace it.

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

PERFORMANCE SUMMARY FOR 2013/14

We have begun to make progress towards our 50 targets for 2020 but still have much to achieve. We track progress at our Operating Companies using our Foundations Questionnaire and calculate a Group score for each target. All targets are 2020 unless otherwise stated.

TIMBER Net Positive: timber 100% responsibly sourced timber and paper in all our operations. Progress n/a^A	Tropical deforestation None of our products to be sourced from materials that are linked to tropical deforestation (including tropical hardwood products, palm oil and leather). Progress	Sustainable lifestyles Use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles. Progress	Eco credentials To bring eco-products into the mainstream, by achieving 50% of Group sales from products and services with eco credentials. Progress
Products – timber 100% responsibly sourced timber and paper in our products. Progress	Improving forests Every Operating Company to have at least one forest or woodland enhancement initiative that makes a substantial quantifiable step towards the Group aspiration of creating more forest than we use. Progress	Responsible marketing All our customer communications and marketing to be in line with our guidelines on responsible brand management and marketing 2016/17. Progress	Range sustainability rating To enhance the eco credentials of all our products by improving the sustainability rating of every product range. Progress
Packaging – timber 100% responsibly sourced timber and paper in our packaging. Progress	ENERGY Net Positive: customer energy 38 TWh of energy saved for customers across our international businesses. Progress	Total carbon footprint 25% reduction in our absolute carbon footprint from a 2010/11 baseline (tonnes CO ₂ e). Progress	Sustainability of own-brand Demonstrate leadership on eco innovation across our Group own brands. Progress
Catalogues and goods not for resale – timber 100% responsibly sourced timber and paper in goods not for resale. Progress	Net Positive: own energy 45% reduction in the energy intensity (kWh/m ²) of our property portfolio from a 2010/11 baseline. Progress	Property carbon intensity 50% reduction in the carbon intensity (CO ₂ e/m ²) of our property portfolio from a 2010/11 baseline. Progress	Closed-loop supply chains Ten closed loop supply chains. Progress
Construction – timber 100% responsibly sourced timber and paper in materials procured for construction and fit-out. Progress	Energy-using products All energy-using products to meet 'best practice' standards on energy efficiency. Progress n/a^B	INNOVATION Net Positive: closed-loop products 1,000 Kingfisher products with closed-loop credentials. Progress	Alternative services Explore and trial alternative business models such as product hire and repair, which encourage a perpetual reuse of products by 2016/17. Progress
Strategic sourcing Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories. Progress		Eco-product innovation To be at the forefront of sustainable product innovation, with 10% of Group sales from the most innovative eco-products and services. Progress	Learning stores Every operating company to develop at least three 'Learning Stores' and to have delivered, or confirmed, the site for one 'Eco Store' – a store that champions low carbon and sustainability innovation. Progress

Sustainability accounting

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

Progress

COMMUNITIES**Net Positive: communities**

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

Progress

Skills-sharing online

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

Progress

EMPLOYEES**Performance management**

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

Progress

Senior management training

To have a development programme on Net Positive for the top 250 managers from around the Group.

Progress

Eco-product training

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

Progress

Net Positive engagement

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

Progress

Equality and diversity

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

Progress

Employee H&S

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

Progress

Customer and contractor H&S

Develop a Group-wide accident reporting framework for customers and onsite contractors and set a reduction target.

Progress

Employee surveys

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

Progress

SUPPLIERS & PARTNERS**Supplier ethical assessment**

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

Progress

Goods Not For Resale (GNFR)

Key GNFR contracts will meet or exceed our sustainability standards.

Progress

Supplier footprint

To define and measure the carbon and water footprint of our value chain and to set a carbon reduction target.

Progress

SRI indexes and CR ratings

Kingfisher to maintain its leadership position in key SRI indexes and CR ratings.

Progress

Ethical business conduct

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

Progress

ENVIRONMENT**Waste**

Achieve zero waste to landfill.

Progress

Direct transport impacts

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

Progress

Indirect transport impacts

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

Progress

Green travel

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

Progress

Own water footprint

To understand the water footprint of our own operations.

Progress

Water-using products

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

Progress

n/a^c**Chemicals**

None of our own-brand or exclusive brand products will contain the chemicals of concern we have committed to remove.

Progress

n/a^d**Packaging**

Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards.

Progress

Construction-waste

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

Progress

Construction-biodiversity

Enhance biodiversity on new-build projects, major refurbishments and existing stores.

Progress

Peat elimination

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

Progress

^A We do not yet have complete data to assess progress towards this target.

^B Score not allocated. Kingfisher guidelines to be developed.

^C Score not allocated. Kingfisher guidelines to be developed.

^D Score not allocated. Work in progress to update the Kingfisher Chemical Action List.

PERFORMANCE REPORT 2013/14

TIMBER

We aim to take a restorative approach to timber sourcing so that we create more forest than we use. This will help us to safeguard supplies of timber, an essential raw material for our business, and to protect forests, a vital natural resource.

KEY PRIORITY: TIMBER

Our Vision

Global net reforestation.

Aspiration

Kingfisher creates more forest than it uses.

2020 Net Positive Target

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

Timber is used in up to 40% of our products in store and we rely on an area of forest the size of Switzerland each year. Deforestation and growing global demand could result in shortages and price volatility. Taking a restorative approach is the best way to safeguard our future timber supplies at an affordable price. It is also important to protect biodiversity and to help mitigate the effects of climate change.

Creating more forest than we use means we will help increase the social and environmental value of a forest area larger than that used for our business. The first step is responsible sourcing because this means we can be confident the timber we buy is not contributing to deforestation. The second is making a positive contribution by supporting FSC certification, enhancing and restoring forests to benefit biodiversity, or planting more trees to expand forested areas.

Our early forest projects have shown us that by working with our partners we can make a positive contribution to forest conservation, and that over the longer term this can help to open up new sustainable supplies of timber for our business.

Our work on sustainable timber was recognised with a Sustainable Standard-Setter award from the Rainforest Alliance during 2013. A number of our companies also gained recognition for their work in this area, including Castorama France, which was ranked 4th out of 50 in WWF's and Riposte Verte's PAP50 responsible paper sourcing survey.



In recognition of demonstrated efforts to protect the environment and support local communities, Kingfisher plc received a 2013 Sustainable Standard-Setter award from the Rainforest Alliance.

OVER THE COMING YEARS OUR PRIORITIES WILL BE

- **Responsible sourcing:** buying our timber from proven well-managed sources.
- **Reducing our forest footprint:** finding ways to use timber and paper more efficiently, for example, through our work on closing the loop (see page 33) and optimising our packaging.
- **Strategic sourcing:** improving traceability and price stability by developing longer-term partnerships with key timber product suppliers.
- **Forest initiatives:** running projects to protect and restore forests and to open up new sustainable timber supply chains.
- **Customer engagement:** communicating our approach to customers to stimulate demand for responsibly sourced timber and to involve customers in our forest projects.
- **Advocacy:** working with businesses, NGOs, governments and others to tackle the causes of deforestation and to create positive change beyond our business.

5.2 million⁵

hectares of forest lost each year around the world 2000–2010.

30%⁶

global timber shortages possible by 2020.

75%⁶

price rises, could result from global timber shortages by 2020.


⁵ UNFAO The Global Forest Resources Assessment, 2010.

⁶ Boston Consulting Group report, commissioned by Kingfisher 2011.

NET POSITIVE: TIMBER	
2020 TARGET	
100% responsibly sourced timber and paper in all our operations.	
PROGRESS⁷	N/A⁷

Responsible sourcing enables us to be confident that the timber we buy comes from sustainably managed forest areas and is not contributing to deforestation. All of our responsibly sourced timber is independently audited by recognised certification schemes, such as FSC and PEFC.


Our key focus over the past few years has been on responsible sourcing of timber in the products we sell. We have now started to extend our work to cover other timber we use across the business, including timber and paper used in packaging, goods not for resale (GNFR) and construction (see details below). We do not yet have Group-wide data to measure progress towards our main timber target. We will continue to improve our data collection process to enable us to report progress in 2014/15, with a particular focus on data for timber and paper used in packaging and GNFR.

PRODUCTS	
2020 TARGET	
100% responsibly sourced timber and paper in our products (90% by 2016/17).	
PROGRESS⁷	

87% of the timber (by volume) used in our products was responsibly sourced, a slight drop on 89% in 2012/13. While disappointing, this drop reflects work to improve the quality of our data, which identified a number of products not previously reflected in our data scope.

B&Q UK achieved 100% responsibly sourced timber in its products during 2011. This year it developed a new responsibly sourced sandpaper range (see page 12) that will bring it to 100% responsible sourcing for both timber and paper. Screwfix, Brico Dépôt Spain and Brico Dépôt France have all achieved over 90% responsible sourcing.

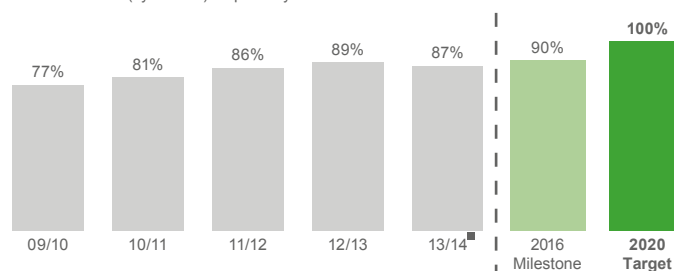
Progress has been slower in Russia and China where the market for responsibly sourced timber is less well established. Addressing this is challenging but represents a significant opportunity to create positive change. Alongside our focus on responsible sourcing we are also looking for opportunities to reduce overall timber volumes in China and Russia.

PACKAGING	
2020 TARGET	
100% responsibly sourced timber and paper in our packaging. (Establish a methodology and data collection system by 2016/17.)	
PROGRESS⁷	

We do not yet have reliable data on responsible sourcing for packaging. We established a Packaging Working Group in 2013 to coordinate our work on establishing a methodology and data collection system and to improve our understanding of how packaging is sourced in our different companies. This is taking place as part of a wider programme of packaging optimisation led by our newly appointed Group Head of Packaging. Responsible timber and paper sourcing are being integrated into our new packaging sustainability standards which will eventually be used in all packaging development and sourcing. See page 50.

Responsibly sourced timber products


% of timber sold (by volume) responsibly sourced



■ Within KPMG's limited assurance scope.


⁷ We do not yet have complete data to assess progress towards this target.

TIMBER continued

CATALOGUES AND GOODS NOT FOR RESALE (GNFR)
2020 TARGET
100% responsibly sourced timber and paper in GNFR (100% of paper used in catalogues and customer marketing by 2016/17).
PROGRESS ▼ 


Use of responsibly sourced paper is gradually becoming standard practice in the paper industry in most of our markets. This has helped us to reach 88%⁸ responsibly sourced paper used in catalogues, customer marketing and stationery. Companies are also looking for opportunities to reduce overall paper volumes. For example, Castorama France has worked with its paper supplier to reduce the weight and optimise the size of paper used.

We have undertaken an initial assessment of where wood and paper are used in other GNFR and where in the business these are purchased. This focused on three Operating Companies (Screwfix, B&Q UK and Castorama France) and showed that the main GNFR uses for timber are in areas such as furniture and store racking. Our next step is to improve our understanding of the volumes used and to start progressing towards our target.

CONSTRUCTION
2020 TARGET
100% responsibly sourced timber and paper in materials procured for construction and fit-out (90% by 2016/17).
PROGRESS ▼ 

Small volumes of timber are used in store construction projects for items such as doors, and in some cases for building frames and other uses. We are establishing data collection processes to enable us to monitor progress towards our target.

During 2013/14 we integrated responsible timber procurement into a number of construction projects including Koçtaş Kahramanmaraş store (see page 31) and the new Brico Dépôt France store at Moulins (see page 17). Screwfix has worked with its shopfitting partner to achieve 100% responsibly sourced timber for all its trade counter refits (around 60 in total) and store construction projects. Further work is needed to extend this across our companies and construction projects.

STRATEGIC SOURCING
2020 TARGET
Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories. (At least one major timber category by 2016/17.)
PROGRESS ▼ 

Achieving and maintaining our responsible sourcing targets enables us to continue to access the reliable supplies of timber we need for our business.

We aim to increase the resilience of our supply chain by establishing longer-term relationships with a smaller number of timber suppliers to improve traceability and oversight of supply chain standards, as well as increasing the volumes of sustainable wood available through our work with partners like the FSC and through our forest projects, see page 25.

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

COMPLIANCE

Our timber policy outlines our preferred sources of timber from proven well-managed forests and sets minimum standards for suppliers not yet working towards FSC or other certification schemes. We use a mixture of internal and external audits to monitor compliance with the policy with a particular focus on higher risk suppliers, such as those sourcing from countries where there is a higher incidence of illegally logged wood entering the supply chain.

We invested in a new system used by our sourcing offices to support compliance with the EU Timber Regulations (EUTR) that came into force in March 2013. We ran training on the EUTR and our new system for over 200 employees involved in timber purchasing. B&Q UK and Group Quality Assurance worked with the National Measurements Office (the body in charge of enforcing the EUTR in the UK) who confirmed that B&Q's approach and our system complies with the new regulations.

TRACEABILITY

Traceability – the ability to trace timber back to the forest in which it was grown – can help to improve standards and support consumer confidence in sustainable timber. We are taking a number of approaches to improve traceability in our wood supply chains.

These include working with suppliers of timber-based board materials such as MDF, which poses a particular traceability challenge because of the small amounts of timber used from many different sources. We have audited key suppliers, worked with them to attain FSC certification or to integrate recycled timber and reduced the overall number of board manufacturers we source from in the Asia-Pacific region.

⁸ Data covers Operating Companies that account for 86% of our Group turnover.

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

As part of our due diligence processes we are also collaborating with the FSC in a wood fibre testing programme. As the FSC grows and the number of certificates increases, there is a need for enhanced monitoring. Wood fibre testing via spot checks enables the FSC to confirm the species of logged wood, inform retailers of any anomalies and monitor compliance throughout the system.

TROPICAL DEFORESTATION

2020 TARGET

0% None of our products to be sourced from materials that are linked to tropical deforestation (including tropical hardwood products, palm oil and leather). (All new tropical hardwood products to comply with Kingfisher's Timber Policy Standard by 2016/17.)

PROGRESS*



Deforestation in the world's tropical forests is a major contributor to global climate change, and we are working to ensure the highest standards in our tropical hardwood sourcing. We have already achieved 100% of new tropical hardwood products from FSC certified sources or endorsed by schemes working towards FSC certification in B&Q UK, Castorama France, Brico Dépôt France, Brico Dépôt Spain and Screwfix.

One of the best ways to protect the long-term future of tropical forests is to enable local communities to generate an income from forest products in a sustainable way. We became a founding participant in the European Sustainable Tropical Timber Coalition, which seeks to stimulate demand for tropical timber from sustainably managed forests.

Leather and palm oil production can be linked with tropical deforestation. Although we do not use or sell large quantities of these products, we are committed to working with our suppliers to make sure they are sourced responsibly.

During 2013 Screwfix undertook an initial supplier assessment: to understand where leather and palm oil are used in its ranges. This found that minimal palm oil was detectable and that relatively small quantities of leather are used in products such as boots, gloves and tool belts. The results will be shared with our other companies to enable similar assessments to be carried out.

IMPROVING FORESTS

2020 TARGET

Every Operating Company to have at least one forest or woodland enhancement initiative that makes a substantial and quantifiable step towards the Group aspiration of creating more forest than we use. (Every Operating Company to have launched an initiative by 2016/17.)

PROGRESS*



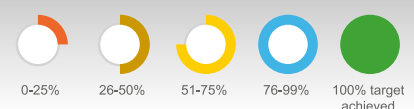
We are launching forest projects designed to enhance forest biodiversity and to help safeguard the future of forests and woodlands by getting local communities involved. As well as benefiting forests, many of these projects are designed to open up new local sources of sustainable timber for our business, helping to ensure a resilient and sustainable timber supply chain.

Projects are already underway at Brico Dépôt Spain and B&Q UK (see case studies on page 16 and 26) and further projects are planned at our other companies. These early initiatives are giving us the opportunity to test out different approaches and to understand the best ways to work towards our goals.

Initial results show that these projects can have a positive impact on forest and woodland management and biodiversity, and can play a role in engaging communities in their local forest areas. Our findings also suggest that projects like this can be used to create local timber supply chains but that this will take a number of years to become fully established.

So far, our projects have benefited around 13,000 hectares of forested area and we are exploring how we can better measure the environmental and social impact to track progress towards our 2050 aspiration.

We will use what we learn from these smaller projects to launch larger scale collaborations.



TIMBER continued

ENGAGEMENT AND ADVOCACY

Tackling deforestation requires collaboration between business, government and NGOs. We are involved in a number of initiatives working to create positive change, prevent deforestation and encourage legislation that supports sustainable timber production. These include:

- **Cambridge Natural Capital Leaders Platform (CNCLP)** – we are active members in this initiative to help business to value, measure and manage their impact on natural capital. Through B&Q UK we participated in CNCLP's timber-focused Collaboratory.
- **Ecosystem Markets Task Force** – Sir Ian Cheshire, our Group Chief Executive, chaired the Task Force that explored new models for integrating economy and ecology into the business balance sheet and has spoken on the topic of valuing natural capital at many events.
- **Forest Stewardship Council (FSC)** – we are a founding partner of FSC via B&Q UK and Kingfisher's Timber Adviser is an elected member on the FSC's International Board.
- **Prince's Charities International Sustainability Unit** – we are a founding member of a working group looking at how industry can help scale-up efforts to prevent deforestation.
- **Rainforest Alliance Net Positive CEO Group** – we are active members of this group which is exploring net positive approaches to timber and resource use.
- **Sustainable Tropical Timber Coalition** – we are a founding participant in this partnership; partners include FSC Europe, The Netherlands Ministry of Economic Affairs and IDH – the sustainable trade initiative.
- **WWF's Global Forest and Trade Network (GFTN)** – we are working with the GFTN to increase the availability of responsibly sourced timber.

We participate in the CDP Forest Disclosure Project as a founding participant.

In conversation – Measuring progress towards Net Positive timber

We need to measure progress towards our aspiration to create more forest than we use and to be able to prove that we are having a Net Positive impact. This hasn't been done before and establishing an approach that is both practical and credible is challenging. To help us, we brought together international experts on forestry in one of our Net Positive 'conversations', a series of engagement sessions with specialist stakeholders.

Participants brought expertise in forest restoration, standards setting, social elements and biodiversity accounting. Organisations represented included FSC, Greenpeace International, Rainforest Alliance and WWF, as well as donor organisations, investors, accountancy firms and governments.

Attendees at the event were supportive of our work so far and our ambitions. They told us metrics are important to show how our work is contributing to protecting, managing and restoring forests, but that this needs to be done in addition to our continued leadership role in demonstrating the benefits of a restorative approach to forests. They encouraged us to collaborate with others within and beyond our supply chain to create the maximum positive impact on forests.

CASE STUDY

Good Woods for people and nature

Revive Britain's undermanaged woodlands while creating jobs and new sources of sustainable timber and low-carbon fuels – these are the goals of Good Woods, launched by B&Q UK and the charities, Bioregional and the Sylva Foundation. In its first year 220 woodland owners joined the scheme, representing more than 10,500 hectares of UK woodland.

Around 47% of woodlands in England are either unmanaged or undermanaged. Since many of these woodlands were originally man-made, their ecosystem relies on active woodland management without which they see a decline in biodiversity. Introducing sustainable woodland management can create more jobs in the forestry sector, improve woodland habitats for plants and wildlife, and create more places for people to exercise and enjoy the countryside. There is also potential for B&Q to work with woodland owners to create new sustainable timber supply chains.

Woodland owners joining Good Woods benefit from forestry advice from professional foresters and other tools to help them create a woodland management plan. Good Woods has also introduced a new Woodland Star Rating, based on the UK Forestry Standard, to promote greater understanding of good woodland stewardship.

Over time the plan is that the Good Woods project will bring more British woodland products to market, enabling customers to use homegrown wood in their home improvement projects. Establishing new timber supply chains takes time, but B&Q is working with the woodland owners to support this process. B&Q has already doubled its sales of UK sourced hardwood logs and Good Woods will help more UK woodland owners to join this growing market.

Watch the Good Woods video:
www.kingfisher.com/goodwoodsvideo

PERFORMANCE REPORT 2013/14

ENERGY

Reducing energy use and cutting carbon is better for our customers, better for our business and better for our environment.

KEY PRIORITY: ENERGY

Our Vision

All homes are zero carbon or net generators of energy.

Aspiration

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

2020 Net Positive Targets

38 TWh of energy saved for customers.

45% reduction in energy intensity of our property.

Customers can create homes that are cheaper to run and more comfortable to live in, protecting themselves from energy price rises. We focus on helping customers reduce their energy use, since this is where we can have the biggest positive impact. It also enables us to tap into the market for energy efficient products and services, estimated to be worth €70 billion by 2020 across our key European markets.

We are also reducing our own energy use and carbon emissions. Climate change poses a serious threat to long-term business viability and we are committed to playing our part in decarbonising the global economy.

We aim to become carbon positive so that every Kingfisher store and customer's home will be either zero carbon or generate more energy than it consumes. We'll know we've achieved this when a customer can visit any of our stores and be able to purchase all the products and services they need from us to create a zero carbon or carbon positive home.

NET POSITIVE: CUSTOMER ENERGY

2020 TARGET

38 TWh of energy saved for customers across our international businesses. (11 TWh by 2016/17.)

PROGRESS*



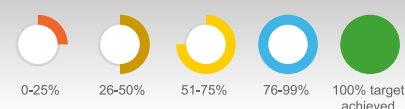
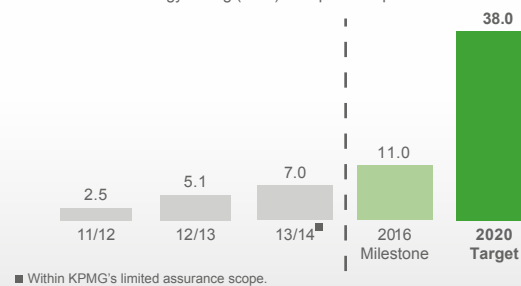
We have made energy efficiency an important part of our customer offer. Our businesses stock a range of products that enable customers to use less energy or generate their own – including insulation, draught-proofing, low energy appliances, and solar and photovoltaic panels. Online tools and in-store guidance help customers to select the right products and take advantage of government subsidies, while our assessment and installation services make creating an energy efficient home easier and more affordable.

Our customers are now saving 7TWh of energy every year through the energy-saving products they've purchased from us since 2011/12. This is enough to power half the households in Paris for a year. What's more, we estimate this is saving our customers more than £450 million a year, based on the average UK household energy bill.

Customers are also generating over 37.5 million kWh of green electricity from the renewable energy products they've purchased from our companies.

Customer energy saving

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



€70 billion⁹

market in energy efficient products and services across key European markets by 2020.

27%¹⁰

of UK carbon emissions from household energy use.

50%¹¹

predicted increase in global energy demand by 2035.

SUSTAINABLE LIFESTYLES

2020 TARGETS

Use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles. (Give customers comprehensive information and advice in-store and online to help them with their sustainable choices by 2016/17.)

PROGRESS[▼]



Energy-Using Products All energy-using products to meet 'best practice' standards on energy efficiency. (50% by 2016/17.)

PROGRESS[▼]

N/A¹²

Our stores provide information and advice to help customers make sustainable choices, with a focus on energy efficiency projects. Our Prime Énergie Casto (Castorama France) and EcoPrime (Brico Dépôt France) services, for example, enable customers to use government subsidies to fund efficiency projects. They are backed up with online information and advice on creating a more energy efficient and sustainable home. At Castorama France, in 2013, over 1,200 customers used the Prime Énergie Casto service and over 100,000 visited the Prime Énergie website.

Installation services

Installation services make it easier for customers who want to save energy, without taking on the project themselves. B&Q Energy Saving, for example, includes home energy assessments, advice on energy saving and renewable energy products, access to government subsidies and an installation service. It now has a presence in every B&Q store. It installs energy efficient boilers for customers, many of which were funded through the UK Government's Affordable Warmth Scheme in 2013/14, supporting people on low incomes. This is opening up important new revenue streams for the business. Kingfisher Future Homes, which delivers the B&Q Energy Saving service generated £15.5 million in revenue in its first year. iQE products are also available via Plumbfix, enabling customers to use their own contractors for installation.

In addition to our energy efficiency ranges our companies also stock a range of innovative products with environmental benefits, see page 32, and communicate these to customers via information in-store, in our catalogues and online.

We aim for all energy-using products sold in our stores to meet 'best practice' standards on energy efficiency and are developing guidelines for our Operating Companies.



Castorama France is integrating information on sustainable product choices into its catalogues and websites. A recent energy efficiency promotion, J'isolou, encouraged customers to trade in old radiators and receive money off on new energy efficiency purchases.

⁹ Boston Consulting Group report, commissioned by Kingfisher, 2011.

¹⁰ Centre for Alternative Technology, 'Zero Carbon Britain', 2012.

¹¹ US Energy Information Administration 'International Energy Outlook: Highlights', 2010.

¹² Score not allocated. Kingfisher guidelines to be developed.

RESPONSIBLE MARKETING**2016/17 TARGET**

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

PROGRESS▼

It is important that all claims about a product's environmental or social benefits are accurate and honest.

There is currently no universally accepted definition for 'eco-products' so to help our Operating Companies we developed our own Eco-product Guidelines a few years ago, working with the sustainability organisation, BioRegional. We update the Guidelines annually to reflect changes in technology and stakeholder perception of what is an eco-product. BioRegional also conduct a review of all new eco-products sold across our businesses on a quarterly basis. See further details in our Data Collection Methodology and Eco-product Guidelines summary, www.kingfisher.com/Netpositiveresources.

We have a Group-wide Responsible Marketing Policy and Guidelines, and several of our companies, including B&Q UK, Castorama France and Brico Dépôt France, have introduced their own eco marketing guidelines which reflect our Group Guidelines. We will review and update our guidelines during 2014.

NET POSITIVE: OWN ENERGY**2020 TARGET**

45% reduction in the energy intensity (kWh/m²) of our property portfolio from a 2010/11 baseline (15% by 2016/17).

PROGRESS▼

We've reduced the energy intensity of our property portfolio by 8% since 2010/11. Over the past year, our energy intensity increased by 2% due to an increase in gas consumption. The amount of gas we use fluctuates each year depending on heating demands linked to the weather. Our main focus has been to reduce electricity consumption through initiatives such as lighting improvements and energy monitoring (see below), and our total electricity intensity has decreased by 2% in the past year and 11% from 2010/11.

Building design

We are integrating energy efficient design principles into new stores and refurbishments, looking to improve energy performance with each new opening. Our aim is to improve energy security and manage costs while meeting our energy and carbon targets. Some stores also integrate renewable energy generation.

All new projects must show at least a 10% reduction in carbon intensity against our store blueprint baselines. Our companies are developing detailed plans and guidance to help them achieve our targets. For example, Castorama France has launched its internal Eco Construction Charter, which contains guidance on reducing energy use and other sustainability measures. B&Q UK is developing its One Planet Home Property Sustainability Plan that will enable it to maximise energy efficiency in new stores and refurbishments.

A major focus is on cutting energy used for lighting, typically around 60% of store energy use, through the roll-out of LED technology. LED lighting is now standard for all new stores and retrofits and 5% of our property estate has been fitted with LED since 2012/13. Examples include:

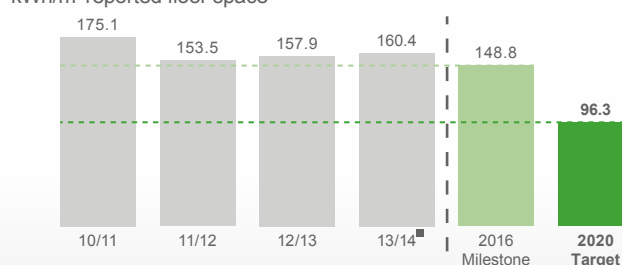
- The refurbished B&Q Worthing store has reduced energy use for lighting by 50% with LED, 13 B&Q stores already use LED and a further four are planned in 2014/15.
- Brico Dépôt France now has LED in use in 16 stores.
- Castorama France's new store at Marseille St Loup is 30% more energy efficient due to the use of LED lighting and is the first major DIY store with LED lighting in France. Its Montpellier and Antibes stores also use LED.

Better controls and information help facilities managers manage and reduce energy use. For example, all Brico Dépôt Spain stores use Building Management Systems to control and reduce energy use.

Our group property team supports our companies to share best practices via an online collaboration platform and works with group procurement to identify preferred suppliers and products in areas

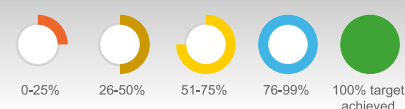
Property portfolio energy intensity

kWh/m² reported floor space



--- Target 45% reduction from a 2010/2011 baseline.
 --- Milestone 15% reduction from a 2010/2011 baseline.

■ Within KPMG's limited assurance scope.



Read how we calculate the score for our progress against targets on page 61.

ENERGY continued

such as LED lighting. The newly launched Kingfisher Property Awards include a Net Positive category to recognise and reward excellence among our companies in improving the sustainability performance of our buildings.

IT

Our central IT function, Kingfisher IT services (KITS), provides IT services for the Group, including managing data centres on behalf of our Operating Companies. Results so far from its energy efficiency programme include:

- A 23% reduction in UK data centre energy use since 2010/11 through measures such as relocating servers to a smaller number of more efficient data centres and reducing the number of physical servers through virtualisation.
- 21% reduction in energy use for printing in the UK since 2009 through a managed print programme despite a doubling in the number of UK retail locations. It works by reducing printer numbers and requiring employees to swipe a card before their printing is released. Twenty-five million fewer sheets of paper were used for printing than in 2009. A managed print programme is now under development for Castorama France.

KITS launched a Group-wide investment programme in 2013, which will replace existing hardware with significantly more energy efficient devices. It will also introduce tools to make remote collaboration easier, such as desktop access to video and audio conferencing, potentially reducing business travel.

A Net Positive assessment, including energy efficiency, is now embedded into the methodology used for all IT projects, which helps Operating Companies to reduce energy use from IT.

TOTAL CARBON FOOTPRINT

2020 TARGET

25% reduction in our absolute carbon footprint (tonnes CO₂e) from a 2010/11 baseline. (No increase by 2016/17.)

PROGRESS▼

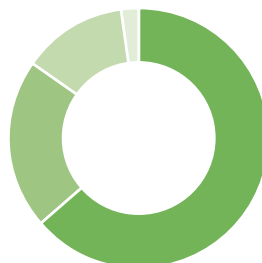


Our 2020 target to achieve a 25% reduction in our absolute carbon footprint covers emissions from property energy use, dedicated delivery fleets and business travel by road. We have achieved a 5% reduction against our 2010/11 baseline and a 1% decrease in the past year.

We are pleased that these reductions have been made during a period of business growth for the Group, with 169 new openings (a 20% increase in store numbers). However, more work is needed to meet our 2020 reduction targets with our absolute carbon footprint target a particular challenge. We will be reviewing our approach to managing greenhouse gas emissions and developing a Group-wide carbon strategy and plan.

2013/14 carbon footprint detail

Thousand tonnes CO₂ equivalent

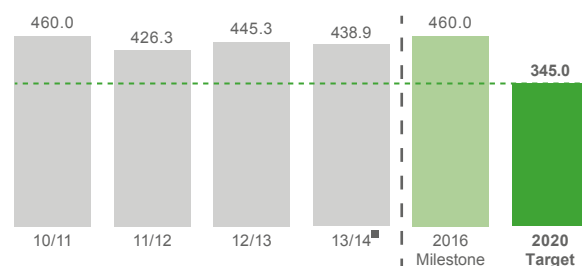


Property: electricity	278.7 (64%)
Property: gas and other fuels	93.4 (21%)
Haulage: dedicated store and home deliveries	56.6 (13%)
Business travel by road	10.2 (2%)

■ Within KPMG's limited assurance scope.

Absolute carbon footprint

Thousand tonnes CO₂ equivalent



--- Target 25% reduction from a 2010/2011 baseline.

Our carbon footprint data covers key carbon emissions from property energy use, dedicated delivery fleets and business travel by road.

■ Within KPMG's limited assurance scope.

PROPERTY CARBON INTENSITY

2020 TARGET

50% reduction in the carbon intensity (CO₂e/m²) of our property portfolio from a 2010/11 baseline (20% by 2016/17).

PROGRESS▼



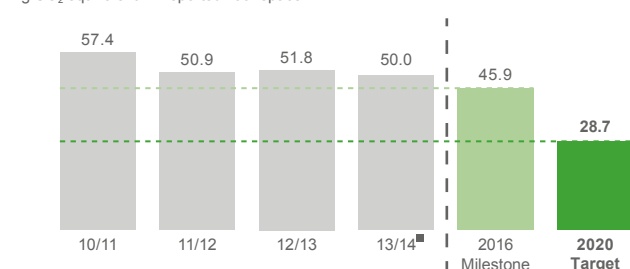
Our property carbon emissions account for 85% of our carbon footprint. The overall reduction in our carbon footprint has been driven by a 6% reduction in CO₂e (CO₂ equivalent) from property energy from 2010/11. We are also making progress on reducing our property carbon intensity (our CO₂ emissions relative to floor space), achieving a 13% reduction from 2010/11 against our milestone of 20% by 2016/17. In our mature markets we are striving for, and achieving, even bigger CO₂ reductions. For example, our largest Operating Company, B&Q UK, has achieved a 30% reduction in absolute CO₂e emissions from 2006/07 against its target of a 90% reduction by 2023.

Our CO₂e from dedicated haulage (store and home deliveries) has increased by 5% from 2010/11 due to an increase in home deliveries, although we have achieved some efficiency improvements in our fleets (see page 48). Our CO₂e from business travel by road has increased by 11% from 2010/11.

We participate in the Carbon Disclosure Project (CDP), an investor-led initiative, and received a score of 83B in 2013. This is slightly above the CDP average of 81B.

Property portfolio carbon intensity

Kg CO₂ equivalent/m² reported floor space



--- Target 50% reduction from a 2010/2011 baseline.
 --- Milestone 20% reduction from a 2010/2011 baseline.

■ Within KPMG's limited assurance scope.

Measuring carbon emissions across our value chain

We can have an impact through helping to reduce carbon emissions outside our direct operational control, for example through the energy-saving products we sell to customers. To help us do this, we carried out an initial assessment of greenhouse gas emissions across our value chain, from manufacturing to product end-of-life using data for 2012/13. This will enable us to prioritise areas for carbon emission reductions and to work with our suppliers on achieving reductions.

Our analysis identified a number of areas where emissions are particularly significant, such as customer use of electricity consuming products, the sourcing and manufacture of product categories such as non-metallic mineral products (for example cement and glass), tiles and building products as well as our own operational electricity use. The findings were independently reviewed by the sustainability organisation, BioRegional, and will help us to identify the most significant carbon reduction opportunities and to set a reduction target. Emissions relating to waste disposal were not included in the analysis and further work will be needed to assess impacts in this area.

We are already working in a number of areas to address the carbon footprint of our value chain. For example, KSO, our sourcing organisation, is working with its suppliers in China to support them to reduce greenhouse gas emissions. The initiative is part of WWF's Low Carbon Manufacturing Programme (LCMP), which KSO helped develop. Suppliers who take part receive technical guidance, training and other support to help them measure and reduce their CO₂ emissions. Nine factories supplying KSO took part in 2013/14, achieving a collective 5,000 tonne reduction in carbon emissions. KSO aims for its top 100 vendors in China to be participating in LCMP by 2016. KSO is also working with suppliers to minimise emissions from shipping.

Embodied carbon

We aim to reduce embodied carbon (the carbon resulting from energy used to create materials for store construction) by 10%.

Concrete, used in store foundations and building frames, typically has a high-embodied carbon footprint. At its new store in Antibes, Castorama has found a way to cut this by 20% and reduce construction costs by 10%, by replacing standard concrete with an innovative new material.

ENGAGEMENT AND ADVOCACY

We work with NGOs, other businesses and governments to advocate for solutions that will speed up the transition to a low-carbon economy.

For example, we are active participants in the Prince of Wales's Corporate Leaders Group (CLG) that brings together business leaders who believe that there is an urgent need to develop new and longer-term policies for tackling climate change. In early 2013 we were signatories to a communication by the CLG welcoming the UN Intergovernmental Panel on Climate Change's latest report and are signatories to the Trillion Tonne Communiqué that calls for an increase in the pace and scale of action. Sir Ian Cheshire is actively involved in the CLG and efforts to encourage other businesses to support the Communiqué.

Our companies are also active at a national level. For example, Castorama France was the first retailer to sign the French government's Charter for Energy Efficient Buildings.

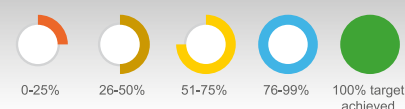
CASE STUDY

Saving energy at Koçtaş

The Koçtaş Kahramanmaraş store in southern central Turkey opened in April 2013 with a range of environmental features.

The store incorporates LED lighting which is expected to reduce energy costs for lighting by 50%, and an auto-dimming function that reduces power use when areas of the store are unoccupied. The system has proved so successful that since the opening of Kahramanmaraş, Koçtaş has opened a further two new stores and two refits incorporating LED lighting.

The property team also identified shop fittings, racking, displays, forklift trucks and trolleys that were no longer in use at another Koçtaş store but still in good condition. All were packed and transported to the new location at Kahramanmaraş, reducing waste and raw materials use and cutting the cost of the fit-out by 50%. Sustainable timber sourcing was also a priority and all new timber used in the store build was FSC certified.



Read how we calculate the score for our progress against targets on page 61.

PERFORMANCE REPORT 2013/14

INNOVATION

Our companies are investing in innovation, working with suppliers to redesign our products to be better for the planet and our customers.

KEY PRIORITY: INNOVATION

Our Vision

Creating and using products wastes nothing.

Aspiration

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

2020 Net Positive Target

1,000 Kingfisher products with closed-loop credentials.

By integrating sustainable design and materials into our core product ranges we can enable our customers to make sustainable choices while buying the brands they love and without compromising on quality or price. We have over six million customers in our stores and online every week so together we can have a significant positive impact. Recent examples are included on pages 8–13.

One of our most important priorities is to develop products with closed-loop credentials, enabling raw materials to be continually reused, repurposed and recycled.

It would require three planets' worth of resources if everyone consumed resources at the rate people are used to in the western world. By closing the loop we can help to conserve natural resources while also reducing our costs and protecting the business from future price rises and resource scarcity. We are focused both on what we can do in our own business and how we can stimulate a wider transition to a more circular economy.

SUSTAINABLE PRODUCT INNOVATION

2020 TARGETS

To be at the forefront of sustainable product innovation, with 10% of Group sales from the most innovative eco-products and services. (5% by 2016/17.)

PROGRESS*



To bring eco-products into the mainstream, by achieving 50% of Group sales from products and services with eco credentials. (25% by 2016/17.)

PROGRESS*



Already £2.3 billion, around 21%, of our sales are from eco-products, those with a lower environmental impact (2012/13: 20%). Our most innovative eco-products accounted for 5% of sales (2012/13: 5%), achieving our milestone ahead of schedule.

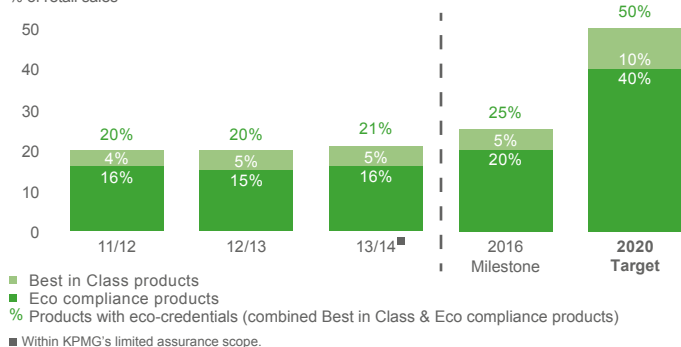
We aim to stimulate further progress and inspire our teams and suppliers on the benefits of sustainable product innovation. In 2013, for example, we highlighted the potential commercial opportunity of Net Positive innovation at our One Team Product show, an internal event visited by 6,000 people from our UK and French businesses, see case study on page 40. We also launched an Innovation Fund that will support our companies to experiment with new approaches and to test out ideas.

Our suppliers play a critical role and we have introduced regular Innovation Days to encourage suppliers to share new product ideas, including those with social or environmental benefits. For example, over 100 vendors attended the Castorama France Innovation Day in early 2014 to present new products. Following the event, a number of products were shortlisted for introduction into our product ranges, and social and environmental criteria were included in the assessment process.

We assess products against our Eco-Product Guidelines developed with the sustainability experts BioRegional (see page 29). You can read the current Guidelines at www.kingfisher.com/netpositiveresources

Products with eco-credentials

% of retail sales



\$630 billion¹³

potential cost savings per year in Europe from adopting closed-loop approaches by 2015.

\$375 billion¹⁴

predicted cost of solid waste management globally by 2025.

3 planets' worth¹⁵

of resources needed if everyone in the world consumed resources at the rate of western countries.

RANGE REVIEWS

2020 TARGETS

To enhance the eco-credentials of all our products by improving the sustainability rating of every product range. (Conduct a sustainability rating for every product range by 2016/17.)

PROGRESS*



Demonstrate leadership on eco-innovation across our Group own-brands. (All own-brands to conform to minimum sustainability criteria by 2016/17.)

PROGRESS*



We aim to improve the sustainability performance of all our ranges, not just products with specific eco credentials. With nearly 500,000 products across our businesses, this is challenging and we are exploring a number of different approaches.

¹³ The Ellen MacArthur Foundation 'Towards a Circular Economy', 2012.

¹⁴ World Bank 'What a Waste', 2010.

¹⁵ WWF www.oneplanetliving.org

B&Q UK launched its 'Range Sustainability Rating' tool, which is used to assess, rate and improve the sustainability performance of its ranges. This covers compliance with sustainability policies and supplier sustainability performance and assesses how products perform against competitors and customer expectations. Reviews were carried out for each product category in 2013 and the B&Q sustainability team discussed the results with each category lead. The process has already contributed to sustainability innovation, for example, the development of the B&Q easyGrow bedding plant system, see page 8. The approach will be shared with other Operating Companies to help create a standard approach around the Group.

We also held an initial workshop with our Group own-brand teams, to begin to identify relevant sustainability criteria for each of our Group brands during 2013. Further work will take place in 2014.

In our French businesses we have developed the collaborative ReMade process. This brings together internal specialists in areas such as production, manufacturing, engineering, retail and logistics as well as suppliers and external partners to develop solutions that design out waste and enable materials reuse and recycling. The process was tested successfully in the development of the Infinite worktop, see page 9, and we are now exploring opportunities to extend its use. A working group has been set up to develop a toolkit and guidance.

NET POSITIVE: CLOSING THE LOOP

2020 TARGETS

1,000 Kingfisher products with closed-loop credentials (300 by 2016/17).

PROGRESS*



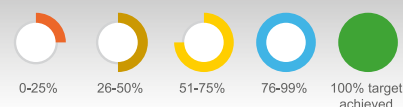
Ten closed-loop supply chains (five by 2016/17).

PROGRESS*



Making the transition to a circular economy is challenging and will require collaboration across industry and government. We took some important first steps to start closing some loops within our business during 2013/14, working with suppliers and in partnership with the Ellen MacArthur Foundation, experts in this area.

Our newly launched closed-loop calculator is a practical tool to help us understand which products in our ranges already have closed-loop credentials and where we can make further improvements. The calculator uses 10 questions to measure how closed-loop a product is. It includes criteria relating to materials, whether a product can be rented or repaired and whether it can be disassembled for recycling at end-of-life. We consider any product scoring Very Good or Excellent to have closed-loop credentials and we have identified 170 products in our ranges so far. The calculator will be used in product development and we plan to share it with suppliers and other businesses once it's fully tested and developed within Kingfisher.



Read how we calculate the score for our progress against targets on page 61.

INNOVATION continued

Closing the loop requires us to find sources of recycled materials, creating new uses for what would have once been considered waste. We explored whether we can generate a reliable stream of materials by using our stores to collect waste from customers. This included a textiles and Christmas lights take-back trial at B&Q UK, end-of-life power tool take-back at Screwfix (see case study page 16) and a radiator take-back promotion at Castorama France. Early results suggest that it may be challenging to collect materials in sufficient volumes via this route alone. In addition, proposed legislation in the UK could increase the cost of running take-back schemes, making it less commercially viable.

We are experimenting with a number of other approaches and to help us test out new ideas; we successfully applied for funding for key projects from organisations such as WRAP, the recycling organisation and the UK Government's Technology Strategy Board.

CASE STUDY

Cooke & Lewis Gemstone worktops use 85% recycled content

Gemstone work surfaces are an attractive and hard-wearing alternative to solid stone but with 85% recycled content they have a far lower environmental impact. Launched in 2013, the worktops are delivered to customers' homes in Carrierpacs, B&Q's unique re-usable sacks that save around 1,200 tonnes of cardboard packaging a year and reduce product damage during delivery from 6% to 0.75%.

Customer benefits:

- Hardwearing but more affordable than solid stone
- Less packaging to dispose of
- Fewer damages during delivery

Sustainability benefits

- Made from 85% recycled materials
- 1,200 tonnes less cardboard used in packaging each year

ALTERNATIVE SERVICES

2016/17 TARGET

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

PROGRESS*



Replacing sales of physical products with services, such as product rental and repair, can generate new streams of revenue for our companies while reducing use of resources. Since fewer products are needed overall and because products are easier to recycle at end-of-life, these services can play an important role in the transition to a circular economy.

We already run successful repair and rental services in our Castorama Poland business that completed almost 140,000 repairs and 4,000 rentals in 2013/14, as well as smaller-scale services in other companies like B&Q's Rug Doctor. Now we are exploring opportunities to extend these and make them a more important part of our customer offer.

ENGAGEMENT AND ADVOCACY

We are working with other businesses, politicians, academics, innovators and civil society to speed up the transition to a circular economy. This includes:

- **The European Resource Efficiency Platform** – we are founding members of this forum which is helping to shape EU policy and help create the right regulatory conditions for the circular economy.
- **Circular Economy 100** – we helped establish this network run by the Ellen MacArthur Foundation for companies, innovators and regional governments who are working together on closed-loop solutions.
- Our Group Chief Executive, Sir Ian Cheshire, spoke at a number of events on issues relating to the circular economy. This included the launch of the Ellen MacArthur Foundation's report, Towards the Circular Economy, at the World Economic Forum at Davos, and Resource, a European conference for organisations developing circular economy business models.
- **World Forum Lille** – Veronique Laury, Chief Executive at Castorama France, gave a keynote speech alongside Dame Ellen MacArthur at the opening of the World Forum, Lille, which brings together leading businesses, sustainability experts, NGOs and students. Castorama also participated in a series of workshops on responsible business and the circular economy as part of the World Forum.

We held an innovation Conversation during 2013, bringing together experts in closed-loop innovation and the circular economy with specialists in social and environmental impact measurement. During the session we shared our approach and plans for making our business more closed-loop and gathered feedback on our measurement tool, the closed-loop calculator.

LEARNING STORES

2016/17 TARGET

Every Operating Company to develop at least three 'Learning Stores' and to have delivered, or confirmed, the site for one 'Eco Store' – a store that champions low carbon and sustainability innovation.

PROGRESS▼



Our companies are using 'learning stores' to test out new and more sustainable approaches to building design, construction and operation. All Operating Companies have made progress against the target, with B&Q UK and Castorama France achieving the milestone of three learning stores, and Brico Dépôt France and Brico Dépôt Spain achieving two learning stores.

You can read a recent example on page 17.

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 by 2016/17.

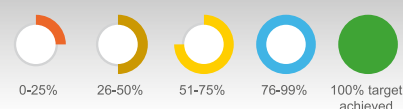
PROGRESS▼



Our commitment to Net Positive will generate new streams of revenue and reduce costs. We need better data in this area to support our decision-making and communications.

During 2013/14 we undertook an initial piece of work to explore how we can quantify the financial value of Net Positive to our business. This focused on three areas: the commercial value of reducing, reusing and recycling waste; the value associated with packaging improvements including reductions in materials costs and savings associated with freight and shelf-space; and the value of our work to reduce energy use.

Initial calculations show that we saved at least £30 million over three years through improved recycling and energy efficiency in our UK and French businesses.



PERFORMANCE REPORT 2013/14

COMMUNITIES

Through our community projects we aim to create positive change in the places where our customers, employees and suppliers live and work. We're particularly focused on building practical skills and using our business to connect people and empower them to improve their own communities.

KEY PRIORITY: COMMUNITIES

Our Vision

Businesses help people to help each other.

Aspiration

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

2020 Net Positive target

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

Practical skills are in decline in many of our markets. This is bad for individuals and communities who are less able to build, repair and improve their facilities. It is also bad for our business with people lacking confidence to complete DIY projects in their homes and neighbourhoods.

Our current community projects are based around three themes: Make – running classes that teach people how to make and repair things; Share – building platforms that connect people and help them share skills; Improve – working with schools, charities and other partners to support local regeneration.

Technology is opening up new ways for people to connect with each other, creating opportunities to share expertise and resources on a wider scale than ever before. This 'sharing economy' has great potential to support positive change in communities, and our companies are tapping into and encouraging this trend, building online platforms for people to share DIY skills and join together to improve their homes and communities.

Our community projects vary from company to company and store to store, enabling us to meet local needs in the most appropriate way. We help our Operating Companies share success stories and to increase the impact of their community projects.

We are still refining our Group communities strategy and will review our approach during 2014/15 to ensure we maximise our positive impact on skills and community wellbeing.

CASE STUDY

DIY classes get kids involved

In many countries practical skills are in decline, and this gap isn't addressed by the school curriculum. Many of our companies are running kids DIY classes to help inspire the next generation of home improvers.

At Castorama Poland the popular Majsterkowo classes enable children aged 6-12 to complete fun projects by learning skills in woodwork, gardening and decoration. They are run at over 60 stores and 47,000 children have taken part since 2012.

The sessions also help children learn about protecting the environment with topics like water and energy saving. Castorama Poland has developed a manual to help stores deliver the classes and uses questionnaires completed by children, parents and teachers after the classes to measure and improve their impact.

Castorama France is developing similar classes, including popular Saturday afternoon sessions, at its Bondues store run by retirees, which enable kids to have fun while learning new skills.

200%¹⁶

customers who know that our business contributes to their community spend on average double that of others.

50%¹⁷

of B&Q UK customers lack confidence to complete their DIY jobs.

¹⁶ RSA, The Community Footprint: shared value for businesses and communities, 2012.

¹⁷ B&Q Survey, 2012.

NET POSITIVE: COMMUNITY PROJECTS**2020 TARGET**

4,000 community projects completed by our people that deliver 'Better Homes, Better Lives'. (1,500 projects by 2016/17.)

PROGRESS*

We have supported 530 community projects since 2012/13, and are on track to meet our 2016/17 milestone. Our companies are introducing incentives to encourage stores to launch projects and celebrate successes. For example, at Castorama France store managers now have a community project KPI linked to their remuneration, while B&Q China runs an internal competition to reward the store with the strongest community projects.

Our total community investment was worth £2.87 million in 2013/14 (2012/13: £2.36 million) equivalent to 0.4% of pre-tax profits. This includes cash donations, employee time and gifts in kind, with product donations valued at cost price. The increase was due to a significant rise in store community projects at Castorama France and an increase in donations made at a Group level.

Our employees spent over 48,090 work hours volunteering in their local communities. The total value of employee time (including volunteering hours and management costs) is £630,000.

Our stores and offices also encouraged customers and employees to raise money for charities through in-store collections, payroll giving and fundraising events. In 2013/14 this raised £1.07 million for charity (2012/13: £1.02 million). For example, Screwfix raised over £100,000 for The Screwfix Foundation (see page 38). Our UK businesses continued to support the annual Children In Need fundraising appeal, with B&Q UK raising over £440,000 and Screwfix employees manning phone lines at its contact centre to take pledges from the public of over £77,000.

Measuring impact

We are exploring how we can best track progress towards our aspiration to build local communities and equip people with skills.

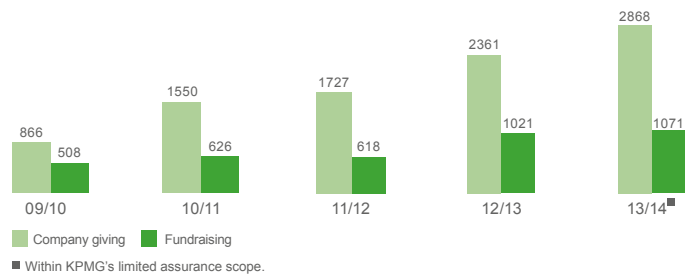
To support this we commissioned research by the London School of Economics into the potential socio-economic value of two key community projects – DIY skills classes for children at Castorama Poland and B&Q's online skills-sharing platform, StreetClub. This research showed that these projects have the potential to generate socio-economic value of over £200 million by 2018 through transferring skills into the community and by facilitating the exchange of goods and services. By helping individuals acquire and use DIY skills the projects can also support our business growth.

We have also commissioned a study by the New Economics Foundation. This will explore the impact of improvements in people's non-work related skills on individual and community wellbeing, for example, in areas such as skills-sharing, see below.

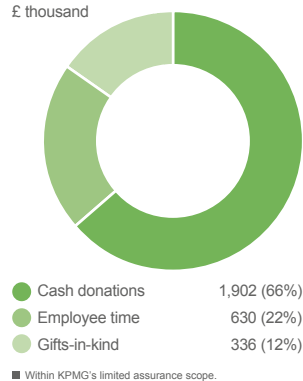
We assess the impact of many of the community projects we undertake. Further information is included in our Data Appendix, www.kingfisher.com/netpositivereport.

Community investment

Community investment (£ thousand)

**2013/14 company giving by category**

£ thousand

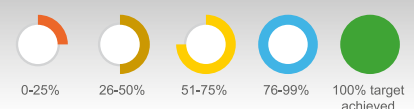
**SKILLS-SHARING ONLINE****2016/17 TARGET**

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

PROGRESS*

We aim to support people to share DIY skills and come together to improve their homes and communities, and we have established free-to-use skill-sharing platforms in our two largest Operating Companies.

Castorama France's site, 'Les Troc'heures' is France's first community skill-sharing website and was launched in 2011. So far more than 10,000 subscribers have joined, posting 3,800 job-swap adverts. The site has enabled a wide range of skills-swaps including gardening, plumbing and electrical installation.



COMMUNITIES continued

In the UK, B&Q's 'StreetClub' helps neighbours keep in touch and share information, swap skills and plan events. Over 3,500 people had joined by the end of 2013/14. To encourage an even wider membership, StreetClub will be integrated into B&Q Club, the B&Q loyalty scheme. The Screwfix Community Forum enables tradespeople, customers and others to share DIY expertise, ask for advice and discuss topical issues. It averages over 22,000 visitors a week.

ENGAGEMENT AND ADVOCACY

We brought together over 30 experts from business, local and central government, community organisations, academia and housing associations in our communities 'Conversation', to look at how informal skills-sharing can contribute to stronger and more resilient communities and what role business can play in facilitating this.

The event was hosted in partnership with the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA).

Participants were supportive of our current community initiatives, such as StreetClub, and felt that businesses like ours are well placed to play a positive role due to their strong local presence through their stores. They emphasised the importance of setting clear, practical and achievable goals and of opening out projects to reach disengaged and excluded people.

The business case for community involvement was also discussed. It was felt that Kingfisher could play a role in encouraging wider business involvement by establishing a clear evidence base for the business and social benefits of community projects.

CASE STUDY

Playtime for children in Samara, Russia

A new playground is giving children in the city of Samara a new and inspiring space to play. Funded by Castorama Russia, the playground is open to children of all ages and includes equipment designed to allow children with developmental disabilities to play together alongside other children. With few playgrounds available in the city, the site is also serving as a new social space for local families.

This is the second time that Castorama Russia has partnered with the Naked Hearts Foundation, a charity that aims to give every child in urban Russia the space to play and to promote children's physical, mental and intellectual development.

CASE STUDY

Support for left-behind children

Many Chinese factory workers have to leave their homes for long periods to find work, leaving their children behind. These children are often more vulnerable to psychological and emotional issues, sexual abuse and other threats to their safety.

KSO, our sourcing organisation, is working with Inno, a Chinese community development organisation, to support some of the estimated 61 million left-behind children, some of whose parents are working in factories supplying Kingfisher. So far, two important KSO suppliers have taken part, benefiting 700 workers and 800 children.

The project provides guidance to parents to help them communicate more effectively with their children when they are away, to maintain their emotional connection and to provide safety advice and sex education. Specially trained volunteers give support and advice to the children through home visits and after-school classes. The programme organises factory visits so children can see where their parents work, and cell phones help them keep in touch. Parents and their children can also call a hotline for help.

CASE STUDY

Fundraising given a boost by the Screwfix Foundation

Screwfix has a strong track record of raising money for charity with the support of its customers and employees. Now it plans to achieve even more and has launched The Screwfix Foundation, dedicated to supporting projects that fix, repair, maintain and improve properties and community facilities for those in need.

The Screwfix Foundation will provide funding to a range of projects, from repairing run-down buildings, to decorating the homes of people living with illness or disability. In its first year, it has selected two national charity partners – Barnado's children's charity and Macmillan Cancer Support. Barnado's has pledged to use the donations to maintain its local centres which support sick children and their families, whilst Macmillan will put the funds towards its grants scheme, enabling people with cancer to adapt their homes to make their lives easier.

The Screwfix Foundation will also continue to help smaller, local charities, who can apply online at Screwfixfoundation.com for help with fixing, maintaining or repairing buildings or facilities for those in need.

All money will be raised through fundraising events, collection boxes and through Screwfix's partnership with Pennies, the electronic charity box which enables customers to round up their payments to the nearest pound. In its first year the Foundation achieved its target of raising £100,000.

See www.screwfixfoundation.com.

PERFORMANCE REPORT 2013/14

EMPLOYMENT

Achieving the ambitious targets in our Net Positive approach requires the commitment and creativity of all our employees. We aim to inspire them with the potential of Net Positive, giving them opportunities to get involved and make a difference.

Our companies invest in skills and our business growth is creating new jobs across our markets. For example, Screwfix created 910 new jobs over the last year. We support the wellbeing and development of our people at every level and aim to create a diverse workforce, bringing together a wide range of experience and insights to help our business thrive by reflecting the diversity of our markets and customer base.

NET POSITIVE – PART OF OUR DAY

We are using a combination of performance targets, training and communication to engage and involve our employees in achieving our Net Positive goals. Much of our focus during 2013/14 has been on our most senior managers who must take the lead on integrating Net Positive into our commercial strategy and day-to-day operations.

SENIOR MANAGEMENT TRAINING

2016/17 TARGET

To have a development programme on Net Positive for the top 250 managers from around the Group.

PROGRESS*



We launched our Kingfisher One Academy Net Positive executive development module during 2013/14, which is designed to further improve understanding of Net Positive among our senior leadership. The first session was held with our One Team Board, the 24 most senior executives in the Group. This explored how we can accelerate progress within our companies and deliver on our targets in a way that generates commercial value.

The module uses expert speakers and stimulating discussions to inspire and engage leaders on the commercial potential of Net Positive, and to generate debate and commitment to action. It is designed to help Operating Companies develop and refine their Net Positive plans. The module is now being rolled out around the Group with sessions held in each Operating Company. Each session is bespoke for the particular audience to ensure maximum impact and engagement. Our 250 top managers will be reached by early 2015.

PERFORMANCE MANAGEMENT

2020 TARGET

Integrate Net Positive into the performance management systems for all relevant employees. (Top 250 managers by 2016/17.)

PROGRESS*



Net Positive-related targets have been integrated into the performance objectives for key members of our One Team Board and further work with our Human Resources teams is underway to roll this out at Group and Operating Company level.

Our two largest Operating Companies, B&Q UK and Castorama France, have integrated objectives on Net Positive for key employees responsible for meeting our Net Positive targets, including store managers, product managers and other commercial teams.

Other Operating Companies are also making progress. For example, at Brico Dépôt Spain all store managers have targets relating to waste management while product managers have targets relating to best-in-class eco-product sales and sustainable timber sourcing. At KSO, our sourcing organisation, a number of employees have Net Positive-related KPIs that are linked to their performance bonuses, including General Managers and functional managers.

NET POSITIVE ENGAGEMENT

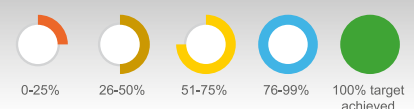
2020 TARGET

Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home. (Net Positive included in induction training for new employees by 2016/17.)

PROGRESS*



We use internal communication channels and high-profile events to raise awareness of Net Positive, to showcase recent examples of innovation and to stimulate further change and collaboration within, and between, our businesses and with suppliers.



EMPLOYMENT continued

One of the most important events during 2013 was our One Team Product Show, see case study. At Operating Company level events also bring together buyers and suppliers to encourage innovation on Net Positive. Recent examples include Castorama Poland's product show and Innovation Days at B&Q UK, Castorama France and Screwfix, see page 32.

Net Positive is being integrated into induction training so that employees understand its importance right from the start of their career with us. Four Operating Companies – B&Q UK, Brico Dépôt France, Brico Dépôt Spain and Castorama France – have already introduced this.

Internal award schemes celebrate achievements and help encourage further action. For example, B&Q China's award programme recognises stores performing most strongly in the areas of CSR, energy saving and community projects.

ECO-PRODUCT TRAINING

2020 TARGET

Every employee has the right skills to help customers lead sustainable lifestyles. (Store staff trained on eco-products and services to help customers make more sustainable choices by 2016/17.)

PROGRESS▼



We aim to equip our employees with the right knowledge and skills to support customers to make more sustainable choices through regular training on our eco-product ranges and other Net Positive-related themes.

For example, at B&Q China all store employees have received training on our eco-product ranges and additional training at the company's Beijing stores is helping colleagues to advise customers on creating more sustainable homes through saving energy, water and use of eco-products.

B&Q UK's e-learning module keeps colleagues updated on its One Planet Home product ranges. This was refreshed in 2013 and has been completed by over 17,000 colleagues. A new timber module was launched on the company's responsible sourcing policies. Buyers have an important role to play in developing our product ranges to be more sustainable and B&Q UK has launched training on sustainability which was completed by 75% of buyers in 2013/14.

CASE STUDY

Net Positive in the spotlight

Net Positive came centre stage at our One Team Product Show in 2013, which brought together more than 6,000 senior employees and suppliers from our UK and French businesses to explore product innovation.

The event included a large Net Positive exhibition with examples of innovative products from our businesses designed to help customers create Net Positive homes. These focused on the themes of energy and water efficiency and closed-loop innovation as well as air quality and environmentally friendly gardens. Visitors were able to test out the products and find out about their benefits.

Visitors heard from expert speakers on Net Positive-related themes. These included keynote sessions from leading architect, Dominic Balmforth, discussing sustainability and future homes, as well as Dame Ellen MacArthur, who spoke to employees and suppliers on the business opportunity of closed-loop innovation.

EQUALITY AND DIVERSITY

2020 TARGET

To be recognised as a 'best practice' company for equality and diversity within our local retail markets. (All companies to have an action plan in place for their market by 2016/17.)

PROGRESS▼



By creating an inclusive culture and diverse workforce we benefit from a wide range of skills, experience and perspectives. This improves customer insight, widens our talent pool and enables better decision-making.

Our Group Human Resources function works with our companies and external recruiters to make sure that difference and diversity are valued in our recruitment and career development processes and that all employees receive the support and opportunities they need to build their careers within the Group.

Gender diversity

Women made up 27% of the Kingfisher Board, 18% of senior managers and 39% of our total workforce, and we aim to further improve gender balance.

At a Group level our approach includes working with our teams and external recruitment partners to make sure that women are well represented on recruitment lists and development programmes. We have introduced training to help our leaders promote a more inclusive culture and to identify and address any unconscious biases that can hinder women's progress in the workplace.

A range of initiatives to support greater gender diversity are also implemented by our Operating Companies. At B&Q UK, for example, flexible working policies and term-time contracts benefit parents and support retention of female staff. Currently 64% of employees have a formal flexible working arrangement and 87% of employees return from maternity leave.

Castorama France works with partner organisations to promote best practice around its business. It runs a number of training programmes to support high-potential female employees. The company has also reviewed salary structures to make sure they support gender balance and tracks performance at each store. Castorama France was the first retailer to achieve the Label Égalité from the Ministry of Solidarity and Social Cohesion in France, for its proactive and innovative engagement on gender diversity issues.

Castorama Russia has achieved 53% female representation in management through a focus on training and professional development programmes as well as flexible working opportunities.

Ethnic diversity

In the UK, the proportion of employees who declared they were from an ethnic minority was 9% (2012/13: 7%). The increase reflects improved data quality at Screwfix as well as an increase in its workforce diversity following new trade counter openings.

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

Age diversity

Each generation brings its own unique insights and experiences to the workplace and we believe that age diversity can contribute to better results and customer service. A number of our companies focus both on recruiting and retaining older workers, as well as bringing more young people into the workplace.

At B&Q UK, policies such as flexible retirement have helped it achieve 29% of employees aged over 50, compared with the Group average of 15%. It also runs a number of initiatives for young people such as its Work Placement scheme. Castorama France has a strong focus on recruitment and development of young people, including through its apprenticeship programmes (see Learning and Development) and initiatives designed to support the continued career development and retention of employees aged over 57, for example, through skill transfer to younger employees.

Disability

Our companies implement a number of initiatives to enable people with a disability to build careers within the Group. This also helps us to comply with legislation regarding employment of disabled people that has been introduced in a number of our markets.

In 2013/14, the proportion of employees with a declared disability was 2% (2012/13: 2%). There is a particular focus on disability in France, reflecting national legislation. Over 7.3% of employees at Castorama France have a disability, compared with a French national average of 3%. The company has invested in training for human resources managers on disability as well as physical adjustments to workplaces and partnerships with specialist disability organisations. It runs an annual disability awareness week at its head office and stores.

CASE STUDY

Engaging store employees at Castorama France

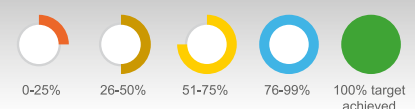
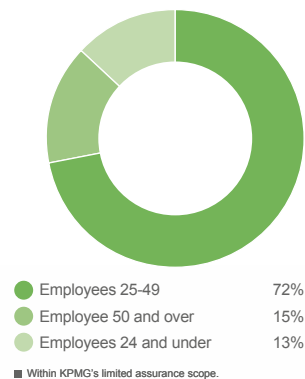
To bring Net Positive to life in-store, Castorama France has established a network of store CSR champions. They work to integrate sustainable practices and collaborate together to share ideas and good practices. Progress so far has included the launch of 197 store community projects. The network has created an action plan for 2014, with a focus on increasing eco-product sales, enhancing local sustainability performance and helping employees to initiate sustainability projects in stores.

Castorama Poland has signed the Diversity Charter supported by the Polish Ministry of Employment and Social Policy, which aims to promote diversity with a focus on disabled people. It has appointed an internal Diversity Committee to work on embedding diversity and equal opportunities into its policies and practices. It is integrating more disabled people into its store workforce and exploring opportunities to work with suppliers on this issue. For example, it has a longstanding relationship with a paint brush and broom manufacturer at which almost 100% of employees have a mental or physical disability.

Koçtaş has made adjustments to improve accessibility for customers and employees at its head office and six stores and 73% of staff have received disability awareness training.

Employees by age 2013/14^a

Percentage



EMPLOYMENT **continued**

LEARNING AND DEVELOPMENT

Our companies invest in learning and development opportunities to help employees at all levels gain new skills and progress their careers within the Group. In total, employees completed almost 946,000 training hours (an average of 12 hours per employee). Training spend was £18.5 million in 2013/14. Most of our Operating Companies conduct annual performance appraisals for employees. Training examples include:

Apprenticeships

Training opportunities start at entry level. For example, Castorama France runs 'Go Alternance' an apprenticeship programme to recruit and develop young people for a variety of career paths at its stores and offices. Run through partnerships with schools and other organisations, it supports young recruits to develop the skills they need to take on managerial roles. Over 820 apprentices participated during 2013/14 and it aims to welcome 1,000 apprentices during 2014/15.

Graduate programmes

We run a number of graduate programmes at Group and Operating Company level to help us identify and develop future leaders. For example, the Kingfisher International Commercial Graduate Programme for business graduates offers international placements and development opportunities over two years.

Store employees

All our companies provide training to help employees interact with customers, answer questions about our products and provide the best customer service. For example, B&Q UK helps store employees improve their retail skills and product knowledge while gaining new qualifications through its partnership with City and Guilds, the training organisation. At Castorama France, the 'Génération Castoche' initiative helps store employees build an emotional link with customers and DIY classes help colleagues advise customers on their projects.

Management training

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

Leadership training

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

EMPLOYEE HEALTH & SAFETY (H&S)

2020 TARGET

Achieve a 20% reduction in the employee lost-time accident rate from a 2010/11 baseline. (10% by 2016/17.)

PROGRESS*



Our total lost-time accident rate (number of lost-time accidents per 100,000 full-time equivalent employees) has fallen by 15%, meeting our milestone target three years ahead of schedule. The number of major accidents also fell and there were no work-related fatalities (2012/13: zero fatalities). The improvement has been due to an increased focus on H&S across our Operating Companies over the past year as well as some improvements in our data collection methodology that enable us to track data more accurately.

The safety and welfare of our people is always our priority and we aim to create a Group safety culture with each of our companies meeting consistently high standards.

We reviewed and strengthened our approach to employee H&S during 2013/14, introducing a set of mandatory minimum standards for use by all Operating Companies. As well as providing greater consistency, the standards are designed to be clear and easy to use. They will form the basis of all store H&S audits. Each company has been benchmarked against the new standards and action plans created to address any gaps in their current policies or procedures.

To increase oversight by senior management, we established a Board-level Group Safety Committee, chaired by our Group General Counsel that meets monthly. A monthly H&S Dashboard, summarising performance at each company and any H&S issues during the month, is now reviewed at every meeting of our Group Board and Group Executive Committee. A Group Safety Manager will be appointed during 2014. Each of our Operating Company boards now also review their own company's safety performance on a monthly basis, and all Operating Companies will have a senior management safety committee.

The Group Chief Executive has committed to communicate directly with Operating Companies on key H&S issues. The first of these communications highlighted the Group's policies on fire safety.

There was one safety prosecution during the year at B&Q UK relating to an accident at its Oldham store in 2011, when a visitor to the store was injured by a display that had not been correctly installed. B&Q was fined £15,000 plus costs. Our Castorama Russia store at Nizhny Novgorod received an Improvement Notice requiring it to widen fire evacuation routes.

CUSTOMERS AND CONTRACTORS H&S**2016/17 TARGET**

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

PROGRESS*

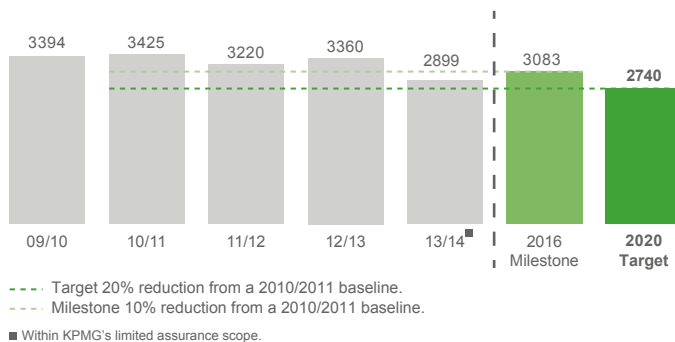
We now collect data on accidents in stores involving customers and contractors, and this is included in our monthly H&S Dashboard and reviewed by our Group Board and Executive.

There were 4,275 accidents reported by customers during the year and 387 contractor accidents. The majority of accidents related to slips, trips and falls, and injuries occurred while handling products in store. We will review safety procedures in these areas during 2014.

We have also started to collect data on construction contractor accidents for new stores and major refurbishment projects. We will report data next year.

Employee accident rate

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

**EMPLOYEE SURVEYS****2016/17 TARGET**

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

PROGRESS*

We use a number of communication channels to help employees develop their knowledge of the Group and increase engagement. These include briefing groups, internal magazines, newsletters and TV channels. Directors and senior management regularly visit stores and discuss matters of current interest and concern with employees. In addition employee surveys help us to understand the views of our people and to identify opportunities to improve how we work.

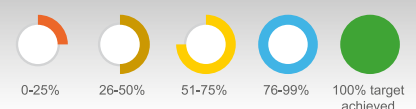
In 2013/14 we extended our One Team Survey, run with Gallup, to all Operating Companies and employees, except for Koçtaş which participates in a separate survey. A set of 12 core questions were used across each company to help us compare performance across the Group.

There was an 82% response rate for the survey in 2013, with the results showing that our strengths include a good sense of team within Kingfisher. Stronger scores included questions around relationships with colleagues and commitment to quality work. Opportunities for improvement included ensuring that our colleagues feel they have the necessary materials and equipment to do their job properly and that individuals have clear objectives so they know what's expected of them at work. We achieved an overall engagement score of 3.95 out of 5, where anything above 4 is considered best-in-class. Findings have been reviewed by our Operating Company CEOs and communicated to senior managers and employees. An online tool is available to help our companies create action plans and track progress against these.

Our employee turnover rate was 22% (2012/13: 22%). Our companies in France have the lowest employee turnover rate (7% in Castorama France and 10% in Brico Dépôt France).

AWARDS AND RECOGNITION

Our companies have been recognised with a number of awards for their Human Resources practices. Castorama France was recognised in the Top Employers Awards 2013, run by the CRF Institute, which ranks companies in 13 countries in areas such as remuneration, working conditions and career development. Castorama Poland was awarded Reliable Employer of the Year, recognising its work to promote employee development and communication.



PERFORMANCE REPORT 2013/14

SUPPLIERS AND PARTNERS

We work with thousands of suppliers around the world to source our products as well as goods and services not for resale (GNFR), such as cleaning and security services, uniforms and merchandising equipment.

We want to buy from suppliers who share our values and meet high standards on social and environmental issues. This reduces risk to our business, helps us to meet our Net Positive targets and provides reassurance to customers about the products they buy from us. We are also partnering with suppliers to improve the environmental performance of our products (see Innovation, page 32) and to begin managing and reducing emissions across our value chain from sourcing to disposal.

SUPPLIER ETHICAL ASSESSMENT	
2020 TARGET	
All suppliers of Kingfisher own-brand/exclusive brand products will meet or exceed our ethical and environmental standards. (High priority suppliers of own-brand/exclusive brand products will meet our standards by 2016/17.)	
PROGRESS▼	



We communicate our ethical standards to suppliers and monitor their performance with a focus on procurement via KSO, our central procurement organisation. KSO has offices in Brazil, China, India, Poland, Turkey and Vietnam and sources products directly from factories, of which most are used in our Operating Company own-brand and exclusive brand ranges. KSO and Group sourcing accounts for around 20% of our products (by sales). Our Operating Companies also source some own-brand products directly from suppliers, and work with these suppliers to ensure implementation of our ethical standards through their supply chains.

Our standards

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

We reviewed our approach to supply chain management during 2013, working with an expert consultancy to benchmark our Code against the internationally recognised Global Social Compliance Programme Code. We also conducted an internal audit review of our governance processes for supply chain management, and commissioned an expert assessment of our Code and supplier management procedures against the UN Principles on Business and Human Rights as part of a wider human rights assessment, see page 59.

This work showed that our Code meets a number of best practice criteria and also identified a number of areas where our criteria can be improved. We are now updating our Code in line with the findings of our review. This will include strengthening provisions in areas such as how we prioritise suppliers for engagement and our monitoring and assurance processes.

Our review also showed us that there is an opportunity to improve consistency in supplier management across our Operating Companies and for the Group to further support Operating Companies in implementing our standards.

We will review and revise our supplier standards for products and workplace conditions during 2014/15.

Audit programme

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

Our Operating Companies run their own assessment programmes for own-brand/exclusive brand products not sourced via KSO. These focus on first-tier suppliers who are responsible for managing standards in their own supply chains. Some second-tier suppliers are also audited directly where there is a higher risk of non-compliance with our standards.

PERFORMANCE IN 2013/14

Own-brand and exclusive brand products

KSO sourced from 1,023 factories (the majority of which supply us with own-brand/exclusive brand products). Of these, 98% have had an on-site audit at some stage in the past three years. The remaining 2% are factories in Europe that are considered lower-risk. During 2013/14, 30 potential new factories were not accepted as KSO suppliers because they failed to meet the minimum required ethical and environmental standards. KSO audited a further 483 factories, of which 59% were required to implement a corrective action plan. No sourcing can take place until all major issues have been resolved through the action plan process.

Alongside its auditing programme, KSO runs training for suppliers on ethical and environmental standards. For example, 861 supplier employees were trained by KSO India this year.

Our Operating Companies sourced own-brand/exclusive brand products from a further 1,567 suppliers.¹⁸ Our companies audit suppliers on a risk basis, focusing on high-risk sectors and countries. Of these suppliers, 12% have had an ethical assessment at some stage in the past three years (150 had an on-site assessment and a further 39 had a desktop assessment). We have set a stretching target to audit all these suppliers by 2020.

Manufacturer branded products

Our Operating Companies carry out some ethical assessments of suppliers of manufacturer branded products. Around 7% of the 5,900 suppliers have had an ethical assessment at some stage in the past three years (181 had on-site assessments and a further 217 had a desktop assessment during 2013/14).

GOODS NOT FOR RESALE (GNFR)

2020 TARGET

Key GNFR contracts will meet or exceed our sustainability standards. (Process in place to apply our sustainability standards to key GNFR contracts by 2016/17.)

PROGRESS*



We spend around £1.2 billion a year on GNFR. During 2014/15 we will begin to map our GNFR supply chain in more detail and to identify key categories of procurement to focus on.

CARBON AND WATER FOOTPRINT

2016 TARGET

To define and measure the carbon and water footprint of our value chain and to set a carbon reduction target.

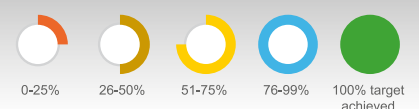
PROGRESS*



We made progress towards our target in 2013, conducting an initial assessment of greenhouse gas (GHG) emissions across our entire value chain, from manufacturing to product end-of-life. The findings will help us to identify the most significant carbon reduction opportunities and to set a reduction target. Read more in Carbon footprint, page 31.

Further analysis will take place in 2014/15.

¹⁸ This includes suppliers of unbranded products.



SUPPLIERS AND PARTNERS **continued**

SRI INDEXES AND CR RATINGS

2016 TARGET

Kingfisher to maintain its leadership position in key SRI indices and corporate responsibility ratings.

PROGRESS▼



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

- **Dow Jones Sustainability Index (DJSI)** – we are included in the DJSI and were listed in the RobecoSAM Sustainability Yearbook 2014.
- **FTSE4Good Index** – we are listed in the FTSE4Good Index and achieved the highest rating within the global Retail Supersector and the second-highest score among UK companies from all sectors.
- **Carbon Disclosure Project (CDP) 2013** – we received a score of 83B, slightly above the FTSE100 average score (81B). This reflects both performance on climate change (B rating) and disclosure around our climate impacts (83%). We are also included in the CDP Forest Programme.
- **Business in the Community** – we retained our Platinum Big Tick rating in the 2013 CR Index, currently the highest possible ranking.

We will continue to work towards achieving a leadership position in these and other relevant rankings.

We aim to use the Code as a living document that drives people's behaviour and decision-making. It forms part of the contractual terms and conditions for all new employees. It is included in our contracts with our product suppliers, who are expected to communicate its requirements to their own employees. We are also integrating the Code into contracts with key suppliers of GNFR.

Operating Companies have introduced reporting and compliance procedures to ensure compliance with our Code and Group Governance Manual, making progress towards our 2016/17 milestone. This includes 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.

Our anti-bribery and corruption training module has been rolled out to all companies and translated into local languages. It is completed by all employees for whom their location or role poses a potential corruption risk. It is also integrated into the induction process for relevant employees.

Employees in all locations can use our whistle-blowing hotline to report any concerns. They can also get advice on applying our Code of Conduct via a dedicated email address. Operating Companies are required to raise employee awareness of the hotline and email support. An online reporting system for vendors has also been introduced and we have raised awareness of this through communication with suppliers.

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

CODE OF 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. (Operating Companies to demonstrate robust reporting and compliance with the Group Governance Manual and Code of Conduct by 2016/17.)

PROGRESS▼



Our Code of Conduct sets out the ethical principles and standards that guide our work. The Code is supported by the Group Governance Manual, 'The Way We Do Business', which formally records our management procedures and how they are applied. They help ensure compliance with regulation including the UK's Bribery Act across all our Operating Companies. The Code and related policies are regularly updated.

PERFORMANCE REPORT 2013/14

ENVIRONMENT

Alongside our Net Positive priorities of timber and energy, our companies manage a range of other environmental issues. We aim to minimise our negative impacts in areas such as waste, transport, water and biodiversity as the first stage on our journey towards becoming restorative.

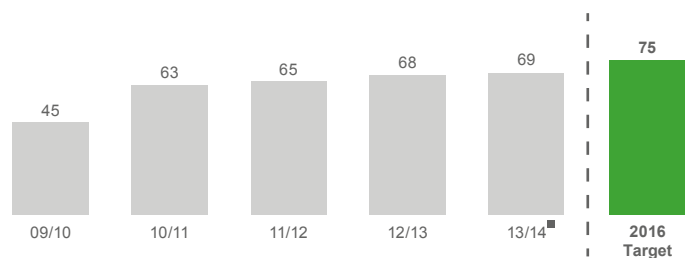
WASTE	
2020 TARGET	
Achieve zero waste to landfill. (75% recycling by 2016/17.)	
PROGRESS▼	

Our work on closed-loop innovation is helping us to design out waste from our products, see pages 33 and 34. Alongside this we are working to reduce waste from our operations and increase recycling.

In 2013/14, 69% of waste was recycled (2012/13: 68%), making progress towards our 2016/17 milestone. We generated 231,806 tonnes of waste (2012/13: 242,079), a 4% drop on the previous year. Screwfix achieved the highest recycling rate, with zero waste to landfill at its stores and distribution centre (see case study, page 17). Good progress was also made at Brico Dépôt Spain and Castorama France. Brico Dépôt Spain launched a Zero Cost Waste project which reduced waste disposal costs and increased the recycling rate from 26% in 2010/11 to 40% this year. Brico Dépôt France has increased recycling to 78% by monitoring store progress on a monthly basis and setting individual store targets which are integrated into performance reviews and linked to bonus payments for store managers and logistics centre managers.

Waste recycled

% of waste recycled

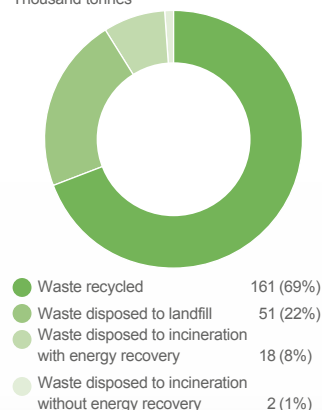


■ Within KPMG's limited assurance scope.

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

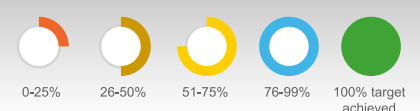
Waste recycling and disposal 2013/14

Thousand tonnes



■ Within KPMG's limited assurance scope.

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



Read how we calculate the score for our progress against targets on page 61.

ENVIRONMENT continued

TRANSPORT – DIRECT

2020 TARGET

Achieve a 20% reduction in CO₂e emissions from our direct transport impacts from a 2010/11 baseline. (10% by 2016/17.)

PROGRESS▼

Direct transport emissions are those from our dedicated delivery fleets that are owned by our Operating Companies or operated on their behalf by suppliers. Three of our companies, B&Q UK, Castorama France and Screwfix have dedicated fleets for store deliveries, accounting for 44% of CO₂e emissions from store delivery haulage.¹⁹ Four of our companies, B&Q UK, Castorama France, Castorama Poland and Koçtaş, have dedicated fleets for home delivery.

Our companies are implementing a number of measures to improve fleet efficiency, reduce emissions and cut fuel costs. B&Q UK, for example, has 50 dual-fuel lorries that run partly on low-carbon liquid biomethane. Castorama France is introducing six lorries powered by natural gas to serve its Paris stores. These reduce carbon emissions by 30% and are 50% quieter than standard trucks.

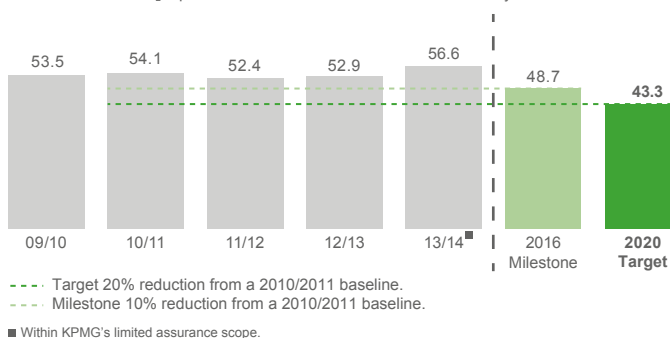
Our overall CO₂e emissions from dedicated delivery fleets (store and home delivery) increased by 5% from a 2010/11 baseline, against our target of a 20% reduction by 2020. This is due to a significant increase in home deliveries during 2013/14.

CO₂e emissions from store delivery fleets fell by 12% from 2010/11 and fuel use fell by 6% over the same period. The efficiency of our dedicated store delivery fleets (litres of fuel used per m³ of product delivered to stores) has improved by 5% from 2010/11. The introduction of liquid biomethane at B&Q UK (which accounts for 10% of fuel used this year) has contributed to the CO₂e reduction. The decrease in CO₂e is also partly due to the UK government department, DEFRA, updating the emission factor used for calculating emissions from diesel in the UK.

Our companies are also finding opportunities to replace road journeys with rail and train freight. At B&Q UK 27% of import containers are collected by rail and 30% of goods are delivered to distribution centres at Castorama France by train or boat. Castorama has joined TK'Blue, a European organisation that rates and works to improve the environmental performance of transport suppliers. This will help it to cut costs and emissions by enabling transport managers to compare the cost and footprint of different transport options.

Carbon emissions direct haulage

Thousand tonnes CO₂ equivalent from dedicated store and home delivery fleets



TRANSPORT – INDIRECT

2020 TARGET


Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts. (To have made progress in measuring and reducing the carbon footprint of our indirect transport impacts, eg in a key supply chain by 2016/17.)

PROGRESS▼

Indirect transport includes third-party fleets used for store deliveries. CO₂e emissions from third-party haulage have nearly doubled since 2010/11, due to an improvement in the scope of our data and to business growth. However, emissions fell by 7% during 2013/14, partly due to a decrease in deliveries at one of our companies and work with our third-party fleet suppliers to encourage emissions reductions.

We also work with other transport companies to encourage them to reduce emissions. For example, KSO, our central procurement organisation, is working with shipping suppliers to improve how products are packed into shipping containers to enable more products to be transported on each shipment, reducing emissions and costs.

¹⁹ We track emissions from store delivery from dedicated fleets and third-party fleets. Some products are also delivered directly to store by suppliers, but we do not have data on this.


GREEN TRAVEL	
2020 TARGET	
Demonstrate proactive green travel initiatives to minimise the environmental impact of travel by employees and customers. (Some key actions taken on green travel by 2016/17.)	
PROGRESS▼	

CO₂e emissions from business air travel increased by 4% this year (12% from 2010/11) and business road travel rose by 2% (11% from 2010/11) with further work needed to begin making reductions in this area.

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

To reduce car travel companies provide employee bus shuttle services, car-sharing websites and subsidised tickets for public transport. For example, Koçtaş provides customer shuttle services at three of its stores.

Electric vehicle charging points are being tested at two Castorama stores, for use by customers, and at Brico Depot France's head office.

WATER	
2016/17 TARGET	
To understand the water footprint of our own operations.	
PROGRESS▼	

Although we are not major water users, we recognise the importance of water conservation and we aim to monitor and reduce water use. Water use fell by 6% on 2010/11 levels. A number of companies are installing water-efficiency measures in their stores. For example, Brico Dépôt France's Moulins store includes water-efficient taps and fixtures and a rainwater harvesting system while Castorama France is introducing store water monitoring systems.

WATER-USING PRODUCTS	
2020 TARGET	
All water-using products to meet 'best practice' standards on water efficiency. (50% of water-using products to meet 'best practice' standards on water efficiency by 2016/17.)	
PROGRESS▼	N/A ²⁰

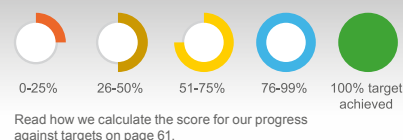
We can help our customers to use water more efficiently through our kitchen and bathroom ranges, appliances and products such as water butts. B&Q UK was the first national retailer in the UK to introduce the Water Label which can help customers choose more water efficient products. The label is in use on B&Q's website and buying guides, and will be added to product packaging and in-store information for items like taps, baths, toilets and showerheads.

CHEMICALS	
2020 TARGET	
None of our own-brand or exclusive brand products will contain the chemicals of concern we have committed to remove (on Kingfisher's Chemical Action List). (Work is in progress to phase out, substitute or eliminate the chemicals of concern from our own-brand or exclusive brand products by 2016/17.)	
PROGRESS▼	N/A ²¹

We sell a diverse range of chemical-based products, such as paints, treatments and cleaning products, and chemicals are also used in the manufacture of many finished goods. There is growing awareness of the potential impact of chemicals on individuals and the environment. We need to work closely with suppliers to understand where chemicals are used in our supply chain and restrict or phase out those that present a significant cause for concern. With nearly 500,000 different products on sale around the Group this is extremely challenging.

²⁰ Score not allocated. Kingfisher guidelines to be developed.

²¹ Score not allocated. Work in progress to update the Kingfisher Chemical Action List.



ENVIRONMENT continued

Over the past year we have been reviewing how we manage chemical-related issues. We are updating and strengthening our approach to increase transparency on chemicals in our supply chain. We have worked with independent specialists to develop robust criteria for identifying 'chemicals of concern'. These include chemicals that must be restricted or phased out under legislation, such as the REACH Regulation, as well as chemicals that are not currently subject to regulatory requirements. We are in the process of updating the Kingfisher Chemicals Action List. This sets out the steps our companies must take on the key chemicals of concern that we have identified and the timeframes for doing so.

In many instances we will require suppliers to provide a list of the substances present within the products they supply to us. Our Hong Kong Sourcing Office, with the support of our Group Quality Assurance team, has been trialling a new tool to help us manage this process. The initial trial covered 30 products that are representative of our ranges and include products impacted by chemicals legislation. If the trial is successful we plan to make this tool available to other parts of our business.

Our expectations of suppliers in this area will be set out in a new Kingfisher Sourcing Code, see page 44

PACKAGING	
2020 TARGET	
Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards. (Packaging on new own-brand and exclusive brand products to conform to Kingfisher packaging sustainability standards by 2016/17.)	
PROGRESS▼	

The volume of packaging used for our own-brand and exclusive brand products²² has remained stable from 2010/11.

There is a significant opportunity to reduce our use of resources, minimise waste and cut costs by redesigning our packaging. We appointed a Group Head of Packaging during 2013 to lead a programme of packaging optimisation. This will initially focus on our own-brand products in areas such as lighting, door handles, shower fittings and leisure furniture.

We are developing packaging sustainability standards that will be used by the Group packaging team to work with Operating Companies and packaging suppliers. These include criteria in areas such as sources and types of materials used and their recyclability,

as well as operational and financial criteria. They will help us progress towards our responsible timber sourcing target for packaging, see page 23, and to improve recyclability by phasing out materials such as expanded polystyrene.

We want to work with packaging suppliers who meet high ethical and environmental standards. To help us do this, we are mapping our current packaging supply base and aim to reduce the overall number of suppliers we work with. This will make it easier to monitor supplier standards and improve traceability of packaging in our supply chain.

A packaging charter has been developed to help our companies work with suppliers to develop the best packaging for each product and our customers, while reducing costs and waste and lowering environmental impacts. This will be rolled out during 2014.

SUSTAINABLE CONSTRUCTION: WASTE	
2020 TARGET	
2020 Target: 90% of construction waste recycled in new build and major refurbishments. (50% by 2016/17.)	
PROGRESS▼	

Our Group property team works with our companies to improve the environmental performance of our property portfolio. Our sustainable property road map covers issues such as energy and carbon, construction waste, timber, climate change and biodiversity, and we have developed a number of tools for use in building and refurbishment projects that help our companies integrate environmental criteria into building and project design.

We promote best-practice sharing between our companies. For example, the Kingfisher Property Exchange is an online forum where our companies can learn from examples of sustainable construction and building design, and attend webinars and training sessions. During 2013/14, 180 webinars were held.

We are trialling a whole-life cost model for planning and assessing the specifications for new-builds and refurbishments. This will help us incorporate environmental factors and long-term thinking into our understanding of capital expenditure payback periods, for example, by enabling us to understand how energy efficiency measures can reduce store running costs over the longer term.

Around 58% of our space is leased and we need to work with landlords to understand building impacts and implement improvements. Recent examples of successful collaboration with landlords include the introduction of LED lighting at B&Q UK's Weymouth store.

See more on property energy use on page 29.

²² Data covers our companies in the UK and France.

We aim to significantly reduce waste from construction and increase reuse and recycling. Our Operating Companies are working with suppliers on this issue. For example, with its store refurbishment supplier, Screwfix has achieved 95% recycling of construction waste from refurbishments and fit-outs. Brico Dépôt France and Castorama France have established a joint working group on construction waste and launched a template to be used at all new store builds and major refurbishments to track waste streams and volumes.

We have begun to collect construction waste data but further work is needed to improve accuracy across all our Operating Companies.

SUSTAINABLE CONSTRUCTION: BIODIVERSITY

2020 TARGET

Enhance biodiversity on new-build projects, major refurbishments and existing stores. (Biodiversity audits and action plans to be completed for all new-build projects and major refurbishments by 2016/17.)

PROGRESS*



Operating Companies are developing plans to protect and enhance biodiversity on new-build projects, major refurbishments and existing stores. A number of biodiversity audits were carried out during the year, including one at the Brico Dépôt France Moulins store.

At a policy level, our Group Chief Executive, Sir Ian Cheshire, chaired the business-led Ecosystem Markets Task Force that explored the opportunities associated with biodiversity offsetting. He has spoken on this issue and advocated for government action via several speaking events during 2013.

Biodiversity and our products

We aim to protect biodiversity by improving the sustainability of our product ranges. Our work on responsible timber sourcing is one important example.

During 2013, we eliminated three pesticides belonging to the neonicotinoid family that are thought to contribute to bee decline. We introduced the ban ahead of EU regulation and across all our companies, not just those in the EU. See page 13.

We have been active in supporting Friends of the Earth's call to protect the UK's bee population with a National Bee Action Plan, and engaging government on this issue. B&Q UK ran a Bee Friendly Campaign during the year that included information in-store and online for customers on how to create a bee friendly garden and get involved in protecting bee populations. See www.diy.com/bees.

PEAT ELIMINATION

2020 TARGET

All 'bagged' growing media sold in the UK to be from sustainable sources, ahead of the government 2020 deadline. (65% of 'bagged' growing media (by volume) sold in the UK to be from sustainable sources by 2016/17.)

PROGRESS*



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

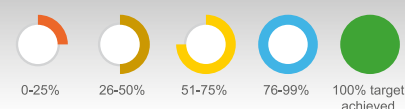
Traditionally some peat-free compost has performed less well than peat-based versions. During 2013, B&Q sponsored growing trials that tested the performance of a range of different peat-free composts. A new formula for peat-free compost was identified which matches the performance of peat-based versions. This will be rolled-out in B&Q stores during 2014/15 at the same price as products that contain peat. This will enable gardeners to go peat-free without compromising on performance or price.

In 2013/14, 61% of UK bagged growing media (by volume sold) was peat-free (2012/13: 62%). This small drop was due to a number of factors including stock issues, and we expect it to be addressed by the launch of the new peat-free ranges in 2014.

B&Q is also working with horticultural suppliers to eliminate peat from the plants sold in its stores. For example, its new easyGrow bedding plants are 95% peat free, see page 8.

ENVIRONMENTAL PROSECUTIONS

We take our environmental responsibilities seriously and aim to comply with, or exceed, regulatory requirements. If mistakes do occur we aim to take prompt action to address them. During 2013/14 Castorama Russia was fined £540 for failing to provide environmental training for employees at its Kapitoly store and for an issue relating to a diesel loader at its Voronezh store. Both issues have now been addressed.



ONE PLANET HOME



"B&Q has been a pioneer in responsible retailing for over 20 years, and in 2013 we continued to make good progress against our original One Planet Home targets and a significant contribution to the Kingfisher Net Positive programme. We saw further cuts in store energy use, a number of innovative new ideas launched and the completion of our 20-year quest for 100% responsibly sourced timber and paper."

Our priorities in 2014 are to start cutting excess packaging, improve supply chain transparency and continue to bring our customers innovative eco-products at affordable prices."

Kevin O'Byrne
CEO, B&Q UK & Ireland

We launched One Planet Home® in 2008 to help our customers make greener choices for their homes and to ensure that our business operates sustainably and responsibly. Since then, we have used our 10 One Planet Home principles to identify priority areas for action and, since its creation in 2012, to help deliver Kingfisher's Net Positive plan.

In 2013 we saw progress and innovation across the 10 principles:

Zero carbon

We have cut store electricity use by over 30% since 2006/07, making a major contribution to reducing our absolute greenhouse gas emissions and costs. LED lighting is a key technology in our carbon reduction journey. In 2013 we installed LED in a series of trial stores, and saw an average reduction in power consumption of around 40%.

Sustainable transport

We have reduced the fuel use of our haulage fleet by over 30% since One Planet Home began. In 2013 we invested in 50 new dual fuel tractor units running on liquid biomethane extracted from UK landfill sites. We have seen strong reductions in greenhouse gas emissions

from these trucks, though we have some work to do on optimising their fuel efficiency and this will be a key focus for 2014.

Sustainable water

We were the first national retailer to launch the Water Label to help customers choose kitchen and bathroom products that save them water and energy.

Sustainable materials

This year we introduced Gemstone, a new kitchen worktop made with 85% recycled content that is as hard-wearing as solid stone but with a far lower environmental impact.

Sustainable packaging

Our revolutionary new packaging for bedding plants replaces expanded polystyrene foam with recyclable PET, and because the packs take up less space, we need fewer lorries to move them to our stores, reducing carbon emissions and fuel costs.

Natural habitats and wildlife

Our quest for 100% legally and sustainably sourced timber and paper products has been completed with our commitment to buy FSC sandpaper. Ours is now one of the largest FSC and PEFC certified product ranges in the world with over 15,000 products conforming to our timber buying policy. From whole garden furniture sets to wooden stirrers in tubs of glue, we always insist that our wood is good wood.

Employee engagement

One Planet Home e-learning module keeps colleagues up to speed with the progress we're making. Over 17,000 colleagues completed the training in 2013.

Equity and fair trade

We want to make sure that the products we buy come from ethical sources. To help us monitor and improve standards we're asking all suppliers to sign up to the Supplier Ethical Data Exchange (SEDEX) platform. We started the process in 2013 and aim to reach 100% of first-tier suppliers in 2014.

Zero waste

89% of our waste was diverted from landfill and 72% was reused, recycled or composted. We ran our first-ever textile trade-in to rehome customers' unloved cushions and curtains, which were resold for charity at British Heart Foundation shops or donated to transform local community centres.

Culture and community

We donated £750,000 to charities and our stores ran 81 projects in their local communities during 2013/14.

CASTORAMA FRANCE



“At Castorama we think that everyone should have the right to live better. We know that feeling better at home and being happy in life is linked to the health of our planet and the wellbeing of others too.

Sustainable development is a huge challenge for the 21st century and we see a growing need to reconcile strong financial performance with societal wellbeing and protection of our environment. This changing world is a real opportunity. It encourages us to explore new market opportunities, to work differently with our partners and our suppliers and also, and most importantly, with our employees.”

Véronique Laury
CEO, Castorama France

We will become Net Positive at Castorama by aligning our sustainability commitment with our business strategy. We focus on four ambitions:

1) Creating a unique and sustainable offer for customers

Our Infinite worktop launched this year is a great example. Inspired by the potential of the circular economy, the worktop is made from 100% recycled waste from our stores. It was developed through a collaborative process between our teams and suppliers that will be used again to encourage further innovation. We've also launched Prime Energie Casto, a service that makes it easier for customers to plan energy efficiency and home insulation projects.

Our next step is to increase the level of sustainable innovation across our strategic ranges.

2) Inspiring our customers to realise their projects in a more sustainable way

We have 50 million people visiting our stores each year. If we can get them thinking about sustainability and inspire them to create more sustainable homes we can have a big positive impact.

3) Empowering our customers and communities with practical skills

Our vision is a society where everyone has the knowledge and skills to improve their homes and their lives. We are exploring many different ways to build expertise and skills with customers, children and community groups. We've already launched in-store classes and our Les Troc'heures website helps people exchange skills and work together on DIY projects.

4) Improving efficiency to lower costs and cut our environmental impact

Lower prices mean more people can use our products and services to improve how they live. We work every day to cut our operating costs, while also reducing our impact on the environment.

Through energy efficiency measures in our stores, we've reduced energy intensity (kWh/m²) by 17% since 2010/11. We're opening new eco stores, including Antibes, which will be the first DIY store in France to produce more energy than it consumes and through our supply chain efficiency we've avoided 7,000 truck journeys each year.

FACTS AND FIGURES

- 76% responsible sourcing for timber and paper products.
- 17% reduction in property energy intensity (kWh/m²) since 2010/11.
- Castorama France customers have saved 1.5 TWh of energy every year through products they've purchased since 2011/12.
- 260 community projects have been completed since 2012/13.
- 820 apprentices during 2013/14 and 1,500 young people completed internships.
- Ranked 4th (up 5 places) out of 50 companies for sustainable paper sourcing in the WWF and Riposte Verte PAP 50 survey.
- Top Employers Awards 2013, from the CTF Institute, which ranks companies in 13 countries in areas such as remuneration, working conditions and career development.
- First retail company to achieve the Label Égalité from the Ministry of Solidarity and Social Cohesion.

BRICO DÉPÔT FRANCE



“Net Positive is aligned with our business model – to maximise efficiency and decrease prices without compromising on quality. We are taking firm steps to become more sustainable, progressing towards our targets and making Net Positive part of how we work.”

Alexandre Falke
CEO, Brico Dépôt France

We are already making good progress on Net Positive at Brico Dépôt France. Recent performance highlights include:

Responsible timber sourcing

We've reached almost 93% responsible timber sourcing for products and 100% responsible sourcing for paper used in our catalogues. Our next step is to set up a data collection system for timber used in store construction.

Energy efficient stores

In our business we've rolled out energy efficient LED lighting to 16 stores and introduced smart metering to help stores monitor and reduce energy use.

Eco store

We opened our first store built with eco design principles at Moulins this year. This achieved a Very Good rating from BREEAM, the leading standard that recognises buildings meeting sustainable design best practices, and is 52% more energy efficient than regulatory requirements.

Customer energy efficiency

Our 'Eco Prime' service and website makes it easier for customers to plan home energy efficiency projects and access subsidies when purchasing products like insulation, heating and ventilation systems.

Eco-products

To help our customers make sustainable choices we use an eco-product symbol in-store (on price tags), online and in our catalogues. We also ran a customer awareness campaign this year to highlight ways for people to save energy and money through the products they buy from us.

Recycling

We're reducing waste to landfill and have reached a 78% recycling rate at our stores. To drive progress, we've set targets for each store that are integrated into performance reviews and bonus payments for store and logistics centre managers.

FACTS AND FIGURES

- Sales of energy saving products have enabled our customers to save 1.71 TWh of energy every year since 2011/12.
- 20% of sales revenue from products with a lower environmental impact.
- €3.5 million waste management saving through increased recycling (2010–2013).



The Brico Dépôt France Eco Prime website helps customers plan their energy efficiency projects. See www.ecoperformances-bricodepot.fr.

SCREWFIX



“In the future we think that being a sustainable business will just simply mean doing business.

We have already made progress in some key areas, such as achieving zero waste across our stores, reaching 93% responsible timber and paper sourcing, and launching The Screwfix Foundation to fix, repair, maintain and improve properties and community facilities for those in need.

Now we want to go further. This year we will launch our new sustainability plan. Our plan is about being true to our customers, to our people and to our business. It will form part of our long-term business strategy, helping us to accelerate our growth and to continue to provide the best products, convenience and value for our customers while creating positive change for people and the environment.”

Andrew Livingston
CEO, Screwfix

Screwfix is the UK's largest direct and online supplier of trade tools, accessories and hardware products. Our customer base includes tradesmen, handymen and serious DIY enthusiasts all over the UK.

Our new sustainability plan, launching in 2014, will help our business achieve its Net Positive targets and engage customers and employees on sustainability.

The plan forms part of the Screwfix long-term strategy and sets out how we will achieve our business goals in a responsible way and continue to do business far into the future.

Our priorities

Within our sustainability plan we've identified three key priorities that are going to help shape our path to a bigger, better and more effective Screwfix.

Changing for better

We want our business to innovate. Everything from processes to products. We want to change for the better – from lowering costs to reducing waste.

Creating jobs and skills

We see our people, our customers and our communities as the key to our future success. We want to share our knowledge, improve skills and create jobs.

Using less

We must conserve our resources, from retail to supply chain – and in doing so we will be able to offer better products at better prices.

With our plan we will support progress on Kingfisher's Net Positive business approach and 2020 targets. It will contribute directly to our future growth and success by helping us reduce costs, improve our customers lives, avoid price rises, and in turn, enable us to offer the best value for our customers.

Performance highlights from 2013/14

We made good progress during 2013/14, setting firm foundations for the year ahead.

Highlights include:

- Zero waste to landfill at our stores and distribution centres.
- The launch of The Screwfix Foundation, our new charity that raised £100,000 in its first year through employee and customer fundraising.
- Our collaboration with iForce to test out opportunities for deriving new materials streams from recycling old power tools.
- Achieving 93% responsible sourcing of timber and paper products, as well as 100% responsibly sourced timber in store fit-outs.
- 910 new jobs created to support our growth.

We have much more to achieve and a number of challenges to overcome to reach our goals. In 2014/15 we will be focused on launching new projects in the areas of timber, renewable energy and customer communications.

GOVERNANCE AND MANAGEMENT

Net Positive is a core part of our Creating the Leader corporate strategy and we aim to integrate it into the way we run our business. Each of our companies has a plan for how they will contribute to our Net Positive goals, with targets for their business.

Our Group Chief Executive retains ultimate responsibility for Net Positive. In 2013/14 we appointed a new Group Director of Sustainability who reports directly to our Group Chief Executive. Monthly Net Positive progress reports are submitted to the Kingfisher Board of Directors.

During 2014/15 we will further strengthen our governance through the creation of a board level sustainability committee as well as further measures to embed Net Positive into the governance of each Operating Company.

Our central Net Positive team works closely with our businesses, including monthly meetings with representatives from our largest Operating Companies. The Kingfisher Net Positive Network, made up of the Group Net Positive team and representatives from each Operating Company, meets twice a year in person and through quarterly webinars. It is a forum for reviewing progress and sharing ideas and best practices. A number of issue-specific networks are also in place, such as the Kingfisher Property Sustainability Network.

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.

Policy framework

During 2013/14 we carried out a review of all Group policies to make sure they reflect our Net Positive approach. We are updating policies where needed, addressing any gaps and reducing the overall number of policies to create a clearer delivery framework for our companies. Additional guidance has been developed for our companies in some areas to help them interpret and progress towards our Net Positive targets. This work has taken place as part of a wider Group policy review led by our Company Secretary. During 2014 our updated policies will be communicated to our Operating Companies. Our updated Group Sustainability Policy, that has been approved by the Group Executive, will be published on our website.

Integrating Net Positive

We aim to integrate Net Positive into the way we work through our business planning and performance management processes as well as a focus on internal communications and engagement.

Each Operating Company has developed a plan for how it will contribute to meeting our Group targets within its businesses including data on the investments it will make and the financial and other value it expects to generate. Development of the plans is integrated into our core annual business planning process and they have been presented to the Kingfisher Board of Directors as part of this. The plans are reviewed each year and updated as needed.

Net Positive-related targets have been integrated into the performance objectives for key members of our Group and Operating Company executive teams and further work with our Human Resources department is underway to roll this out to more senior employees. We have launched training and engagement programmes for employees and senior leaders to make Net Positive part of our day, see page 39.

Awards and recognition

Our progress has been recognised with a number of awards including the Business in the Community Platinum Big Tick; the Rainforest Alliance 'Sustainable Standard-Setter' award for our work on timber; and two awards at the Guardian Sustainable Business Awards 2014 for our work on Net Positive and Waste, including closed-loop approaches.

Read more on our website
www.kingfisher.com/NetPositiveAwards



Rainforest
Alliance

In recognition of demonstrated efforts to protect the environment and support local communities, Kingfisher plc received a 2013 Sustainable Standard-Setter award from the Rainforest Alliance.

STAKEHOLDER ENGAGEMENT

Our Net Positive aspirations are very ambitious and to achieve our goals we need to look beyond our own business to find new ideas and sources of innovation. We partner with many of our stakeholders, learn from their expertise and take on board their views to help us progress towards our targets. Much of this stakeholder engagement takes place as part of everyday business practice, but we have also established more formal mechanisms for dialogue.

At a Group level we consider our key stakeholders to be investors, employees, suppliers and government as well as NGOs, the media and other third-sector organisations. Information on our engagement with these stakeholders is provided below.

Engagement with our customers is primarily managed within our companies. However, we undertook research into consumer attitudes to sustainability through a YouGov survey during 2013. This showed that among the 2,000 people surveyed, 55% believe that companies can make a positive difference to their local community and the environment. Sixty percent would be more inclined to use a company's products and services if they knew it was spending its own money and time on helping their local community or the environment.

Conversations

We hosted three Net Positive 'Conversations' during 2013, bringing together NGOs, sustainability experts and business organisations. Each Conversation focused on a specific aspect of our Net Positive approach, enabling us to share our ideas with experts in the field and to hear their views. Topics explored included our approach to measuring progress towards our 2050 aspirations. You can read more about these sessions in Timber (page 26), Innovation (page 35) and Communities (page 38).

Investors

We actively engage with our investors and rating agencies on issues relating to Net Positive. We hold a roadshow each year to update both SRI (socially responsible investors) and mainstream investors on our progress. The roadshow in 2013/14 included meetings with 14 investor organisations in the UK and France.

To improve engagement on sustainability among the mainstream investment community, we also include information on Net Positive in all investor presentations and we are developing a methodology to calculate the financial benefits of Net Positive, see page 35.

We are included in the Dow Jones Sustainability Index and the RobecoSAM Sustainability Yearbook. We are listed in the FTSE4Good Index and achieved the highest rating within the global Retail Supersector and the second-highest score among UK companies from all sectors.

We participated in the Carbon Disclosure Project, and received a disclosure score of 83 out of 100 and performance score of B. We also participated in the Forest Footprint Disclosure project of which we are a founding partner.

Advisory Council

We established the Net Positive Advisory Council in 2013, a group of senior external experts in different aspects of sustainability who will provide advice, insight and challenge to help us progress towards Net Positive. The Council convenes twice a year to review our progress and to meet with our senior management.

The Advisory Council members are:

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

GOVERNANCE continued

Membership

We are members of a number of sustainability-related organisations. These include:

- **BSR** – a global membership and convening organisation for sustainable business.
- **Business in the Community** – a UK-based responsible business membership organisation.
- **University of Cambridge Institute for Sustainability Leadership** that works with business, government and civil society to address sustainability challenges including the Corporate Leaders' Group on climate change.
- **Forum for the Future** – we are a pioneer partner of this leading sustainable development business organisation.
- **The Ellen MacArthur Foundation** – we are a founding partner of the Foundation which plays a leading role in the movement towards a circular economy.
- **The World Economic Forum**

We are founding members of the Net Positive Group, launched by Forum for the Future, WWF UK and the Climate Group. This brings together a number of businesses who are pioneering Net Positive approaches and aims to develop a shared view on the principles of restorative business. We contributed to the group's 'Net Positive: A new way of doing business' report published in early 2014.

MATERIALITY

A wide range of social and environmental issues are relevant to our business and to our stakeholders. We prioritise our most material issues through extensive consultation with external stakeholders and within our businesses.

This is a continual process which includes:

1. **Internal review:** stakeholder mapping to identify priority stakeholders for engagement, and collating and reviewing feedback and information from internal and external sources.
2. **External review:** engaging directly with stakeholders through channels such as face-to-face meetings, investor roadshows, and membership of organisations including Forum for the Future, BSR and the Ellen MacArthur Foundation. From this we identify a shortlist of issues considered most material to our stakeholders.
3. **Prioritisation:** working with key internal and external stakeholders to identify priority issues for action, including through: workshops and specialist forums such as our Net Positive Advisory Council (and previously our Stakeholder Panel); Net Positive Conversations on specific topics; and internally through our Net Positive Network meetings and review processes.

This process was used to develop our Net Positive aspirations and targets and to identify which issues should be included in our reporting. We have set targets for the majority of our most material issues with the exception of: employment and skills; external communications and engagement; governance and management; human rights; labour standards; pensions; public policy and advocacy; and training and development.

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

AUDIT AND RISK

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

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

Group Internal Audit performed testing over a selection of performance data at each of our Operating Companies. We appointed KPMG LLP to provide a limited assurance opinion on selected aspects of this report. Their work included: testing the Group level data collation processes; assessing the work performed by a number of our in-house and external experts; assessing the work performed by Group Internal Audit at each of our Operating Companies; and reviewing the narrative content of this report. Further details are set out on page 61 and their full assurance statement is available on the Net Positive website at www.kingfisher.com/netpositivereport.

Identification and management of risks relating to Net Positive, at an Operating Company and Group level, is incorporated in our strategic risk assessment processes. This means key risks to achieving our Net Positive targets are considered at least twice a year. In addition we conduct topic-specific internal audits or risk reviews where required. For example, in 2013 we reviewed our approach in the areas of supply chain management and compliance with regulations governing the use of chemicals.

Read more on our approach to risk management in our Annual Report and Accounts: annualreport.kingfisher.com/2013-14/

HUMAN RIGHTS

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

During 2013, we commissioned a specialist consultancy to assess how well our business practices align with the Guiding Principles in the areas of supply chain, communities, human resources and partners. We are using the feedback and the results of our wider Net Positive policy review to further strengthen our policies relating to human rights for employees, suppliers and communities.

Read more about our approach to human rights issues in our supply chain on page 44 and in relation to our employees on page 40 (Diversity and inclusion).

PUBLIC POLICY

Sustainability issues are often complex and global in scale. Tackling these challenges requires the active participation of national and regional governments and international institutions, such as the European Union, in cooperation with business and other stakeholders from across society. Regulators and governments can play an important role in setting minimum standards, incentivising sustainable business practices and creating a level playing field that supports investment in sustainable business and innovation.

We engage with governments on a variety of issues relevant to Net Positive, to help encourage policies that support sustainable business practices. Our Group Government Affairs function sits within our Net Positive team, ensuring that our public policy work is aligned with our commitment to building a sustainable business. Details of our public affairs advocacy work on issues relating to Net Positive are included throughout this report including: timber (page 26), energy (page 31) and innovation (page 34).

In addition, we engage with governments in our operating markets and at EU level to inform policy that has a material impact on our business. Examples from 2013/14 include:

- **Interchange fees:** These fees, levied by banks for customer transactions made by credit or debit card, have a material impact on our business. Working together with our EU-based Operating Companies, we have advocated the case for reform and the European Commission has now published proposals to set a limit on these fees.
- **Sunday trading in France:** Restrictions on Sunday trading in France have posed a problem for retailers and particularly the DIY sector for which Sunday is an important trading day. Engaging government directly and through our trade body in France, we made the case for reform and supported a change in the Sunday working laws in December 2013.

Our approach to government relations involves working through trade associations and industry groups to increase the impact of our policy messages. Our memberships include: the British Retail Consortium (BRC), the European DIY-Retail Association (EDRA), the Confederation of British Industry (CBI), the French Association of Private Businesses (AFEP), the French Federation of DIY Retailers (FMB) and the Green Building Council (GBC). Across the Group, almost all our Operating Companies are involved in similar organisations in their countries.

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

GOVERNANCE **continued**

PENSIONS

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

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 confirm they are signatories to the UN Principles for Responsible Investment.

Ethical funds

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

The KPS Trustees are also exploring opportunities to invest in specific funds that support progress on issues relevant to Net Positive, such as renewable energy infrastructure and social housing projects. Existing investments include a £25 million stake in the Global Farmland Fund which invests in farmland operated according to sustainable farming methods.

The KPS received a Gold rating in the most recent UK Sustainable Investment and Finance Association (UKSIF) Sustainable Pension Ranking (2011) which assesses implementation and communication of responsible investment practices. Gold is the second-highest rating.

The KPS was recognised in 2013/14 for its work to introduce automatic enrolment, in response to new UK regulatory requirements with awards for Best Internal Communications and the Judges' Award for Consumer Insight from the Financial Services Forum.

ABOUT OUR REPORTING

Our Net Positive report explains our progress towards our Net Positive targets and aspirations. It summarises performance at a Group level covering the financial year February 2013–January 2014. It is available as both a full report and a shorter review document. Information on our sustainability performance is also integrated into our Annual Report and Accounts as well as our Group website, which is regularly updated.

Data and targets

This report contains our key performance data showing progress against our 50 targets. More detailed data is available in our Net Positive Report Appendix – Detailed Performance Data. Detailed information on the scope of the data and the methodologies used to calculate our data are explained in our Net Positive Data Collection Methodology document. See www.kingfisher.com/netpositivereport.

We publish a Group score for each of our 50 targets. This is a weighted average of the individual Operating Company scores for each target. The weighting is based on the sales contribution of each Operating Company.

We expanded our data collection processes this year to enable us to track progress against our 50 targets. Further work is needed in this area as well as to establish impact measures enabling us to track progress towards our 2050 aspirations.

External assurance

Our report is subject to external assurance. KPMG LLP has provided limited assurance over selected aspects of the Net Positive report for the year ended 1 February 2014, see below. Their full assurance statement is available on the Net Positive website at www.kingfisher.com/netpositivereport.

Reporting standards

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

United Nations Global Compact Index

We joined the United Nations Global Compact in early 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. We will be preparing our first Communication on Progress during 2014/15. As an interim step, this Index shows where relevant information is included in our current reporting.

ASSURANCE

We engaged KPMG LLP to undertake a limited assurance engagement, reporting to Kingfisher Plc ('Kingfisher') only, using ISAE 3410²³ and ISAE 3000²⁴ over the selected Net Positive performance data that have been marked within this report with the ■ and the process to gather and report progress against Net Positive Foundations Targets marked with the ▼.

KPMG LLP has provided an unqualified opinion in relation to the selected Net Positive performance data and the process to gather and report progress against Net Positive Foundations Targets and their full assurance opinion is available in the Net Positive section of our website at www.kingfisher.com/netpositivereport.

The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. In order to reach their opinion, KPMG LLP performed a range of procedures which included interviews with management, assisting in the development of the work that Kingfisher's Internal Audit would perform at each Operating Company, and evaluating the work they

have performed, examination of reporting systems and documentation, which included selected data testing at a site and Head Office level. A summary of the work they performed is included within their assurance opinion.

Non financial performance information, greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the selected Net Positive performance data and Foundations targets information contained within this Report in the context of KPMG LLP's full limited assurance opinion and Kingfisher's Net Positive Data Collection Methodology available on our website at www.kingfisher.com/netpositivereport.

²³ ISAE 3410 – International Standard on Assurance Engagements ('ISAE') 3410: 'Assurance Engagements on Greenhouse Gas Statements'.

²⁴ ISAE 3000 – International Standard on Assurance Engagements ('ISAE') 3000: 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'.

UN GLOBAL COMPACT INDEX

Human rights	Location in our reporting	See page
Principle One Businesses should support and respect the protection of internationally proclaimed human rights; and	Human rights Suppliers and partners	59 44 – 45
Principle Two make sure they are not complicit in human rights abuses.	Human rights Suppliers and partners	59 44 – 45
Labour		
Principle Three Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Suppliers and partners Human rights	44 – 45 59
Principle Four the elimination of all forms of forced and compulsory labour;	Suppliers and partners Human rights	44 – 45 59
Principle Five the effective abolition of child labour; and	Suppliers and partners Human rights	44 – 45 59
Principle Six eliminate discrimination in respect of employment and occupation.	Diversity Human rights	40 – 41 59
Environment		
Principle Seven Business should support a precautionary approach to environmental challenges;	Timber Chemicals Biodiversity	22 – 26 49 51
Principle Eight undertake initiatives to promote greater environmental responsibility; and	Timber Energy Innovation Environment	22 – 26 27 – 31 32 – 35 47 – 51
Principle Nine encourage the development and diffusion of environmentally friendly technologies.	Energy – customers Innovation – eco-products Innovation – closed-loop	27 – 28 32 – 33 33 – 34
Anti-corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Conduct	46

OPERATING COMPANY PERFORMANCE SUMMARY

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

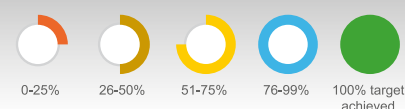
We have multiple targets for each issue and the scores included here are average scores, calculated from the individual scores for each relevant target. The details of how we score progress on each target is explained in our Foundations Questionnaire Scoring Guide (www.kingfisher.com/NetPositiveResources).

The up and down arrows indicate where scores have changed since 2012/13.

Overview of results January 2014

Issue	B&Q China	B&Q UK	Brico Dépôt France	Brico Dépôt Spain	Castorama France	Castorama Poland	Castorama Russia	Koçtaş Turkey	Screwfix
Timber			↑	↑					
Energy				↑					
Innovation					↑				
Communities	↑				↑	↑			↑
Employees	↑	↑	↑					↓ ²⁵	
Suppliers and Partners	↑	↑							↑
Environment	↑		↑		↑				↑

²⁵ The decrease is due to change in our data collection methodology.



READ MORE

You can read more about Kingfisher, Net Positive and our reporting:

- Annual Report and Accounts
<http://annualreport.kingfisher.com/2013-14/>
- Net Positive website
www.kingfisher.com/netpositive
- Net Positive Report Appendix – Detailed Performance Data
www.kingfisher.com/netpositivereport
- Net Positive Data Collection Methodology
www.kingfisher.com/netpositivereport
- KPMG Assurance Statement
www.kingfisher.com/netpositivereport
- B&Q UK One Planet Home Report
www.diy.com/eco
- Castorama France Corporate Responsibility Report
www.castorama.fr/store/pages/rse-home.html

We welcome your feedback on Net Positive. Please send your comments to:

Kingfisher plc

3 Sheldon Square, Paddington, London W2 6PX

netpositiveconversation@kingfisher.com

Consultancy and writing by BDH Sustainability

Designed and produced by Salterbaxter

Printed by Scanplus Print Group
on Cocoon 100% Recycled Silk paper

