

THIS IS PERSONAL



SUSTAINABILITY REPORT 2015/16

Delivering our strategy
towards Net Positive

Kingfisher

EVERYONE SHOULD BE ABLE TO HAVE A HOME THEY FEEL GOOD ABOUT

At Kingfisher, we believe that there are two sides to feeling good about your home.

One is the positive impact your home has on your life, and the things that matter to you. It's why people make home improvements – to create a place that meets their needs and reflects who they really are. That's personal.

The other is the positive impact your home has on the world around you. The energy you save, the waste you recycle, the materials you use – these are all choices to be made. They're also personal.

Here at Kingfisher, we believe these two things go hand in hand. Everyone should be able to live sustainably – and feel good about doing so – without compromising the personal things that matter. Like making your home comfortable, safe, stylish and affordable to run.

All of us at Kingfisher are focusing our energies to help customers do just that. Investing in innovation, rethinking existing practices and developing new solutions. So that it's easier, cheaper and more enjoyable for all of us to make sustainable choices.

And we're not stopping there. We also want Kingfisher to be a home we can feel good about. It's personal for us too. Which is why we're making our own changes – to our infrastructure, operations and practices – to make sure we're doing our utmost to work sustainably across our businesses.

It's through this two-sided approach – making changes to our home as well as to the products and services we sell for customers' homes – that we will become a truly sustainable company.

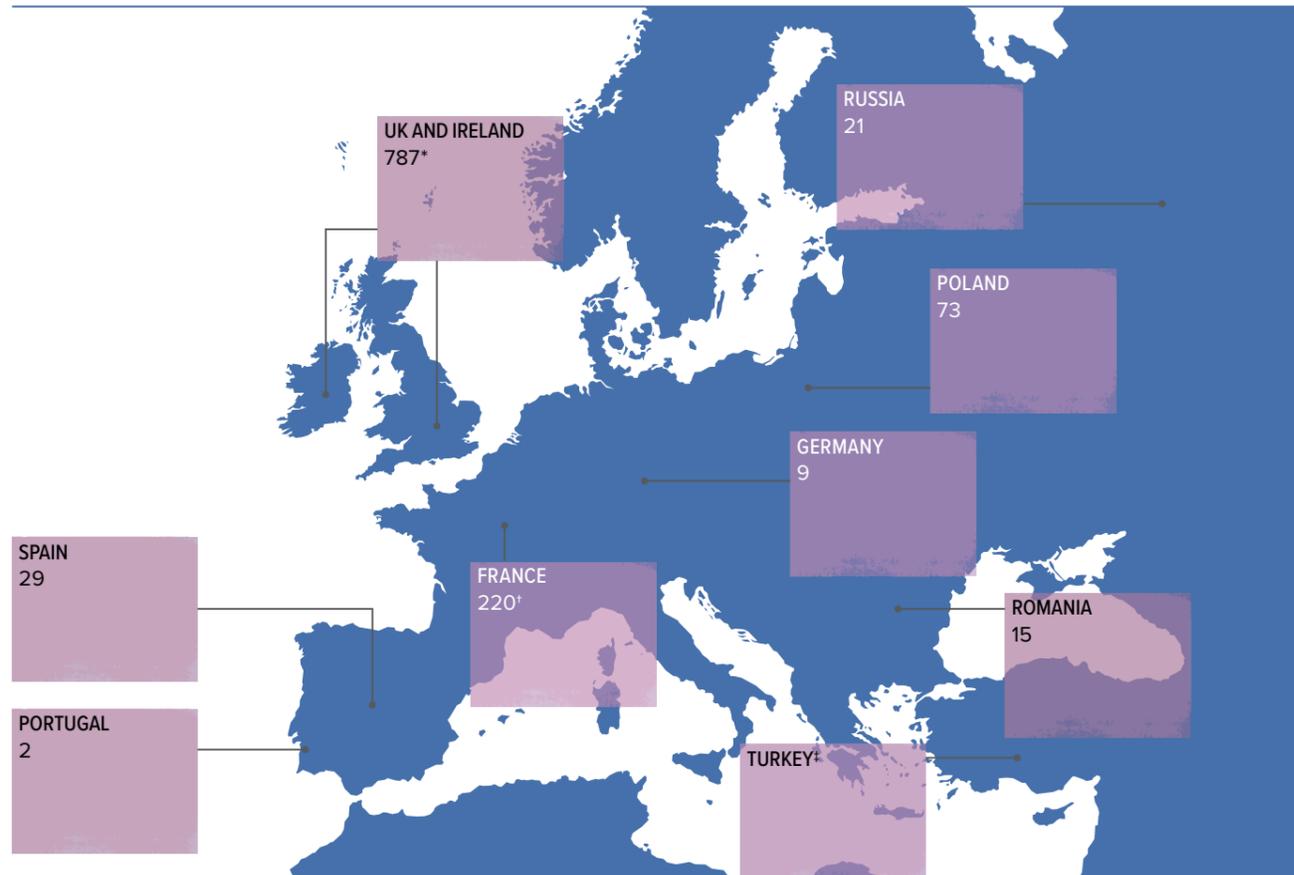
We've made great progress – but there's lots more still to do. This matters to us. It's personal.



AT A GLANCE

KINGFISHER PLC IS A HOME IMPROVEMENT COMPANY WITH OVER 1,100 STORES AND GROWING OMNICHANNEL OPERATIONS ACROSS 10 COUNTRIES IN EUROPE.

OUR STORE NUMBERS AND OUR MARKETS



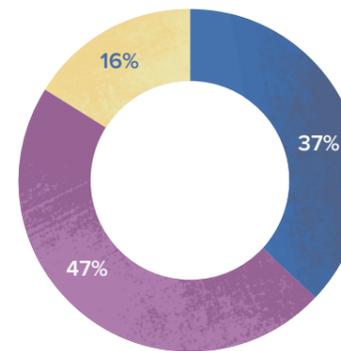
*B&Q UK & Ireland 330, Screwfix 457
 †Castorama 102, Brico Dépôt 118
 ‡Turkey not consolidated

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CONTRIBUTION TO TOTAL SALES

France	£3,786m
UK	£4,853m
Other	£1,692m
Total	£10.3bn



Total sales

£10.3bn

Adjusted pre-tax profit[§]

£686m

Employees[†]

74,000

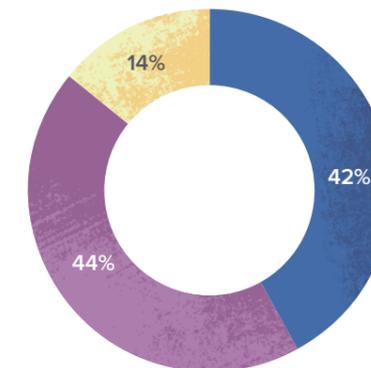
Total stores[‡]

1,156

[§]See our Annual Report and Accounts: annualreport.kingfisher.com/2015-16
[†]Total, not full-time equivalent, excluding Turkey
[‡]Turkey not consolidated

CONTRIBUTION TO RETAIL PROFIT

France	£311m
UK	£326m
Other	£109m
Total	£746m



ABOUT OUR REPORTING

Our goal is to be a truly sustainable company, and we have set ourselves 53 targets to help us get there. This report summarises our performance against our targets during 2015/16. Information on the financial, economic, social and environmental value generated by our business is also included in our Annual Report annualreport.kingfisher.com/2015-16 and on our website kingfisher.com/sustainability

INTRODUCTION FROM OUR CHIEF EXECUTIVE OFFICER

At Kingfisher we are transforming our business to make home improvement accessible so that everyone can have a home they feel good about. We believe a good home is one that is sustainable, healthy, resource smart, energy efficient and affordable to run.

Whilst customers are working within tight budgets, we know they care deeply about securing healthy, safe, durable and comfortable surroundings and want to be part of a vibrant community – because they've told us. Our challenge is to provide easy, affordable and sustainable solutions to help them realise these things.

I want Kingfisher to be a truly sustainable company – both in its operation and its offering. As many of you know, we have been on a sustainability journey for many years. We have made great progress with some remarkable achievements – most notably leading our industry with 96% of all the paper and wood products we sell coming from sustainable sources so as not to contribute to deforestation.

That said, and as this Report shows, we still have much further to go to achieve all our targets and we need to increase

our rate of change. As we implement our ONE Kingfisher strategy and business transformation we have a significant opportunity.

As we bring to market more of our own unique and leading products, we can work with our suppliers to integrate sustainability into the way our products are designed, sourced, manufactured and transported.

As we develop our ONE Kingfisher culture we can truly embed sustainability into our values and decision-making. As we redesign our formats and infrastructure we can build in sustainability principles that will enable us to operate more efficiently with a smaller environmental footprint and at a lower cost in the long term. We are already tapping into opportunities such as those presented by the circular and sharing economies, using new approaches that make it easier for our customers to improve their homes.

We are at the start of an exciting new chapter on our restorative sustainability journey and I look forward to sharing more of it with you as it unfolds.

Véronique Laury
Chief Executive Officer



**WE BELIEVE A GOOD HOME
IS ONE THAT IS SUSTAINABLE,
HEALTHY, RESOURCE SMART,
ENERGY EFFICIENT AND
AFFORDABLE TO RUN.**

WHAT IS A SUSTAINABLE HOME?

We all want to live in a good home – that’s something everyone has in common. Our ambition is to create good homes by making home improvement accessible for everyone. Sustainability is core to our ambition because we know that a good home is a sustainable home. We’re integrating sustainability into our business and transformation, so we can help more customers create good, sustainable homes.

OUR POINT OF VIEW

We have our own point of view on what makes a good home based on our research with over 20,000 customers. This shows us that sustainability is one of the fundamental elements that make a good home.

When we talk about sustainable homes we mean homes that use fewer resources, are more efficient to heat or cool, are healthy to live in without harmful chemicals, that have green and natural gardens, and are built to last.

Everyone should be able to create a home like this, but we know that sustainability improvements can be complex and people may lack the time, skills or resources to create it. We are developing the products, services and support that make sustainability easier for our customers and help them to create the good homes that they want.

A GOOD HOME

IS A HOME THAT IS...



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

SUSTAINABILITY AND OUR BUSINESS TRANSFORMATION

We launched a five-year plan in January 2016 to transform Kingfisher into a more unified company. We believe this transformation will enable us to become the leading home improvement company.

Our strategy is based on:

- Our customers’ reality and needs, which are the start of everything
- A unified and unique offer that provides quality and choice at good value
- A unique and seamless customer journey, allowing people to improve their homes physically through our stores as well as digitally
- Having 74,000 committed and diverse colleagues, passionate about home improvement, open to the world, willing to help millions of customers, and working as ONE Kingfisher.

We know that our long-term success depends on our operating sustainably – protecting natural resources, designing out waste, working with suppliers who respect human rights and protect the environment, and supporting the communities in which we work. That’s why being a truly sustainable company is part of our framework for action and why we are integrating sustainability into our transformation, including into the creation of our unique and unified offer.

WHAT WE WILL DO

- 1 THINK OF CUSTOMER NEEDS FIRST
- 2 DESIGN A SEAMLESS CUSTOMER PROCESS
- 3 CREATE A UNIQUE AND LEADING OFFER WITH AN INTEGRATED SUPPLY CHAIN
- 4 CREATE A LEADING CUSTOMER EXPERIENCE IN OUR STORES
- 5 BE A TRULY SUSTAINABLE COMPANY
- 6 WORK AS ONE
- 7 BE LOW COST ALWAYS

SUSTAINABILITY THROUGH EVERYTHING

To help customers create sustainable homes we need to make sustainability part of everything we do and personal to everyone in the company. We aspire to have a Net Positive impact – helping our customers to create sustainable homes, transforming our business to be restorative to the environment, and improving life in the communities where we operate and in our supply chain.

OUR NET POSITIVE PRIORITIES

Net Positive is our long-term ambition for how we will truly integrate sustainability into our business and play our part in creating a society that is better for all. By becoming Net Positive we want to create positive change and grow our company in a sustainable way so that our shareholders, customers, employees, suppliers and communities all prosper. 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.

We focus on four priority issues that are most material to our business, customers and stakeholders, and three other areas that are essential to achieving our sustainability goals. Our approach to materiality is explained on page 55. We have set ourselves 53 targets to help us progress towards our long-term goals.

PRODUCT INNOVATION

Aspiration: Every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle. **2020 target:** 1,000 Kingfisher products with closed-loop credentials.

ENERGY & CARBON

Aspiration: Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes. **2020 target:** 38 TWh of energy saved for customers. 45% reduction in energy intensity of our property.

TIMBER

Aspiration: Kingfisher creates more forest than it uses. **2020 target:** 100% responsibly sourced timber and paper in all our operations.

COMMUNITIES

Aspiration: Every Kingfisher store and location supports projects which build local communities or equip people with skills. **2020 target:** 4,000 community projects completed.

PEOPLE

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

SUPPLIERS & PARTNERS

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

ENVIRONMENT

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

A CHANGING WORLD

Economic, technological, demographic and environmental trends are changing the way our customers live, with implications for our company and the home improvement sector. By 2050 two thirds of the world's population will live in urban areas. Ageing populations are a feature of many of our markets and 30-45% of homes in Western Europe are single households.

We are seeing increased demand for resources; climate change and ecosystem decline which could bring scarcity of resources; high prices; and supply chain instability with implications for our business and our customers. For example, the cost of energy is a frequent concern, with an estimated 11% of Europe's population struggling to pay their energy bills.

Trends such as the sharing economy are developing fast, with sharing and exchanging becoming more common alternatives to buying products and services that require us to rethink our business models. Frameworks such as the United Nations Sustainable Development Goals set the agenda for creating more sustainable societies and economies.

Our Net Positive ambition will enable us to seize the new opportunities and minimise the risks created by these external trends.

WORLD DATA

BY 2050 TWO THIRDS OF THE WORLD'S POPULATION WILL LIVE IN URBAN AREAS

30-45%

Of homes in Western Europe are single households

11%

Of Europe's population struggle to pay their energy bills

OUR COMMERCIAL MODEL FOR SUSTAINABILITY

Our commercial model for sustainability shows how becoming Net Positive generates value for our business. We use it as a tool to engage our senior managers on sustainability and to develop implementation plans which help our markets contribute towards meeting our overall Net Positive targets. It focuses on the benefits of integrating sustainability in four core areas:

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

Our group and operating company sustainability teams work with their colleagues around the business to integrate sustainability. Their role is to demonstrate the importance of sustainability issues at both a personal and business level and provide the practical tools and support to help our people make sustainability part of what we do.

YOUR HOME Inspiring and enabling great customer solutions

Revenue opportunities

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

For example, Castorama's NODS decking range, made with waste from our stores, is a popular new product with 60,000 units sold in its first year.

Customer preference

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

For example, sustainability is one of the principles guiding the development of our unified and unique own brand ranges. 60% of our new range of light bulbs will be energy efficient LED and we've reduced the price for customers.



Efficiency and productivity

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

For example, Antibes, our biggest store, will generate more energy than it consumes. Altogether 4.1MW solar photovoltaic generation capacity was installed across the business in 2015/16.

Supply chain resilience

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

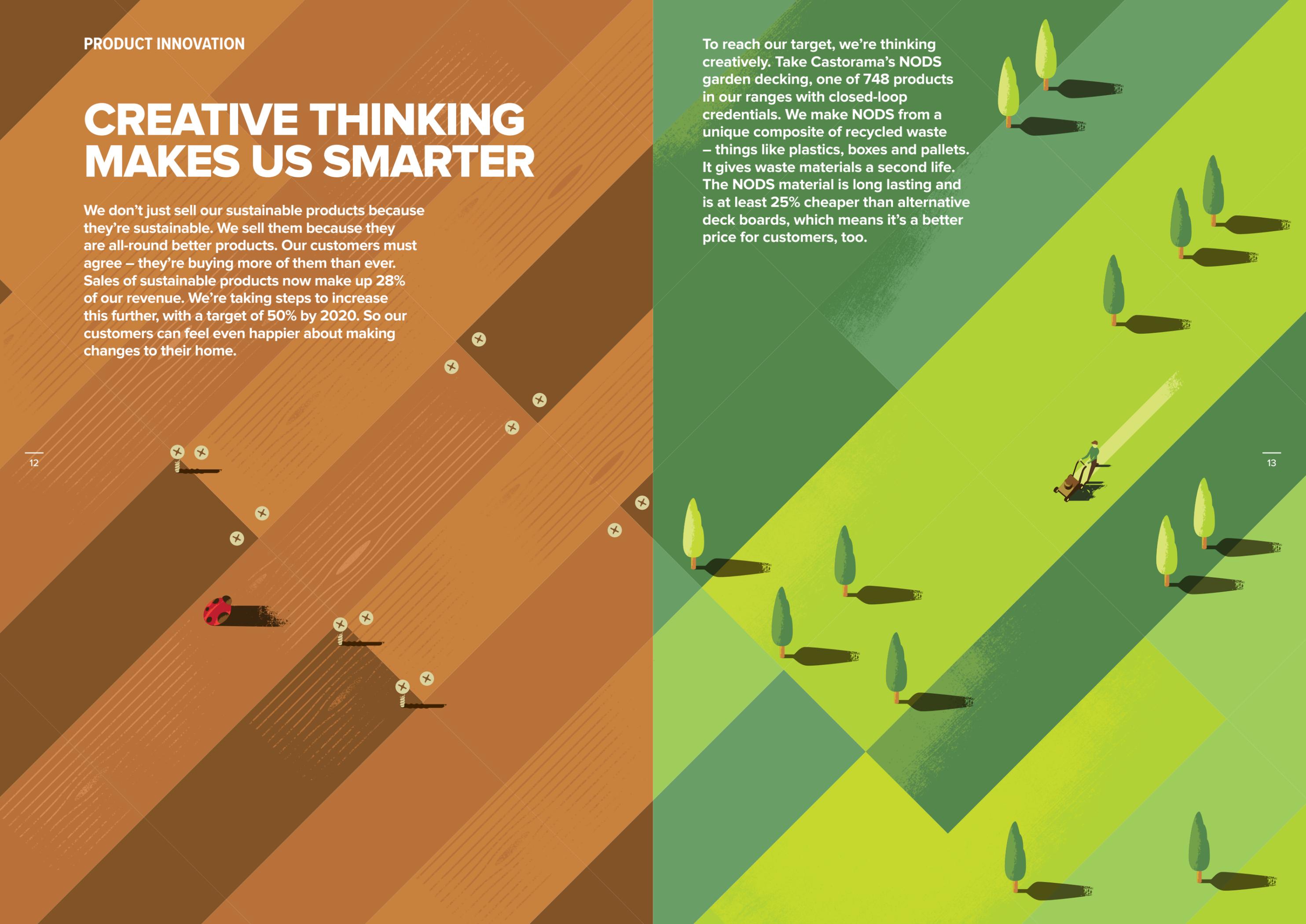
For example, B&Q has reduced waste by working with suppliers to introduce reusable pallets from sustainably sourced timber. 103,000 pallets were reused in the first nine months, generating £166,000 for the business.

OUR HOME Improving business practices and processes

CREATIVE THINKING MAKES US SMARTER

We don't just sell our sustainable products because they're sustainable. We sell them because they are all-round better products. Our customers must agree – they're buying more of them than ever. Sales of sustainable products now make up 28% of our revenue. We're taking steps to increase this further, with a target of 50% by 2020. So our customers can feel even happier about making changes to their home.

To reach our target, we're thinking creatively. Take Castorama's NODS garden decking, one of 748 products in our ranges with closed-loop credentials. We make NODS from a unique composite of recycled waste – things like plastics, boxes and pallets. It gives waste materials a second life. The NODS material is long lasting and is at least 25% cheaper than alternative deck boards, which means it's a better price for customers, too.



WE ARE TRANSFORMING OUR RANGES TO BRING CUSTOMERS THE PRODUCTS AND SERVICES THEY NEED TO CREATE HEALTHY, SUSTAINABLE HOMES THAT ARE STYLISH, AFFORDABLE TO RUN, COMFORTABLE TO LIVE IN AND PRODUCE LESS WASTE.

We want to make it easier for our customers to create a more sustainable home but we don't expect our customers to buy our products just because they're more sustainable. Our sustainable products are great quality, affordable products which are better for customers as well as being more sustainable.

We are looking to design out waste; improve energy and water efficiency; develop new services that help customers at each stage of their projects; use our marketing and communications to encourage more sustainable lifestyles and work with partners to adopt closed-loop approaches.

More information on reducing the environmental impacts of our products is included in the Timber (page 26), Energy & Carbon (page 18) and Environment (page 48) sections.



2050 ASPIRATION

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



2020 TARGET

1,000 Kingfisher products with closed-loop credentials.

Water-using products

We are making the water-using products in our kitchen and bathroom ranges more efficient, helping customers use less water and save money. We now have data for six operating companies, showing that in these businesses 39% of water-using products met our best practice standards in 2015/16. Screwfix was our strongest performing company, reaching 62%.

Helping customers make sustainable choices

We aim to make sustainability part of our marketing to increase sales of more sustainable products and give customers the information and encouragement they need to adopt more sustainable lifestyles. For example, Screwfix has introduced three new product icons – Save Energy, Save Water, Solvent Free – that will make it easier for customers to select more sustainable products in the Screwfix catalogue and on its website.

60%

Of our light bulb range will be made up of highly energy-efficient LED bulbs

MORE SUSTAINABLE PRODUCTS

Our teams use our Sustainable Home Product Guidelines to integrate sustainability in our product ranges, focusing on areas such as saving energy and water, greener gardening, sustainable materials and closing the loop.

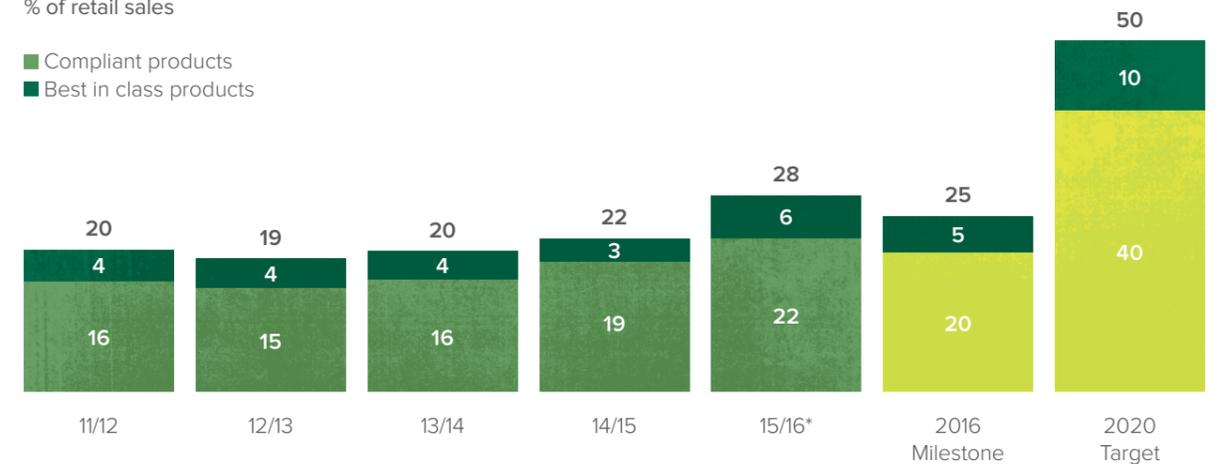
Sales of sustainable home products, those with improved sustainability credentials, reached 28% (2014/15: 22%), generating £2.9 billion for the business. This reflects an increase in sales of products such as LED light bulbs and an improvement in our data quality with more sustainable home products identified within our ranges. Sales of best in class products, our most innovative sustainable home products, were worth £573 million in 2015/16, 6% of sales.

As we create our unified offer, we are taking the sustainability standards achieved in our most advanced operating company for each range and applying these to our new Group range. This will improve the sustainability performance of our ranges, particularly at lower scoring operating companies. For example, highly energy-efficient LED bulbs will make up 60% of our unified range of light bulbs. Other examples include a more water-efficient toilet range and more durable sinks, see page 42.

SUSTAINABLE HOME PRODUCTS

% of retail sales

■ Compliant products
■ Best in class products



*Within KPMG's limited assurance scope

Closing the loop

A circular economy is one in which resources are continually reused and recycled in closed loops. This reduces waste and can stimulate innovation, reduce business costs and create more stable supplies of natural resources. We are working to integrate circular economy principles into our products and business partnering with suppliers and organisations such as the Ellen MacArthur Foundation.

We have reached 748 products in our ranges with closed-loop credentials, and made progress towards several closed-loop supply chains. Examples of products and supply chains with closed-loop credentials include:

- B&Q's easyGrow bedding plant system which replaces polystyrene with recyclable PET and peat with coir, a renewable by-product of coconut production, which would otherwise have been waste. See page 51.
- B&Q's Green Pallet scheme which replaces poor quality single use pallets (for delivering products) with those made from certified timber, which are of a guaranteed standard and will be reused numerous times. See page 45.
- Castorama's NODS decking and Infinite worktop, which use our unique composite material made from 100% recycled materials including store waste. See page 16.

We worked with sustainability organisation Bioregional to develop our Principles for Circular Product Design during 2015/16. These will help our product developers and suppliers further integrate circular design principles into our products and supply chains.

The Principles focus on six impact areas:

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

Many aspects of closing the loop are challenging, as they require collaboration across the value chain and new ways of working. Legislation can also create challenges. For example, to comply with the EU REACH Regulation we need to be able to disclose all chemicals contained in the materials we use. This can be difficult for recycled plastics, which may be created from many different sources. We held a workshop session for our teams during 2015/16 to discuss these types of challenges and share lessons learnt from both successful and unsuccessful closed-loop projects.

We are a founding member of the Ellen MacArthur Foundation and are working with it to train our employees on circular economy principles. For example, 12 employees have completed the executive education course run by the Foundation and Bradford University School of Management and five employees are enrolled on or have completed their circular economy MBA course.

CASE STUDIES

NODS – A NEW TYPE OF DECKING

NODS decking is a new and popular product at Castorama France. It is more durable and more water resistant than conventional decking so easier for customers to look after and is 25% cheaper than comparable products.

What customers may not know is that NODS uses our own innovative material known as Infinite, which is made from waste plastics and wood from our business. So NODS isn't just good for customers, it's better for the environment too.

Customer benefit: a cheaper product, with a long guarantee, that is more water resistant and easier to look after

Sustainability benefit: reduces waste wood and timber from our business

Business benefit: a popular product that is selling well

CLOSING THE LOOP FOR PAINT

450 million litres of leftover paint are thought to be sitting in UK houses, garages and sheds. B&Q is exploring how to close the loop on paint, by reusing leftover paint and recycling paint containers.

It is working with Community RePaint, which donates surplus and leftover paint to people on low incomes, community groups and charities, and has published a guide to encourage B&Q customers to donate leftover paint to their nearest RePaint scheme. B&Q, RePaint, Akzo Nobel and other partners are also running a pilot to remanufacture leftover paint into new paint and to recycle plastic paint tubs.

B&Q has also improved the packaging used on paint for home delivery, replacing foam with moulded pulp cardboard which is 100% recyclable.

Customer benefit: less packaging that is more easily recycled

Sustainability benefit: less waste, and support for communities and people on low incomes

Business benefit: potential to develop more circular supply chains



ALTERNATIVE SERVICES

We are developing new services that enable us to better support customers at every stage of their home improvement projects, from Castorama Poland's successful tool repair service to energy efficiency advice and installation services (see page 21). Services can also replace physical products, helping to reduce use of natural resources and prevent waste.

We are testing out approaches that draw on the benefits of the sharing economy, creating opportunities for customers to get help with their projects and to support each other. For example, Castorama France is developing Wikiforhome.org, an online resource where anyone can access or share information on home improvement, use step-by-step tutorials on a range of projects and contribute their own information and expertise. At its newly opened Antibes store, Castorama is piloting Casto Lab, a space where customers can share information, attend home improvement classes and use specialist machinery and tools to get their jobs done (such as a digital laser wood-cutting machine for personalising and customising products).

Brico Dépôt France's new store in Nice includes a made-to-measure wood-cutting service for doors, windows and joinery, a machinery rental offer and a window installation service. It is also trialling needhelp.com, which enables customers to connect with people who can help with their home improvement projects.

ENGAGEMENT AND ADVOCACY

We engage with governments and others to encourage sustainable innovation and bring about the transition to a more circular economy. Recent examples include:

- **EU review into resource scarcity and the circular economy** – we participated in this consultation, sharing our views on the circular economy including our experiences of the challenges involved in using recycled materials under the EU REACH Regulation.
- **Circular Economy 100** – we helped establish this network run by the Ellen MacArthur Foundation for companies, innovators and regional governments.
- **Disruptive Innovation Festival** – we supported this event led by the Ellen MacArthur Foundation which brought together thought-leaders, entrepreneurs, businesses, and suppliers to discuss the circular economy, sharing economy and systems innovation.
- **Accelerating the Circular Economy** – we hosted a roundtable at this conference supported by the Dutch EU Presidency and shared our experiences, good and bad, with attendees.
- **Green Alliance Circular Economy Taskforce** – we joined this initiative to collaborate and learn from like-minded companies passionate about how the circular economy will change their business models.

WE'VE BROUGHT LIFE TO OUR LATEST BRIGHT IDEAS

Customers consistently tell us how important energy efficiency is to them. So we work hard to offer them the best range of energy-saving products. Highly energy-efficient LED bulbs will soon make up 60% of our unified range, and we've lowered their prices too. Just one of many smart changes that add up to make a big difference: we estimate we're already saving our customers up to £750m in energy bills every year. Since 2011/12 that's enough to power each of the 1.3m homes in Paris for well over a year.

We're leading by example and making our own properties more efficient, too. LED lighting has been installed in 27% of stores, up from 15% last year. The Screwfix warehouse at Trentham generates more than a third of its own power through solar. And the newly reopened Castorama in Antibes – our first energy positive store – will be adding the excess solar power it produces to the local grid.



OUR CUSTOMERS WANT COMFORTABLE HOMES, WHICH ARE WARM IN WINTER AND COOL IN SUMMER, WITHOUT EXPENSIVE ENERGY BILLS. SO IT'S NO SURPRISE THAT 74% OF OUR CUSTOMERS IDENTIFY ENERGY EFFICIENCY AS AN IMPORTANT REASON FOR DOING HOME IMPROVEMENT.

We make it easier for customers to create energy efficient homes by bringing them high-quality, affordable energy saving products and services. This is good for our customers and the planet, as home energy is a major contributor to climate change.

In our company we are taking action too – creating energy efficient, low carbon buildings and working with suppliers to tackle emissions from transport.

Our aspiration is to become carbon positive so that every Kingfisher store will be either zero carbon or generate more energy than it consumes. And so customers can purchase all the products and services they need from us to create a zero carbon or carbon positive home.

More information on how we apply sustainable design principles to our buildings is on page 51. Our work to tackle deforestation also contributes to global efforts to address climate change, page 28.



2050 ASPIRATION
Every Kingfisher store and customer's home is zero carbon or generates more energy than it consumes.



2020 TARGET
38 TWh of energy saved for customers. 45% reduction in energy intensity of our property.

SAVING ENERGY FOR CUSTOMERS

We offer a range of products to help customers create well-insulated, efficient homes, from LED light bulbs to insulation and low-energy appliances, as well as advice and installation services.

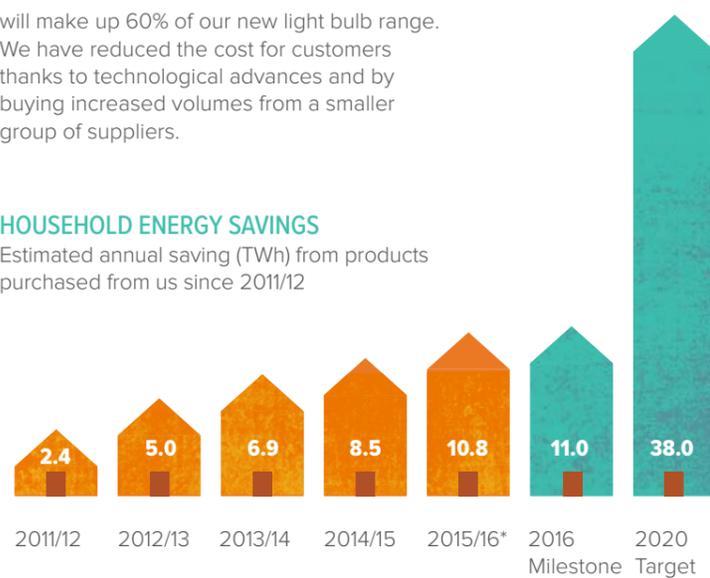
Our customers are saving 10.8 TWh of energy every year due to the products and services they have purchased from us since 2011/12. We estimate this could save our customers almost £750 million every year.¹ Since 2011/12, we have saved customers enough energy to power all of the homes in Paris, around 1.3 million households, for over a year.

We still have a long way to go to reach our stretching target but our work to unify our offer will help us make further progress. For example, LED energy efficient light bulbs

will make up 60% of our new light bulb range. We have reduced the cost for customers thanks to technological advances and by buying increased volumes from a smaller group of suppliers.

HOUSEHOLD ENERGY SAVINGS

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



¹Based upon the average UK household energy bill.

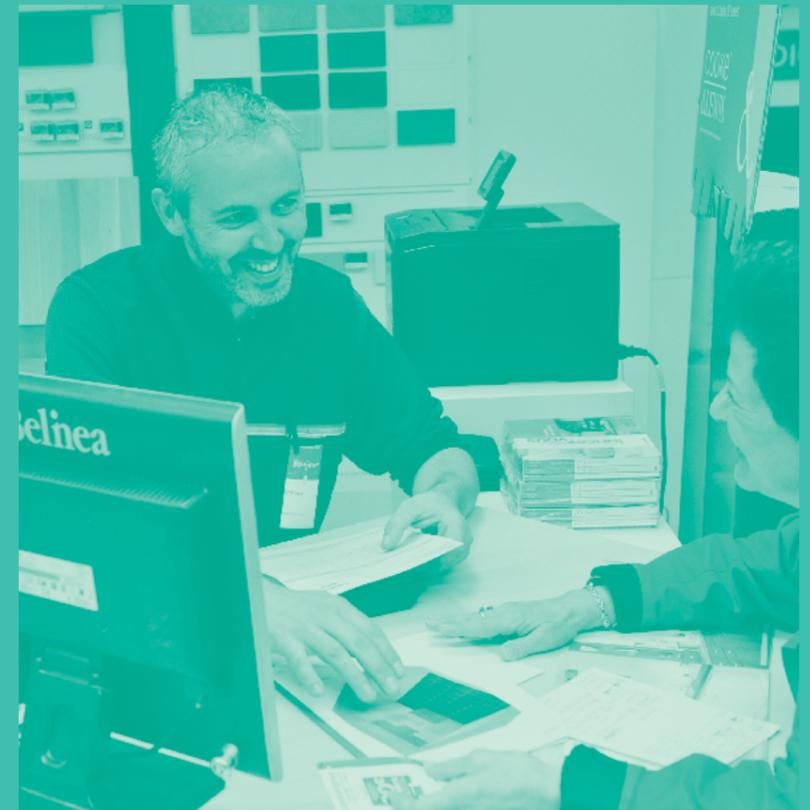
*Within KPMG's limited assurance scope

CASE STUDY: HELPING CUSTOMERS WITH THEIR ENERGY EFFICIENCY

Castorama France is bringing customers products, support and inspiration to make energy efficiency improvements easier and more affordable. It stocks a wide range of energy efficiency products and has planned its ranges so that the majority of products are eligible for government subsidies – reducing costs. 1,500 customers benefited from government subsidies in 2015 through its Prime Energie Casto initiative.

Castorama is also piloting an advice and installation service in five stores run by specially trained employees. This helps customers plan projects, find out about subsidies and hire an installer if needed. It published a brochure in 2015, with ideas, information and inspiration on home energy efficiency, heating and automation that was distributed to 5 million customers.

Customer benefit: easier to create an energy efficient home
Sustainability benefit: more energy efficient homes
Business benefit: higher than average spend from customers using energy efficiency services



ENERGY EFFICIENCY SERVICES

Energy efficiency projects can be complex to plan and implement. Our companies are exploring how advice and installation services can better address customer needs and help more people plan and implement their projects.

B&Q, for example, has sold loft insulation products and services for many years. It found that the work involved in clearing out the attic before insulating prevented many customers from installing insulation. To overcome this, B&Q is re-launching its Homefit loft clear and insulate service. As well as getting their loft professionally insulated, customers can have their attic emptied in advance and B&Q can arrange for their unwanted items to be donated to charity or recycled, and the remaining items put back once the installation is finished.

ENERGY USING PRODUCTS

Our energy-using products range from kitchen appliances to boilers and lamps. We can help customers reduce running costs by improving the energy efficiency of these ranges.

We worked with Bioregional, the sustainability experts, to establish a definition of best practice for energy efficiency, explained in our Sustainable Home Product Guidelines. This covers all products included in the EU Energy Efficiency eco design and labelling directives such as fridges and freezers, dishwashers, tumble dryers, ovens, vacuum cleaners and heating and cooling systems.

We have data for five operating companies, showing that in these businesses 42% of energy-using products met our best practice standards in 2015/16.

ENERGY-USING PRODUCTS

42%

Of energy-using products met our best practice standards in 2015/16

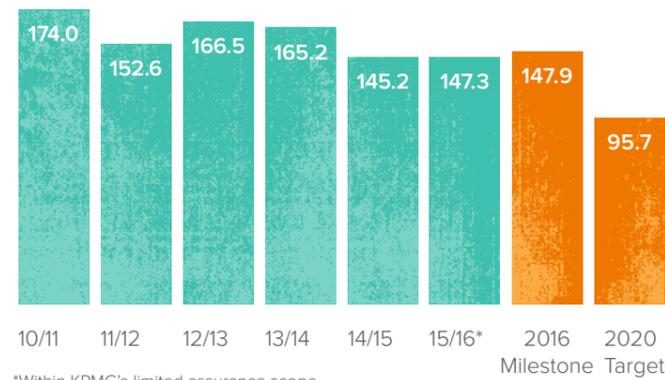
SAVING ENERGY IN OUR OWN BUILDINGS

We are improving energy efficiency through building design, energy monitoring and management and upgrades to lighting and equipment. All our companies have an Energy Resilience Plan to show how they will achieve our 2020 target for energy intensity. These are integrated into our five-year planning process, to increase awareness among our leadership and to ensure that budget is allocated for energy efficiency projects.

We have reduced energy intensity by 15% since 2010/11, achieving our milestone. However, energy intensity has increased year on year and considerable work is needed to reach our 2020 target.

PROPERTY PORTFOLIO ENERGY INTENSITY

kWh / m² reported floor space



Lighting

Lighting typically accounts for over half of store electricity use, so installing efficient LED lighting can bring significant savings. We now have LED in 27% of stores (up from 15% last year), reducing energy consumption by 16.1 million kWh per year and saving over £700,000 per year. Our target is to roll out LED to all stores by 2020.

system that enables energy managers in every store to track energy use (electricity and gas), monitor compliance with regulations including the EU Energy Efficiency Directive, and compare performance over time, against other stores and in comparison to best practice. Castorama's energy management system has been accredited to the ISO 50001 standard.

servers to run more efficiently). This is avoiding an estimated £900,000 a year in energy costs. We also reduced energy costs by £77,000 a year by replacing cooling and power infrastructure at our Fareham data centre.

— **Managed print:** we are reducing the number of printers and installing measures such as swipe cards to reduce wastage. This has reduced UK energy use for printing by 23% compared with 2009 and means we use 26 million fewer sheets of paper each year.

— **Upgrading software and hardware:** we are investing in energy efficient machines and creating a set of collaboration tools that enable video calling and online file sharing as well as improving our systems that enable employees to work remotely.

Energy monitoring

Energy management systems are also having an impact. For example, B&Q is trialling 'Measure My Energy' in three stores, saving over £37,000 in the first year by enabling store managers to monitor electricity use conveniently and in real time.

IT

We are reducing energy used for IT by focusing on:

— **Data centre efficiency:** we have consolidated our data centres, reducing the number of sites overall and moving to more energy-efficient locations. We continue to reduce the number of physical servers through virtualisation (a solution that enables

Our businesses in France continued to roll out the NOE energy tracking

27%

Of our stores now have LED lighting

£700k

Saved per year from LED lighting

23%

Reduction in UK energy use for printing due to our managed print

OUR CARBON FOOTPRINT

We aim to reduce the carbon footprint of our buildings and transport by using energy more efficiently, investing in renewable energy and by selecting lower carbon transport options.

There was a small reduction in our absolute carbon footprint this year, reflecting a drop in electricity carbon conversion factors.² Emissions from transport rose during the year due to an increase in store and home deliveries.

Achieving an absolute reduction in our carbon footprint will remain challenging as our business grows. However, we have achieved a 16% cut in our

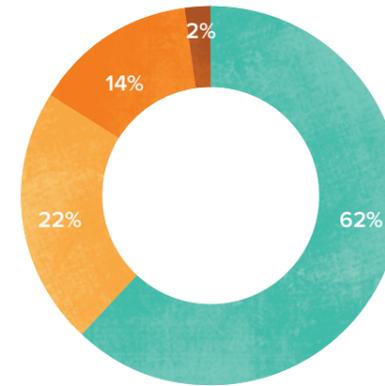
property carbon intensity since 2010/11. Developing our renewable energy strategy will enable further progress.

If the impact of purchased renewable electricity is taken into our account, our 'market-based' carbon footprint of purchased electricity and heat was 203,728 tonnes in 2015/16, rather than 246,775 tonnes in our 'location-based' footprint. Further details are included in our Data Appendix kingfisher.com/sustainabilityresources

²Our carbon footprint and targets are calculated using the 'location-based' approach for purchased electricity and heat as defined under the WRI/WBCSD Greenhouse Gas Protocol.

2015/16* CARBON FOOTPRINT DETAIL

Thousand tonnes CO₂ equivalent



Property: Purchased electricity and heat	246.8
Property: Gas and other fuels	89.1
Haulage: Dedicated store and home deliveries	58.1
Business travel by road	8.9

*Within KPMG's limited assurance scope

ABSOLUTE CARBON FOOTPRINT (SCOPE 1 & 2)

Thousand tonnes CO₂ equivalent



PROPERTY PORTFOLIO CARBON INTENSITY

kg CO₂ equivalent/ m² reported floor space



CASE STUDY: ANTIBES – AN ENERGY POSITIVE STORE

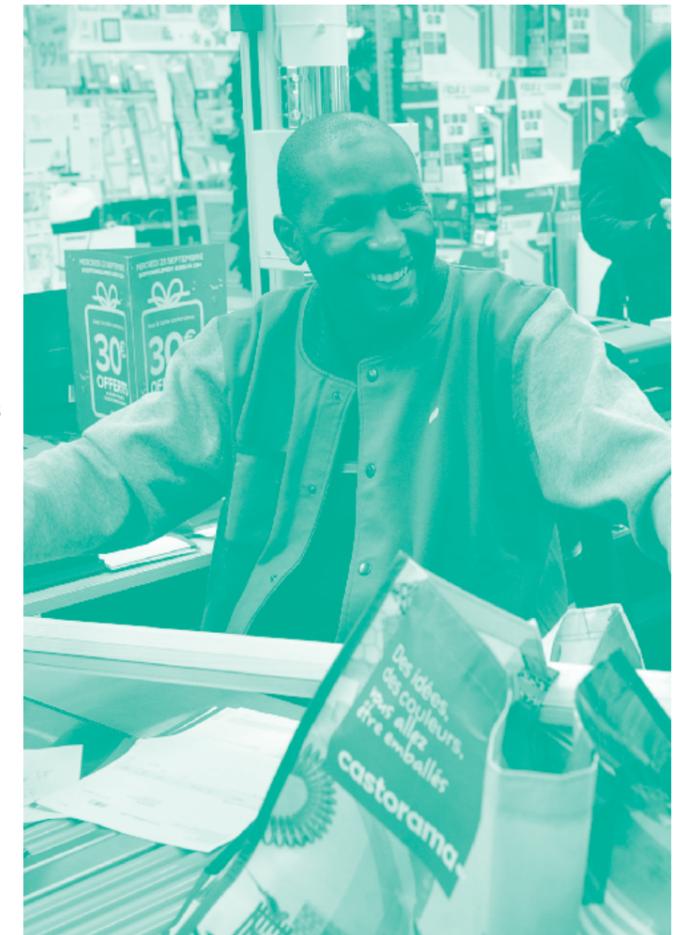
Castorama's Antibes store, re-opened in 2015, is both our largest store and our first to be energy positive.

The main building meets passive design standards – requiring less than 8kWh/m² energy to run. Combined with a large rooftop solar PV panel this means the main building will be 'Energy Positive' (as recognised by the French Thermal Regulations 2012) based on its annual average energy consumption. This means the energy generated from the photovoltaics will be greater than the primary energy consumed by the store for heating, general lighting, cooling, ventilation and water heating. A screen in store shows customers how much renewable energy is being generated each day.

Other features include double insulation, a lighting system which combines natural light with 100% LED lighting, a highly efficient (adiabatic) heating and cooling system and rainwater recycling.

Sustainability features for customers include a living wall in the garden centre, an eco home installation and the Casto Lab where customers can use specialist tools and share information (see page 17).

- Customer benefit:** a better place to shop, with more support for home improvement projects
- Sustainability benefit:** reduced energy use and carbon footprint
- Business benefit:** lower operating costs and greater energy security



Renewable energy

We are investing in renewable technology and expect to generate 5% of our electricity from onsite renewables by the end of 2018. This will reduce our annual carbon footprint by 11,400 tCO₂ and reduce energy costs by £10.2m per year at today's prices. It will also help demonstrate our sustainability commitment to customers.

We installed solar photovoltaic panels on two stores and three distribution centres with a generation capacity of 4.1MW during 2015/16. This included the Screwfix distribution centre at Trentham which has a 1.8MW PV solar array (the size of three small football pitches) that will generate around 30% of the site's electricity needs. We are also exploring renewable technologies such as heat pumps, biomass and solar thermal.

We are integrating renewable energy into our Big Box redesign project, see page 51.

Green tariff electricity

Our property and purchasing teams are working together to unify our electricity purchasing in line with European market structures which are organised on a country-by-country basis. We aim to negotiate larger contracts covering more of our business and to work with suppliers to encourage them to offer us electricity from renewable sources at the most competitive rates. During 2015/16, for example, 100% of Brico Dépôt Romania's electricity was from renewable sources – as was 92% of Brico Dépôt Iberia's.

Transport

Emissions from haulage (delivering products to our stores, distribution centres and customer homes) account for around 14% of our carbon footprint. We aim to reduce emissions from transport, focusing on direct emissions from dedicated delivery fleets owned by our operating companies or operated on their behalf by suppliers. These include:

- **Store deliveries** B&Q, Castorama France, Screwfix and Screwfix Germany.
- **Home deliveries** B&Q, Castorama France, Castorama Poland and Brico Dépôt France.³

Reducing overall emissions is challenging due to business growth, particularly an increase in home deliveries. Our direct haulage emissions increased by 7.5% overall against our 2010/11 baseline, largely due to an increase in home deliveries. Emissions increased by 4% year on year due to increased fuel consumption in our UK store delivery fleets.

We are working with transport suppliers to improve vehicle efficiency, to transport more products on each journey, improve route planning and driver behaviour, and select lower carbon options.

We have made some progress on reducing emissions from store delivery fleets – with a 5% reduction since 2010/11, despite a 9% increase in the volume of products delivered. The fuel efficiency of dedicated store delivery fleets (litres of fuel/m³ of product delivered to stores) has improved by 6% since 2010/11.

We have introduced low carbon vehicle fuels such as biomethane in the UK, and LNG (liquefied natural gas) in France for some vehicles. The drop in oil prices means biomethane is not currently cost-effective in comparison to diesel but we are continuing to expand our French LNG fleet and to explore other low carbon fuels.

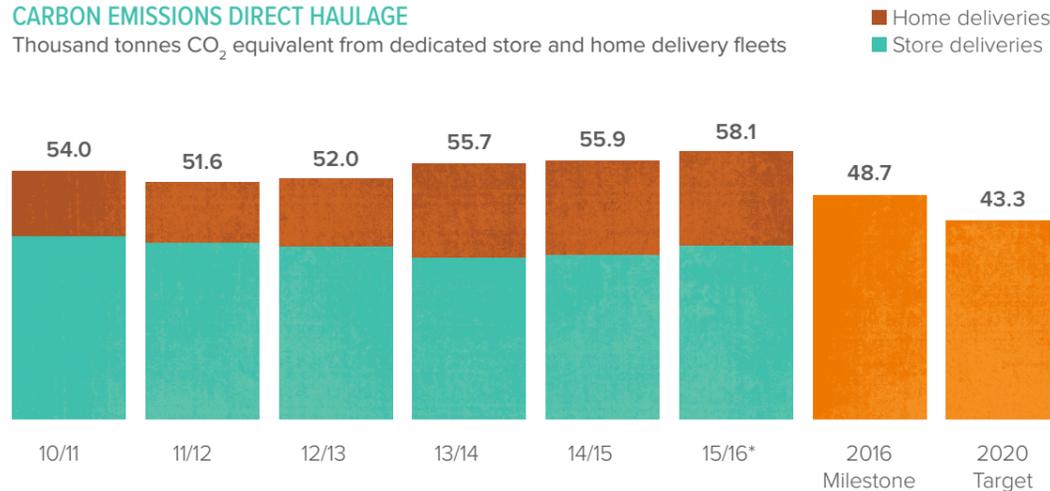
Driver behaviour can have a big impact on fuel use. B&Q's logistics network monitors driver behaviour and holds regular meetings to review results and engage staff. Sustainability is one of the five objectives for the B&Q logistics team.

Our companies are also switching to rail transport, a lower carbon alternative to transport by road. For example, Screwfix now uses rail transport from port for 50% of containers.

³Brico Dépôt France is not yet included in our emissions data for direct transport emissions.

CARBON EMISSIONS DIRECT HAULAGE

Thousand tonnes CO₂ equivalent from dedicated store and home delivery fleets



*Within KPMG's limited assurance scope

RENEWABLE ENERGY FACTS

4.1mw

On site renewable generation installed during 2015/16.

30%

Of electricity from PV solar at Screwfix's Trentham distribution centre

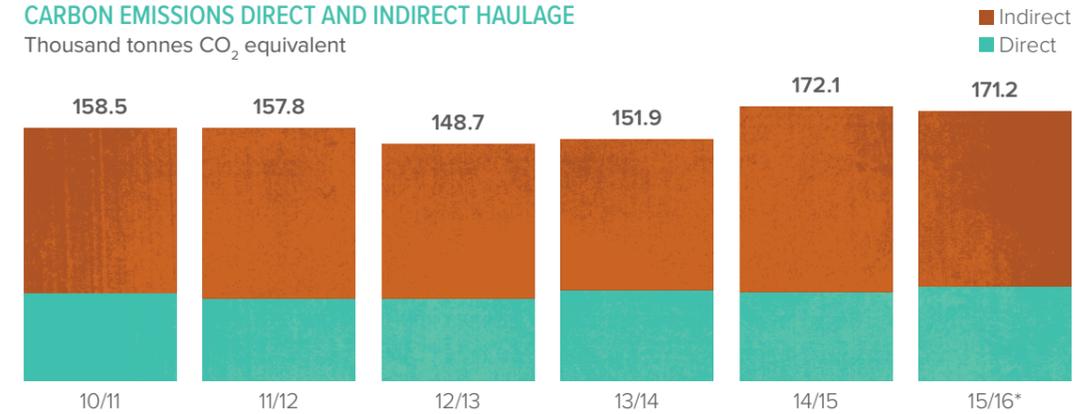
Indirect transport emissions

Seven of our companies use third-party fleets for store deliveries – Brico Dépôt France, Brico Dépôt Romania, Brico Dépôt Iberia, Castorama France, Castorama Poland⁴ and Castorama Russia. We work with haulage suppliers to encourage emissions reductions. Indirect haulage emissions have increased by 8% since 2010/11, due to a growth in deliveries and improvements in our data collection. There was a 3% drop in emissions year on year due to a reduction in emissions from sea and air freight.

⁴Castorama Poland is not yet included in our emissions data for indirect transport emissions.

CARBON EMISSIONS DIRECT AND INDIRECT HAULAGE

Thousand tonnes CO₂ equivalent



*Within KPMG's limited assurance scope

CLIMATE CHANGE MITIGATION & ADAPTATION

We are taking steps to mitigate the physical impacts of climate change on our business, particularly those associated with increased risk of flooding. This includes identifying stores in areas with a higher risk of flooding and putting in place measures to minimise potential impacts, for example, by improving guttering and drainage systems.

Our businesses stock a range of products to help customers protect their homes against flood damage. During 2015/16 we donated products and supported community clear-up efforts after flooding near some of our stores in the UK and France.

ENGAGEMENT AND ADVOCACY

We worked with governments, businesses and NGOs on energy and climate issues during 2015/16, advocating for clear government policies and funding to support the transition to a low carbon economy. Examples include:

- **COP21 UN Climate Conference** – our companies in France participated in COP21, through customer campaigns and by hosting a stand with the organisation Club Génération Responsable that was attended by 42,000 visitors including government officials, suppliers and employees. We signed the French Business Climate Pledge to show our commitment to tackling climate change and to limiting global warming to 2°C.
- **Energy efficiency subsidies France** – under France's Energy Transition law, tax breaks for home energy efficiency improvements are only

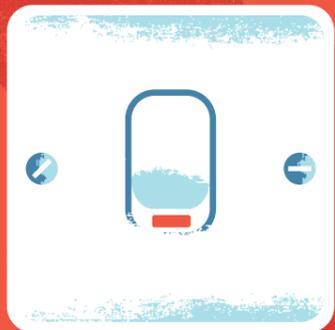
available for projects carried out by registered tradesmen, those with an RGE qualification. We engaged with ADEME, the French energy and environmental management agency, to argue that energy efficiency subsidies should be extended to cover projects carried out by anyone. Brico Dépôt France launched a training partnership to increase the number of RGE qualified tradespeople to make it easier for customers to get help with their projects and access subsidies. 40 tradespeople gained the qualification during the pilot in 2015.

- **UK energy policy** – we continued to engage with the UK government and other stakeholders to support the treatment of home energy efficiency as an infrastructure priority. This included supporting a paper by E3G, the not-for-profit energy consultancy, making the economic case and arguing for energy efficiency to be included in the UK's infrastructure budget and planning. We also continued to advocate for more effective, targeted support for renewables, especially commercial rooftop photovoltaics as part of the ongoing review of enhanced capital allowances.
- **Alternative fuels** – we advocated in support of the introduction of LNG fuelling points in France, to support our efforts to introduce lower carbon vehicle fuels.
- **NGO collaborations** – we worked with a wide range of NGOs to support calls for more forward thinking on energy, including the Prince of Wales's Corporate Leaders Group, The Aldersgate Group, WWF and Green Alliance.

NEVER RESTING ON OUR LAURELS

Timber is hidden in many more of our products than you might think. In fact, it's an essential element within around a third of them, from wallpaper to masking tape. For over twenty years we've been working to make our timber sourcing as sustainable as possible, so it's even easier for customers to make a positive choice. Right now that's around 96% of the timber we sell, and it's already reached 100% at B&Q.

As well as improving good practices today, we're also sowing the seeds for all-round greener futures. We're forging progressive partnerships that move the whole timber industry towards responsible sourcing and sustainable forest management. We've teamed up with the RSPB and BirdLife Partners in Sumatra, Indonesia on a programme to restore 100,000 hectares of over-logged tropical forest. This joins our previous forestry projects in Poland, Spain and the UK, which have already benefited areas equivalent to 19,000 football pitches.



TIMBER IS A HUGELY POPULAR MATERIAL FOR OUR CUSTOMERS. IT'S USED EXTENSIVELY IN THEIR HOME IMPROVEMENT PROJECTS, AS WELL AS FOR FINISHED FLOORS, WORKTOPS AND FURNITURE.

We have been working on responsible timber sourcing for over 20 years and we aspire to a restorative approach – not only helping to prevent deforestation and ensuring responsible sourcing but also working towards having a positive impact on forest ecosystems and people. We are looking both at our own sourcing and working with partners to help create positive change beyond our business.

As global demand for timber grows, our work will enable us to secure affordable long-term supplies of this important raw material, establish sustainable local timber supply chains and mitigate the impact of deforestation on climate change.



2050 ASPIRATION
Kingfisher creates more forest than it uses.



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

RESPONSIBLE SOURCING

The first step on our journey towards Net Positive is to make sure that all the timber used in our business is responsibly sourced including products, packaging, goods not for resale (GNFR) and construction. Our global timber policy and timber sourcing practices help our companies to implement a consistent approach. All our responsibly sourced timber is independently audited by recognised certification schemes such as FSC and PEFC or it is recycled.

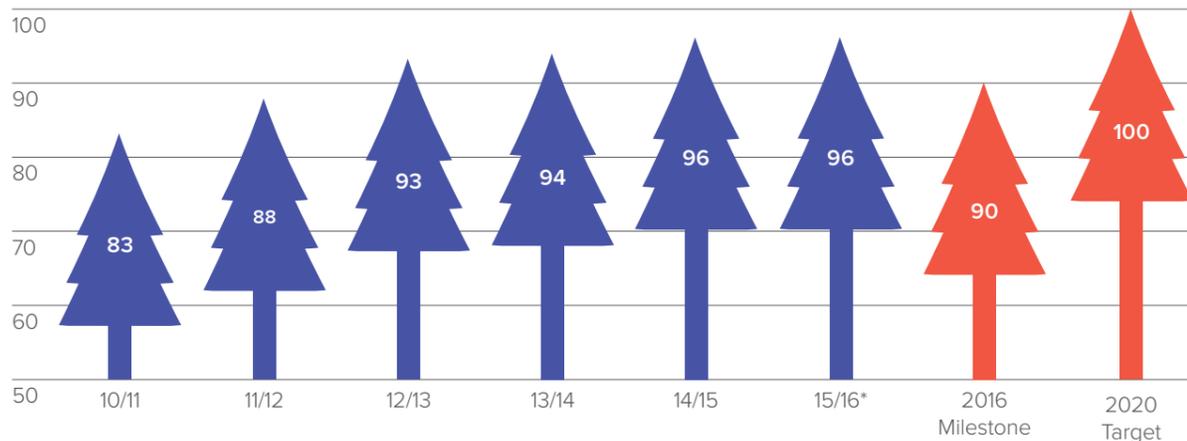
Our products

We achieved 96% responsibly sourced timber in our products, with B&Q at 100% and a further four companies at or over 95%.¹ Responsible timber sourcing is being integrated in our work to unify our products and sourcing, which will help to improve performance in our lower scoring operating companies.

¹Data covers operating companies, which account for 97% of Group turnover (95% or higher in previous years). It does not cover data for Castorama Russia.

RESPONSIBLY SOURCED TIMBER PRODUCTS

% of timber sold (by volume) responsibly sourced



*Within KPMG's limited assurance scope

The majority of our companies communicate our responsible timber sourcing commitment to customers via information in store, in catalogues and online. We are also taking a broader approach to raise awareness in markets where there has been less customer demand for responsibly sourced timber. For example, in Romania we are working closely with suppliers and sawmills to encourage them to source from FSC certified forests, introducing customer communications on responsible timber and partnering with FSC International in Romania to raise awareness among the timber industry on the benefits of FSC certification.

Across the business we are working with suppliers on product categories such as masking tape and sandpaper where timber is used in very small quantities and there are currently few suppliers offering responsibly sourced products.

Tropical hardwood products, leather and palm oil

Our policy is that all new tropical hardwood products should be FSC certified or endorsed by schemes working towards FSC certification. We achieved this target for 100% of new tropical hardwood products in B&Q UK, Castorama France, Brico Dépôt Iberia and Screwfix.

We use low volumes of leather and palm oil (for example leather is used in clothing in our work

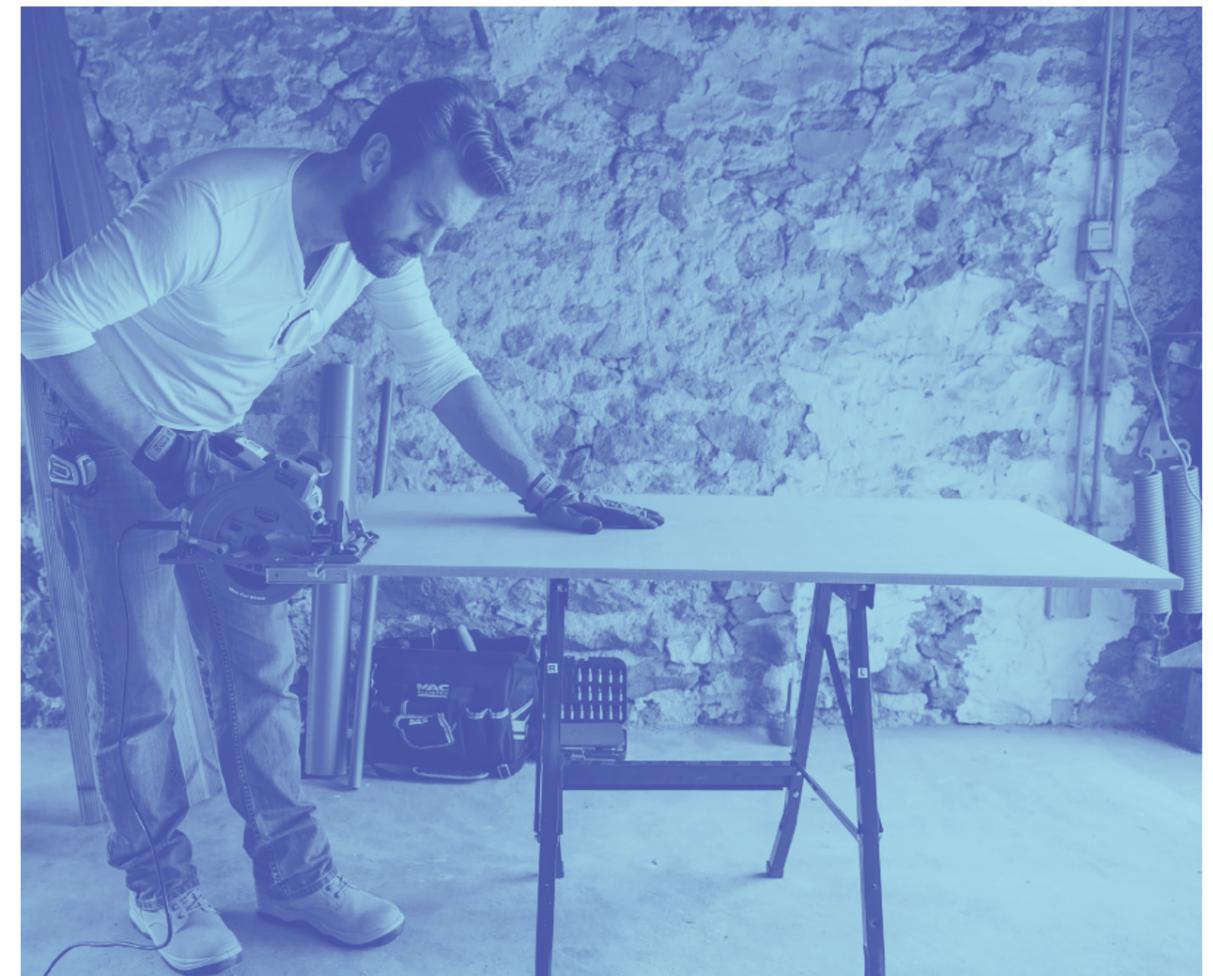
wear ranges and palm oil may be present in candle products). We aim to source leather and palm oil responsibly, ensuring they are not sourced from areas linked to tropical deforestation. For example, Screwfix carries out an annual review of all leather products to identify any coming from areas with a higher risk of deforestation. B&Q has changed supplier for its candle products to ensure that all the candles it stocks are now palm-oil free.

Packaging

We are working with suppliers to redesign packaging for our unified product ranges and other key product lines, in line with our packaging policy. This includes using responsibly sourced wood fibres. More information is included on page 50.

Construction

Timber is used in small volumes during construction, including for store fit-out (doors, shelving and racking systems) and occasionally for building frames. We are working with contractors to improve data collection in this area. We have data for seven operating companies (B&Q, Brico Dépôt France, Brico Dépôt Romania, Brico Dépôt Iberia, Castorama France, Castorama Poland and Screwfix) which shows that 60% of timber used in the construction projects reported on by these companies was responsibly sourced.



Paper used in goods not for resale

We have reached 80% responsibly sourced paper in our catalogues and customer marketing materials and office paper. This includes all markets except for Screwfix Germany for catalogues and customer marketing, and all markets except for Brico Dépôt Iberia, Castorama Poland and Screwfix Germany in relation to office paper.

We are unifying our sourcing for paper and card used in promotional leaflets, catalogues and marketing publications across our companies and are integrating our responsible timber standards into our contracts with these suppliers.

Communicating the benefits of responsible sourcing

A lot of progress has been made on responsible timber sourcing but more is needed to shift practices right across the industry. Part of the challenge is to communicate the benefits of responsible sourcing to both consumers and businesses within the timber supply chain.

In 2014 we were one of the founding partners of Value and Impact Analysis (VIA), along with IKEA, Tetra Pak, IDH and ISEAL Alliance – the global membership association for sustainability standards.

VIA aims to develop a methodology for quantifying the impacts of FSC certification for forests, their biodiversity and communities. Its work will make it easier to communicate the benefits of responsible sourcing and encourage more businesses and people to choose responsibly sourced timber. It will also enable us to quantify the impact of our work with FSC and measure progress towards our Net Positive timber aspiration.

During 2015/16 we worked closely with VIA on a number of initiatives. This included:

- The creation of a Technical Advisory Group with representation from NGOs, standards organisations and academia.
- Encouraging more businesses to join VIA including Precious Woods, the tropical timber company, and SCA, the personal care products business.
- Interviewing over 80 businesses to understand the communications challenges they face in relation to sustainable timber.
- Agreeing seven focus areas for VIA's work based on the research findings: biodiversity, legality, local communities, health and safety, ecosystem services, deforestation, and forest degradation.

PROTECTING AND RESTORING FORESTS

We are supporting projects that tackle deforestation and restore forested areas, with a view to protecting long-term sustainable timber supplies and, over time, help us establish sustainable timber supply chains.

We started a collaboration with RSPB and their BirdLife partners in early 2016, through which we will support Indonesia's first ever Ecosystem Restoration Concession. This will restore an area of over-logged tropical forest known as Hutan Harapan on the island of Sumatra covering 100,000 hectares (approximately the size of Greater London) and will ensure future sustainable forest management. The project will focus on reforestation, preventing forest fires and helping the livelihoods of indigenous communities through the processing and sale of sustainable forest products. It will enable us to test a number of approaches in our work to have a Net Positive impact on forests while potentially creating sustainable future timber supplies for our business.

The project at Harapan builds on the work of our forest projects which include those in Poland, Spain and the UK that have benefited forested areas covering over 13,000 hectares (equivalent to 19,000 full-sized football pitches) working with 255 landowners. Cork products from one of the forests we've supported have been on sale in our stores in Spain.

Brico Dépôt Iberia launched its sixth forest project in 2015/16 in Spain which saw employees volunteer to improve a forest at Monte Cabeza de Hierro, Madrid.

100k

Hectares of over-logged tropical forest in Sumatra will be restored

13,000

Hectares of forest have benefited in Poland, Spain and the UK

255

Landowners working with Kingfisher

80%

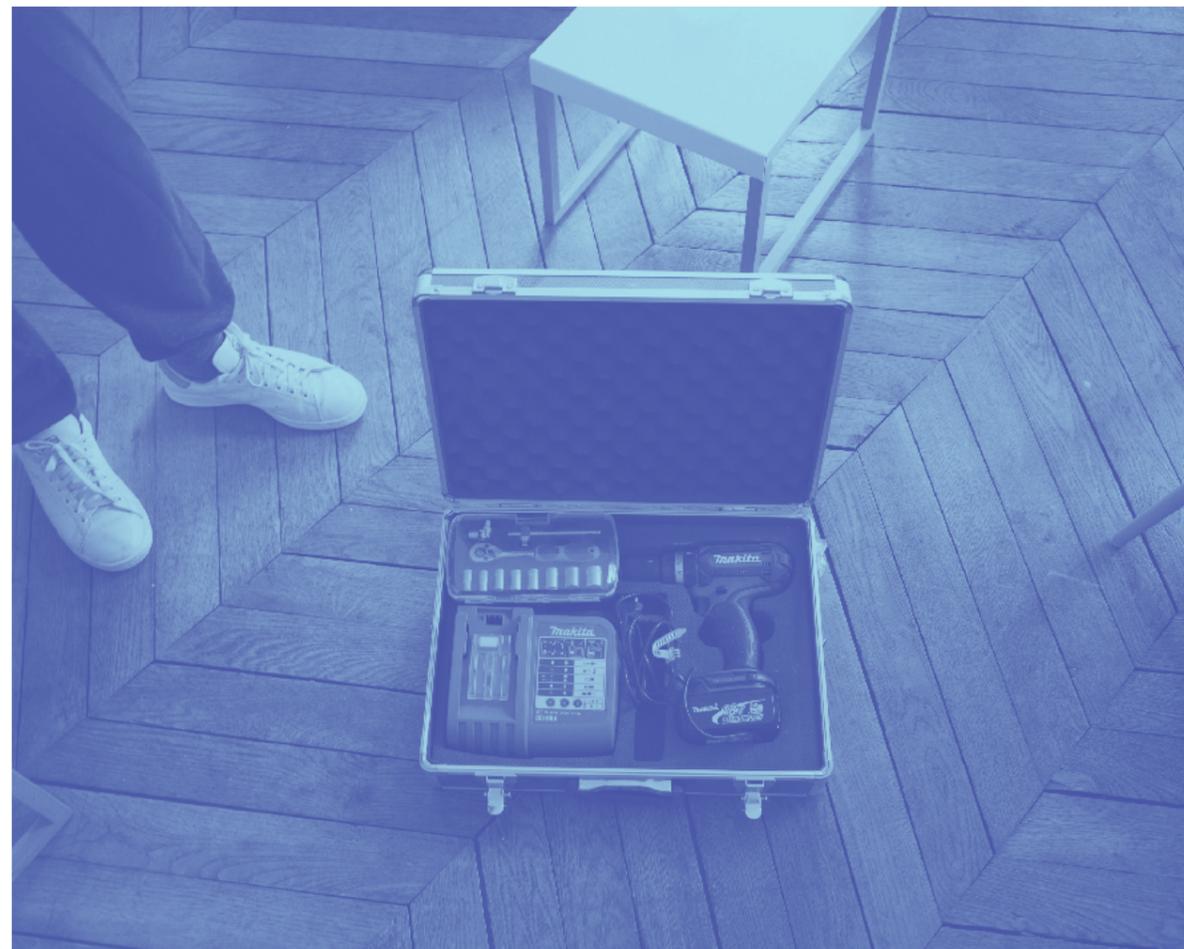
Responsibly sourced paper in our catalogues and customer marketing material

ENGAGEMENT AND ADVOCACY

We work with governments, NGOs and other businesses to encourage action on sustainable timber. In 2015/16 this included:

- **CDP Forests Program:** We are a founding participant in the CDP's Forests Program, an investor initiative which aims to improve understanding around how companies are addressing their exposure to deforestation risks. We were (Joint) Retail Sector Leader for 'Timber' – CDP 2015.
- **European Sustainable Tropical Timber Coalition:** We were an advisory board member to this coalition during 2015/16.
- **FSC:** We are a founding partner of FSC via B&Q UK and a member in various countries. Kingfisher's Timber Adviser was an elected member on the FSC's International Board during 2015/16.
- **PEFC:** We work with PEFC, the forest certification organisation, and B&Q is a member of its UK board of directors.

- **Timber Retail Coalition (TRC):** We ran the secretariat and worked with other retailers through the TRC to ensure that the review of the EU Timber Regulation (EUTR) resulted in a strengthened regulatory framework for Europe, including consistent enforcement across EU member states and increased recognition for certification schemes such as FSC.
- **The Value and Impact Analysis (VIA) Initiative:** We helped establish and are active members of this partnership that will enable users of FSC certified products to quantify and communicate the value of certification to protect forests.
- **WWF UK Forest Campaign:** We worked with WWF on its campaign aimed at improving the EU Timber Regulation to prevent illegally or unsustainably sourced wood from entering European markets. This included sharing a platform with WWF Brussels, Commissioner Vella and the Directors of DG Environment and DG Trade to discuss the benefits of legally sourced timber and a similar platform with WWF at the Houses of Parliament.



WHEREVER WE ARE, WE MAKE IT HOME

We help people create homes to feel good about. But we also know that people's sense of home stretches beyond their four walls. So we're making sure our stores benefit the communities around them, giving customers the opportunity to connect with each other, share skills and together create better places to live. In fact, since 2012 we've supported over 1,142 community projects.

As well as making our stores a positive part of their community, we encourage our colleagues to get involved by volunteering or raising money for charity. B&Q is working with Community Repaint, donating surplus and leftover paint to community groups and charities. Across Europe, our colleagues are also holding kids classes in store, to share practical skills with young people and teach them about sustainable living. And The Screwfix Foundation, which matches colleagues' charity donations, has helped raise over £1m since 2013.



WE ARE PART OF MANY LOCAL COMMUNITIES: THROUGH OUR STORES WE BRING COLLEAGUES AND CUSTOMERS TOGETHER. OUR SUPPLY CHAIN HAS A POSITIVE IMPACT ON MANY MORE.

We believe we have a responsibility towards the communities we source from and serve and we aim to share our own expertise and resources whilst partnering with others to create opportunities for communities to reconnect, share skills and create good places to live.

We give time, money and products to support our local and international communities. We encourage our people to get involved as fundraisers and volunteers, which contributes to the development of our ONE Kingfisher culture.

We are currently reviewing and updating our communities strategy, and will publish a new plan for how our community involvement can help us deliver our core purpose. The plan will identify common themes to guide our future investment at both a local and international level that align with our strategy, resonate with our customers and colleagues, and address the most relevant social challenges. This will enable us to have a bigger impact on issues which are most relevant to our communities and to our business while also giving flexibility to our companies on the types of projects and partners they support.



2050 ASPIRATION
Every Kingfisher store and location supports projects which build local communities or equip people with skills.



2020 TARGET
4,000 community projects completed.

PERFORMANCE IN 2015/16

£1.7m

Total company giving in 2015/16

Our total company giving decreased to £1.7 million in 2015/16 (2014/15: £2.3 million), equivalent to 0.24% of pre-tax profits (2014/15: 0.34%). This includes cash donations, employee time and gifts in kind, with product donations valued at cost price. The drop in investment was due to a number of community activities being put on hold as both our business and community strategies were being reviewed.

24k

Working hours spent by our employees volunteering in their local communities

We aim to reach 1% of pre-tax profits through incremental increases by 2020 (cash, time and product giving) and will be focusing on increasing the value of our community investment in 2016/17 as we develop our new communities strategy.

Our employees spent over 24,000 working hours volunteering in their local communities. The total value of employee time (including volunteering hours and management costs) was £225,000.

£225k

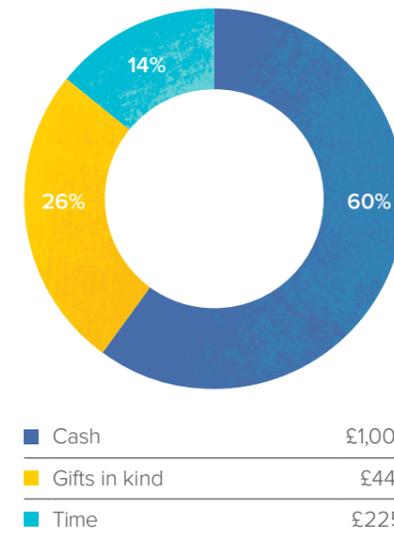
Total value of employee time

In addition, we help customers and employees to raise money for charity through in-store collections, payroll giving, fundraising events and using our contact centres to take pledges from the public during charity fundraising appeals. In 2015/16 we helped employees and customers raise £774,000 for charity (2014/15: £669,000).

We aim to measure the impact of the projects we support and further information is included in our Data Appendix: kingfisher.com/sustainabilityresources

COMMUNITY INVESTMENT: DETAILS OF COMPANY GIVING 2015/16*

£ thousand



*Within KPMG's limited assurance scope

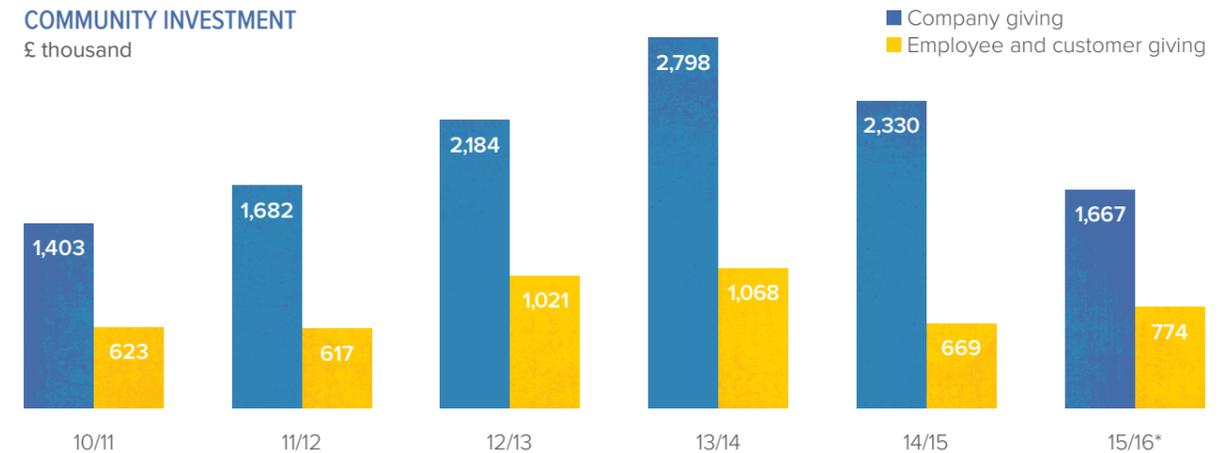
COMMUNITY PROJECTS

We have supported 1,142 community projects since 2012/13. Examples of community projects from 2015/16 include:

- **The Screwfix Foundation** has raised over £1 million since 2013 from employee fundraising and corporate donations to support projects that improve and repair charitable and community facilities for those in need. 300 local charities have been supported so far. Events during 2015 included the Tour de Screwfix, where over 800 staff collectively completed a 6,100 mile cycle relay between every Screwfix UK store. Colleagues raised £80,000 for the Screwfix Foundation which was then matched by Screwfix, bringing the total raised to £160,000.
- Kids classes in our stores help young people develop their practical skills, learn about sustainability and have fun. Castorama Poland's popular **Majsterkowo** DIY classes have now reached 74,000 children in 69 stores. Kids classes also took place at Castorama France and Castorama Russia. Brico Dépôt Iberia held sessions of its 'Sustainable Homes, Sustainable Schools' classes at twenty stores during the school year 2015-2016 to teach more than 800 young people about saving energy and water.
- B&Q supported **Hop Skip Jump**, a charity providing respite care for children with disabilities and special educational needs. Employees spent a day volunteering at the charity's Swindon centre, using tools donated by B&Q to improve the centre's outdoor play area.
- Brico Dépôt France helped raise €20,000 for Fondation Abbé Pierre, a non-profit organisation tackling poor housing. It also helped renovate a social housing complex in Longpont-sur-Orge through its **HOME** programme, donating time, materials and money. It plans to roll out HOME to 30 stores in 2016/17.

COMMUNITY INVESTMENT

£ thousand



*Within KPMG's limited assurance scope

SKILLS SHARING

We want to make it easier for people to share home improvement skills and help each other. This can enable customers to complete their projects and also contribute to stronger local communities.

Our businesses have launched a number of online platforms where customers and communities can connect, learn from experts and benefit from each other's skills and know how.

In France Castorama is developing Wikiforhome.org, an online resource where anyone can access or share information on home improvement, see page 17. Brico Dépôt France is trialling needhelp.com, which enables customers to connect with people who

can help with their home improvement projects. It has also launched a community forum where customers can find videos and articles and learn from experts on home improvements, as well as sharing experiences with other home improvers.

In the UK, the Screwfix Community Forum provides a supportive place where customers can share their expertise, ask others for theirs, and chat with people who share a common interest. It has over 100,000 members with around 1,300 posts a week. Screwfix added an Eco Talk Forum to the site in 2015/16 to enable members to share ideas on creating more sustainable homes. See community.screwfix.com/

ENGAGEMENT AND ADVOCACY

We engage with others to encourage new thinking that can benefit communities. For example:

- **Architecture competition** – we created the Better Homes Better Lives architecture competition in France to encourage new ideas for the design of sustainable homes that support individual and community wellbeing. Entrants were asked to consider the impact of environmental, technological and demographic changes on homes and families. Twenty-four young architects and students took part, submitting ideas for how the site of an old Castorama store could be used to create sustainable housing and a vibrant community.

HELPING OURSELVES TO HELP OUR CUSTOMERS

It goes without saying that we want to do right by our people, and we also believe a more engaged team will go the extra mile for customers. So we're always investing in our people's development, to help them become better advisors. Across Europe, Castorama colleagues are being invited into customers' houses to see first-hand their home improvement challenges. In Poland, 10,000 of these visits happened in 2015.



Our people can only be truly engaged if they're given every chance to thrive, with opportunities open to everyone. Which is why in 2015 we invested £13m in learning and development across all our operating companies. And it's already making a difference: 61% of our people are now classified as engaged, putting us in the top 50% in the Gallup database of retail companies.

WE WANT KINGFISHER TO BE A REWARDING PLACE TO WORK WHERE ALL OUR COLLEAGUES FEEL ENGAGED AND SUPPORTED, AND HAVE ACCESS TO EXCITING OPPORTUNITIES TO LEARN AND TO HELP OUR CUSTOMERS.

We employ 74,000 people internationally. We are investing in working better together, to make the most of our scale and to better serve our customers.

ENGAGEMENT AND CULTURE

As we transform our business, our culture is all-important. We need the right mindset, outlook and behaviours to create an environment where all our people have the confidence and feel equipped to get involved and inspired to achieve our goals.

Our aim is to connect our businesses with one common culture and shared basic belief about what Kingfisher stands for.

Engagement survey

Our annual Engagement Survey, run in conjunction with Gallup, gives our teams an opportunity to talk about how they feel at work and helps us to identify opportunities for improvement. There was an 87% response rate in 2015. The results show that our strengths include a strong sense of family – people feel they work with great people who care about them. However, we aren't giving our teams enough clarity about what we expect of them and employees would like more help to really be able to focus on our customers.

We achieved an overall engagement score of 4.20 out of 5.00, an improvement from 4.06 in 2014. 61% of our people are now classified as engaged, putting us in the top 50% of the Gallup database of retail companies. Individual team results are reviewed by line managers, who are encouraged to have regular engagement conversations with their teams and agree one to two improvement actions for the year.

Redundancies

Home improvement and shopping needs are changing and B&Q has announced a two-year programme to simplify and reshape its store network, including the closure of around 60 stores by February 2017. To minimise the impact on its employees, B&Q is endeavouring to find alternative positions for as many employees as possible by offering opportunities at nearby B&Q stores and at Screwfix, which is set to open 60 new stores in 2016/17. In addition, B&Q has also had success securing employment opportunities with the retailers which have taken new residence at the former B&Q sites.

Addressing concerns at B&Q

B&Q reviewed and updated its pay and reward structures in early 2016, increasing basic pay, removing inconsistencies and making some adjustments to benefits and allowances. All staff are paid more than the National Living Wage, including those under 25. Many staff are better off or unaffected by the changes; however, concerns were raised that some staff would be worse off following changes to some benefits such as removing the Sunday premium to bring B&Q in line with the market. Following consultation with employee representatives, B&Q extended compensation so that no one is worse off for the next two years. B&Q also said it would work with its colleagues to explore other ways to ensure it remains one of the best and most attractive employers in retail. B&Q aims to be a great place to work and to offer an attractive overall reward package to all colleagues.

Employee turnover

Our employee turnover rate was 24% (2014/15: 24%). Our companies in France have the lowest employee turnover rate (8% in Castorama France and 11% in Brico Dépôt France).

DIVERSITY AND INCLUSION

We aim to build a workforce that reflects the diversity of our customers at all levels of our business. A diverse workforce stimulates creativity and innovation. It helps us better understand our customers, and create the products and services that meet their needs. It gives us access to the widest possible selection of talented candidates.

It is our policy to ensure there is no discrimination in employment on the grounds of race, gender, age, disability, marital status, sexual orientation or religious belief. We aim to create inclusive workplaces where all colleagues can be themselves and do their best work.

74,000

People are employed internationally by Kingfisher

Gender balance

Representation of women in management and senior management saw a small improvement year on year and women made up 44% of the Kingfisher Board. However, women remain under-represented in our workforce, particularly at the senior levels.

To increase representation of women in senior roles, we are increasing participation of women in development programmes and raising the visibility of our female leaders. We work with external recruitment partners to make sure that women are well represented on recruitment lists and development programmes.

We offer flexible working options which can be particularly beneficial for working parents and carers and can help our companies to retain female employees.

Our companies are taking a range of approaches to ensure the recruitment, retention and promotion of women. Castorama France, for example, has reviewed and updated its recruitment processes, raised awareness of flexible working options and updated its appraisal framework to include a discussion of career goals and work-life balance options. It conducts an annual equal pay audit and will introduce unconscious bias training. Diversity KPIs are included in its monthly reporting for stores.

Fewer women pursue qualifications and careers in the IT industry. Kingfisher IT Services, our IT function, has launched the Women in IT initiative that aims to work with schools, universities and specialist agencies to encourage more young women to consider careers in IT and to promote Kingfisher as a preferred employer for female IT candidates. It is creating networking opportunities for female employees and increasing the visibility of female role models.

GENDER DIVERSITY

% FEMALE EMPLOYEES

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

*Within KPMG's limited assurance scope

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



Ethnic diversity

Ethnic minorities accounted for 14% of employees in the UK – an increase on 11% the previous year. Our definition of ethnic minorities includes all employees who do not define themselves as White British. We don't report a Group figure for ethnic diversity since definitions of what constitutes an ethnic minority vary by country and in markets such as France it is illegal to ask employees to declare their ethnicity.

ETHNIC DIVERSITY UK

% of employees from an ethnic minority

	12/13	13/14	14/15	15/16*
Total workforce (FTE)	7	9	11	14

*Within KPMG's limited assurance scope

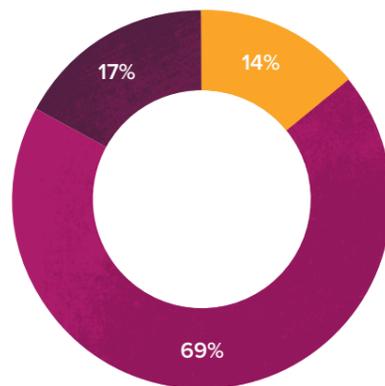
Age diversity

Each generation brings valuable perspective to the workplace which benefits customers and our business. We encourage employees of all ages to develop their careers with us.

For example, to help address the issue of youth unemployment, Screwfix published a guide to apprenticeships and runs the Screwfix Trade Apprenticeships awards, see page 41. 32% of its workforce are under 24 compared with a Group average of 14% and its management training programmes are available to employees of all ages. In 2015/16, 21% of participants on its Fast Track Store Manager and Assistant Store Manager programmes were under 24 and 22% were over 40.

EMPLOYEES BY AGE 2015/16*

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



*Within KPMG's limited assurance scope

Disability

We aim to create accessible workplaces and provide the right support to employees affected by disability. In 2015/16, the proportion of employees with a declared disability was 2.6% (2014/15: 2.6%). 7.5% of direct employees at Brico Dépôt France have a disability (6.6% of full-time equivalent employees) and 7.1% of direct employees at Castorama France (5.2% of full-time equivalent employees), compared with the French national target of 6% of direct employees. Brico Dépôt France was recognised for its work on disability with an award from LSA, the French retail magazine.

LEARNING AND DEVELOPMENT

We invest in training and development to help employees better serve our customers, develop their skills and achieve rewarding careers within the Group. We invested £13 million in 2015, including health and safety training, store and product training and in the development of management skills. Employees completed 878,000 training hours (an average of 12 hours per employee) in 2015/16. Most of our operating companies conduct annual performance appraisals for employees.

Our companies have developed training to support colleagues at every stage of their career. For example, Castorama Russia has launched START that supports newcomers with on-the-job learning and help from more experienced colleagues through more than 50 training hours. Its MOVE programme, covering retail, product and management topics develops experienced staff to be more efficient and result-oriented, while FLY is for high-potential colleagues identified through annual performance reviews.

Early careers

We provide opportunities for young people to work with us and gain experience to kick-start their careers. For example, Castorama Poland is working in partnership with PwC Poland and a national daily newspaper to offer internships at its head office to high-potential and talented graduates and undergraduates. 32 people have participated so far.

Our work placement programmes in France enable young people to gain business experience while completing their studies. For example, 846 young people took part at Castorama France during 2015/16.

Our graduate programmes help us recruit and develop future leaders through international placements and development opportunities. 31 graduates have taken part over the last three years including through the Kingfisher IT Graduate Programme and Kingfisher International Business Graduate Programme.

Closer to the customer

Castorama colleagues from multiple countries are talking to customers in their homes about the improvements they are carrying out. These visits help colleagues see first-hand our customers' reality and the barriers they may face in completing their home improvements. In Poland, for example, 10,000 colleagues visited customer homes in 2015. The sessions provide valuable insights that will inform future solutions and help build camaraderie among our teams.

Management and Leadership

We develop our high-potential employees to prepare them to take on more senior roles within the business. Our newly established LEAD programme, sponsored by our most senior leaders, prepares participants for senior and complex roles. From the first two intakes, 13% of participants have been promoted since completing the programme and 13% have changed roles to broaden their experience.

HEALTH AND SAFETY – EMPLOYEES

Our total employee accident rate (number of all work-related accidents per 100,000 full-time equivalent employees) was 12,160, a decrease of 9% year on year and 2.3% reduction since 2012/13. There were no work-related fatalities and none for the previous eight years.

2.3%

Reduction in accidents since 2012/13

EMPLOYEE ACCIDENT RATE

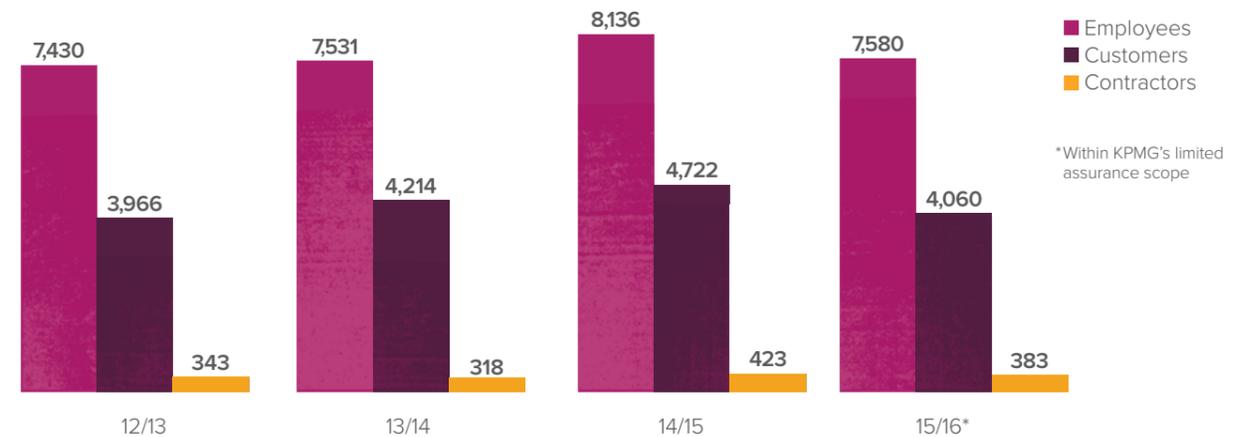
Number of all work-related accidents per 100,000 full-time equivalent employees



*Within KPMG's limited assurance scope

HEALTH & SAFETY: ALL ACCIDENTS

Number of accidents – employees, customers and contractors



*Within KPMG's limited assurance scope

Our Board-level Group Safety Committee, chaired by our Group General Counsel, meets monthly to monitor our approach to H&S. Our H&S Dashboard, summarising performance at each company, is reviewed at every meeting of our Group Board and Group Executive Committee.

Our Group Safety Manager oversees our approach and works with safety managers in our businesses. Operating company boards review safety performance each month, and all operating companies have a senior management safety committee.

Our mandatory minimum H&S standards form the basis for store H&S audits. Each company has an action plan to address any gaps in their policies or procedures in relation to our Group standards. We updated our standards in 2015/16 to provide more guidance to our companies on addressing the root causes of accidents.

Our safety network enables our H&S professionals to share information and collaborate via face-to-face meetings and an online project room.

There were no new safety prosecutions during the year.

Customer and contractor H&S

There were 4,060 accidents reported by customers in our stores during the year (2014/15: 4,722) and 383 contractor accidents (2014/15: 423). The majority of customer accidents relate to slips, trips and falls

and we are introducing measures such as additional matting at store entrances to help reduce these accidents. We also issued guidance on how to work with customers to ensure the safety of children carried in shopping trolleys.

Customer accidents are included in our monthly H&S Dashboard. We share information on accidents and serious near-misses with our safety professionals around the business.

ENGAGEMENT AND ADVOCACY

We engaged with regulators and others during 2015/16 on issues relating to employment. For example:

- **Apprenticeships and skills** – Screwfix worked in partnership with the Department for Business, Innovation and Skills and the Skills Funding Agency to publish a pocket guide to encourage more trades people to hire an apprentice. It also launched its Trade Apprentice awards, with finalists and their employers given the opportunity to attend the 2015 Conservative Party Conference and share their experiences with Ministers of State.
- **Fair and equal pay** – we participated in a consultation with the British Retail Consortium and CBI on new requirements for companies to disclose gender pay information, supporting increased transparency on this issue. We also supported the introduction of the UK's national living wage, while also recognising the challenges associated with this policy development.

INNOVATING THROUGHOUT THE PROJECT JOURNEY

We're forming more meaningful relationships with our suppliers to identify opportunities for sustainable innovation. We've recently been working with suppliers to launch a new range of kitchen sinks, increasing their longevity by improving the quality of materials and finishes. This makes them more durable, so we can now offer at least 10 years' guarantee. This means less waste and a lower impact on the environment – all with no increase in price for customers.

We also worked closely with our suppliers to rethink how the sinks are made and transported. By improving the manufacturing process we eliminated some of the chemicals previously used. Shipping the sinks and their wastewater piping separately means the sinks can be stacked more efficiently. Now 106 can be fitted onto each pallet – a huge increase from the previous 24. This means we can transport more sinks per load, with positive environmental results: reducing the amount of fuel we use and bringing down CO₂ emissions.



OUR CUSTOMERS WANT TO BE CONFIDENT THAT THE PRODUCTS THEY BUY HAVE BEEN MADE IN A SUPPLY CHAIN THAT LOOKS AFTER ITS WORKERS, RESPECTS HUMAN RIGHTS AND PROTECTS THE ENVIRONMENT.

We choose our suppliers carefully, aiming to select partners who can deliver great products, without harming people or the planet. We want to use our £7 billion buying scale to positively influence standards in our supply chain, reflecting customer expectations and reducing risks to our business.

Our work to unify our product offer and goods-not-for-resale (GNFR) sourcing means we are taking a more centralised approach to sourcing, negotiating larger contracts with a smaller number of suppliers, and often working directly with manufacturers. This will bring opportunities to partner with suppliers on sustainability and we have created a new sustainability director role in our Offer and Supply Chain function to drive this work.

We are also partnering with suppliers to improve the sustainability performance of our products in areas such as responsible timber sourcing (page 26), closing the loop (page 16), sustainable home products (page 12) and phasing out peat and chemicals (pages 50-51).

SUPPLIER ETHICAL ASSESSMENT

We reviewed and updated our Ethical Sourcing Policy and standards during 2015/16 to reflect new legislation including the UK's Modern Slavery Act and similar legislation proposed in France.

Our new policy applies across all group and operating company suppliers including those providing goods and services not for resale. It will help us take a more consistent approach and to embed ethical sourcing principles in the development of our unified offer.

We also updated the Kingfisher Workplace Standards, covering areas such as human rights, health and safety, employment rights, the environment and ethical business practices and introduced a consistent standard for supplier ethical and environmental audits. Our policy and standards commit us to monitoring supplier performance and to taking action in the event of any significant breaches of our requirements.

We will prioritise engagement with suppliers presenting a higher risk due to the products or services they supply, their geographical location or our contractual relationship. We are particularly focused on suppliers of own and exclusive brand products. We have started using Sedex, the online supplier data exchange, across the business to help us identify risks in our supply chain and to assess and monitor supplier performance including using pre-screening and self-assessments and to track and share audit results.

Implementation and auditing

During 2015, we integrated ethical sourcing requirements into supplier negotiations for our unified offer and carried out a number of quality and sustainability audits on these suppliers. Our group sourcing office has integrated our new policy into its ongoing supplier engagement and auditing process for suppliers of own and exclusive brand products.

We are working with our operating companies to map their supply chains including direct suppliers and finished goods factories, and to integrate Sedex into procurement systems so they can use and share supplier assessment and audit results. We are training operating company commercial and quality teams on our new policy.

Performance in 2015/16

Our group sourcing offices and operating companies sourced from 2,167 critical suppliers including 1,028 factories and 1,139 suppliers of own and exclusive brand products. The majority of products sourced directly from factories are own and exclusive brand products.

- 52% of these suppliers and factories have had an on-site audit in the past three years and 5% a desk-top assessment.
- 8 potential factories were not accepted in 2015/16 because they failed to meet our ethical sourcing standards.
- 308 factories were required to implement a Corrective Action Plan in relation to ethical sourcing requirements following an audit in 2015/16 (77% of factories audited). No sourcing can take place until all major issues have been resolved through the action plan process. We do not currently collect data on Corrective Action Plans for other suppliers.

£7bn

Buying scale

52%

Of our factories have had an on-site audit in the past three years

SUPPLIERS

£1.2bn

Spent a year on goods not for resale

Raw material suppliers

We focus on tier-one suppliers with whom we have a direct contractual relationship. However, for some important raw materials we also take a broader approach to identify and address risks further down the supply chain. Our work on responsible timber sourcing is one example (page 28) and stone another.

Stone is used in paving products and kitchen worktops. B&Q is working with the TFT Responsible Stone Programme, to improve ethical and environmental standards in quarries and stone processing factories in developing countries.

GNFR suppliers

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

During 2015/16, we integrated sustainability criteria into the request for proposal process for a number of GNFR contracts including print and paper for customer marketing. We expect to continue this process with further categories of GNFR suppliers during 2016/17.

We are also working closely with GNFR suppliers in areas such as clothing, and cleaning and security services to ensure they comply with the requirements of the UK's Modern Slavery Act. We will report on our approach during 2016/17.

CASE STUDY: A GREENER PALLET AT B&Q

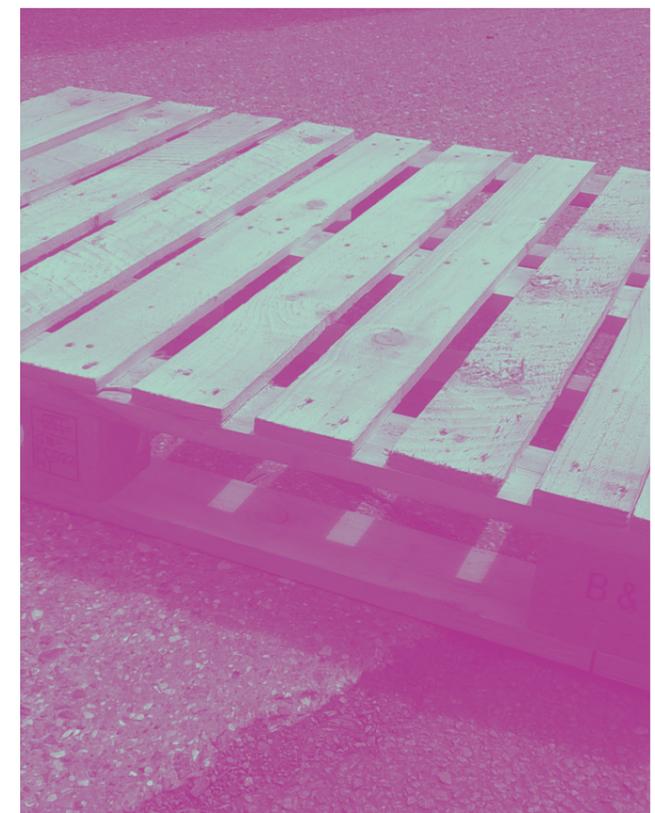
Wooden pallets used to ship products are a major source of waste in the supply chain. Often pallets are of low quality, meaning they can't be reused and products may get damaged in transit, wasting money and resources. Many products also don't fit the standard pallet sizes used by returnable pallet schemes.

To tackle these problems, B&Q, working with supplier Scotts Pallets, has developed its own range of higher quality pallets in bespoke sizes for B&Q products and made from sustainably sourced timber. These can be purchased by suppliers globally and used to ship products to B&Q. After use the pallets are picked up, repaired if necessary, then shipped back to the supplier for reuse.

Four suppliers joined initially and 103,000 pallets were reused in the first nine months, equating to 2,500 tonnes of timber. This generated £166,000 for the business and avoided 275 lorry trips from forest to pallet manufacturer.

Sustainability benefit: pallets made from sustainably sourced timber, less waste with pallets reused up to 15 times each.

Business benefit: lower costs from better waste management and more efficient logistics.



SUPPLIER FOOTPRINT – WASTE, WATER AND CARBON

We can have an influence on the waste, carbon and water footprint of our value chain by working with our largest suppliers on these issues. We set a new target during 2015 to work with our top 40 suppliers to put in place waste, carbon and water reduction plans. From 2016/17 we will be engaging with our largest group vendors, including suppliers for our unified ranges.

This work builds on successful projects within our operating companies and business units. For example, our group sourcing office helped develop and has been participating in WWF's Low Carbon Manufacturing Programme (LCMP) in China since 2012. 24 of our suppliers have taken part in LCMP, collectively avoiding over 13,813 tonnes of carbon, an estimated 11.3% reduction in carbon emissions compared with business as usual. We have also established a new partnership with the Environmental Defense Fund's Green Supply Chain Program (GSC). Eight suppliers joined GSC in 2015 and are working to achieve carbon reductions.

ETHICAL CONDUCT

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

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

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

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

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

Employees can report any concerns via our whistle-blowing hotline or get advice via a dedicated email address. All reports are investigated and if an employee is found to have breached our Code of Conduct, appropriate disciplinary action is taken. The number of open and resolved cases and the outcomes are reported to the Audit Committee of the Board of Directors. 260 cases were opened during 2015/16. Operating companies are required to raise employee awareness of the hotline and email address.

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

Download our Code of Conduct:
kingfisher.com/sustainabilityresources

ENGAGEMENT AND ADVOCACY

We engaged with our partners and external stakeholders on issues relating to ethical sourcing and supply chains during 2015/16. This included:

- **Ethical sourcing** – we are working with the European DIY Retail association to develop an industry-wide approach to ethical sourcing.
- **Modern Slavery Act/Devoir de Vigilance** – we participated in a government consultation on the UK's Modern Slavery Act, supporting its introduction. We also participated in a consultation on similar proposed legislation in France.
- **UK supplier payment terms** – we engaged with the Federation of Small Businesses, Chartered Institute of Credit Management, Federation of Private Businesses and the CBI as part of a review of our payment terms for small businesses in the UK. We have now introduced 30 day payment terms for SME suppliers in the UK.



We work closely with our suppliers, aiming to ensure our supply chains have a positive impact, so our customers know they're not improving their homes at the expense of somewhere else.

TO CREATE SPACES TO BE PROUD OF, INSIDE AND OUT

We believe a beautiful garden completes the home. And, judging by the love and attention our customers give to theirs, we'd have to say they agree. We're making it easier for them to care for their green spaces in a natural way. Tea Bag technology used to package B&Q's easyGrow plants is not only better for the environment but it's better for gardeners too. This biodegradable packaging innovation produces less mess and prevents damage to delicate plant roots. B&Q has also extended its range of Perfect For Pollinators plants that encourage bees and other wildlife.

For us, caring for the environment also begins at home. Across all our businesses we're making larger-scale changes for a more positive environmental impact. In 2015, we developed our company-wide chemicals policy, and are constantly looking for ways to improve our packaging, so it's more environmentally friendly while still providing the same level of protection for products. We're also testing out more sustainable ways of designing, constructing and running buildings at 22 'learning stores' across our businesses, to develop new best practices for the future.



OUR CUSTOMERS WANT HEALTHY HOMES AND GARDENS, FREE FROM HARMFUL CHEMICALS AND WITH LESS WASTE.

That's why we're working systematically to design out negative environmental impacts from our products and our business.

Ultimately we aspire to be restorative to environments, not just reducing negative impacts but creating positive change locally and globally.

Other important environmental issues for our business include timber (page 26), energy (page 18) and closing the loop (page 15).

PACKAGING

We are redesigning our packaging, to still provide the best protection for our products, but using fewer and more sustainable materials; to improve the visual impact of our products on display; to enable more efficient transport; and to improve recyclability.

Our company-wide packaging policy sets minimum standards for our companies and helps them to work with suppliers to improve packaging design. We have appointed a partner to help us collect data on packaging materials used and monitor compliance with our packaging policy. We hope to be able to report progress against our target next year.

In 2015/16, we focused on integrating our packaging policy into our work to develop our unique and unified offer and improved the sustainability performance of our packaging in a number of areas. For example, by changing the way our unified range of sinks are packaged we can transport and store them more efficiently, see page 42. We re-designed our toilet seat cartons to provide a more secure solution for customers while reducing the environmental footprint. This included removing plastic handles and replacing the majority of polystyrene fitments (which secure the product to the packaging) with corrugated board.

We also rolled out our recycled cardboard pulp packaging for home delivered paint at B&Q, which replaces non-recyclable moulded foam packaging. We now use the recycled packaging for our 5 litre and 2.5 litre round tins and plan to extend this to our 10 litre containers. Online paint orders are an area of significant growth for B&Q.

We are working with suppliers to make sure that timber and paper used in packaging are sourced responsibly, see page 29.

CHEMICALS

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

We developed our company-wide chemicals policy in 2015 to help us phase out, substitute or eliminate chemicals covered by EU REACH.

We already have good information on the chemicals used in chemical-based products such as paints. However, implementing our policy for chemicals found in finished goods will be more challenging because we have so many products in our ranges. We will use a risk-based approach to identifying and phasing out chemical substances in our products, focusing on products more likely to contain chemicals of higher concern. Under our new policy, suppliers will be required to provide a list of all substances found in their products, and to substitute chemicals where required by EU REACH. Suppliers will be required to use the 'best' alternative when substituting a chemical, and not select alternatives based purely on factors such as price.

We will be particularly focused on any potential risks to children from chemicals used in our products. This includes products designed for children as well as general household products.

We take a precautionary approach to using chemicals which could impact biodiversity. For example, we stopped selling products containing three neonicotinoids which could be harmful to bees, ahead of regulation and in both our EU and non-EU markets.

Chemicals legislation creates new challenges for using recycled materials in our products. For example, recycled plastics may be created with materials from many different sources, meaning it can be harder to identify all chemicals used.



PEAT ELIMINATION

The extraction of peat for use in horticulture contributes to climate change and the loss of important natural habitats. B&Q is working with suppliers to phase out peat from bagged growing media (such as compost and soil) and horticultural products (such as potted plants) in the UK ahead of government voluntary targets. We can have a significant impact in this area, with B&Q accounting for around a quarter of the UK growing media market.

In 2015/16, 62% of UK bagged growing media (by volume sold) was peat-free – a decrease from 64% the previous year. This decrease was mainly due to a number of promotional campaigns running on products containing peat. 46% of growing media used by B&Q's plant suppliers was peat free.

B&Q received the Greenest Garden Centre Award, at the Garden Retail & Garden Industry Awards 2016 for its work on peat and issues such as timber.

LEARNING STORES AND SUSTAINABLE CONSTRUCTION

We aim to improve the environmental performance of our stores and buildings, and make them better places to shop and work. Our sustainable property road map covers issues such as energy and carbon, construction waste, timber, climate change and biodiversity. We work closely with landlords in these areas, with leased properties accounting for around 60% of our floor space.

We test out sustainable approaches to building design, construction and operation at 'learning stores' in each of our businesses. We now have 22 learning stores including three flagship stores that champion low carbon and sustainability innovation, such as our Antibes store (page 23). Our first flagship store in Poland will open at Radom during 2016/17 with a number of sustainable design features.

PEAT FACTS

62%

Of UK bagged growing media was peat-free in 2015/16

Peat alternatives now account for

46%

Of growing media used by B&Q

22

Learning stores that champion low carbon and sustainability innovation

As part of our business transformation we are redesigning our store formats to be more efficient and effective, starting with Big Box stores (our largest locations). Our sustainability teams are working with colleagues in property and design to embed social and environmental criteria into new store concepts including LED lighting, a unified waste management process and sustainability communications for customers and employees.

CASE STUDY: EASIER GARDENING WITH EASYGROW

B&Q's easyGrow bedding plants are easier and less messy for gardeners and better for the environment thanks to their innovative design and use of materials.

Plants come in individual 'tea bags' planted in sustainable coir that is virtually peat-free. They can be lifted straight into the ground from the pack still in their bags, making planting easier and less likely to damage delicate roots. The packs, made from PET, are easily recycled with other household waste.

Customer benefit: easy to use with less waste
Sustainability benefit: 95% peat-free, easily recycled packaging with no polystyrene.
Business benefit: popular product with strong sales, more efficient to transport.



WASTE

We are redesigning our infrastructure and processes to improve efficiency and reduce waste.

We generated 237,780 tonnes of waste in 2015/16, an increase of 1.5% year-on-year (2014/15: 234,344), compared to an increase in sales of 3.8%. Our recycling rate remained at 70%, not on track for our milestone of 75% by 2016/17. The percentage of waste disposed to landfill increased by 2% year-on-year, in part due to an increase in rubble sent to landfill in Poland rather than being recycled.

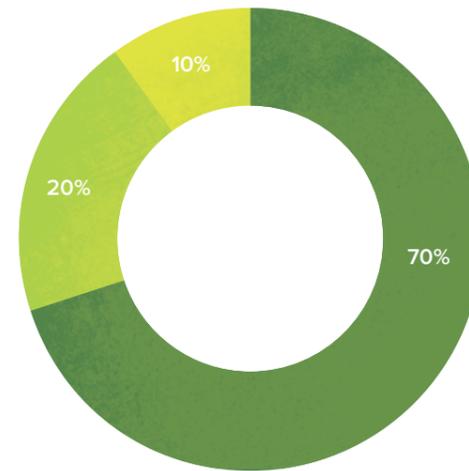
Several of our companies have reached our milestone including B&Q UK, Brico Dépôt France, Screwfix UK and Germany. Screwfix has achieved our 2020 target ahead of schedule, with zero waste to landfill from its stores, distribution centres and head office by improving how it sorts, stores and transports waste.

Screwfix and B&Q are working with suppliers to reduce waste from customer returns. Returned products are now being processed at a central point, where they can be repackaged or have missing parts replaced and returned for sale. Damaged or faulty products are resold at a discount rate or disposed of responsibly.

Construction waste

We are working with construction and waste management suppliers as well as landlords to increase recycling of construction waste from new build and major refurbishment projects and to improve data quality. We are looking at how we can measure waste generated and recycled throughout the course of construction projects, enabling us to identify opportunities to increase recycling rates.

WASTE RECYCLING AND DISPOSAL 2015/16*
Thousand tonnes

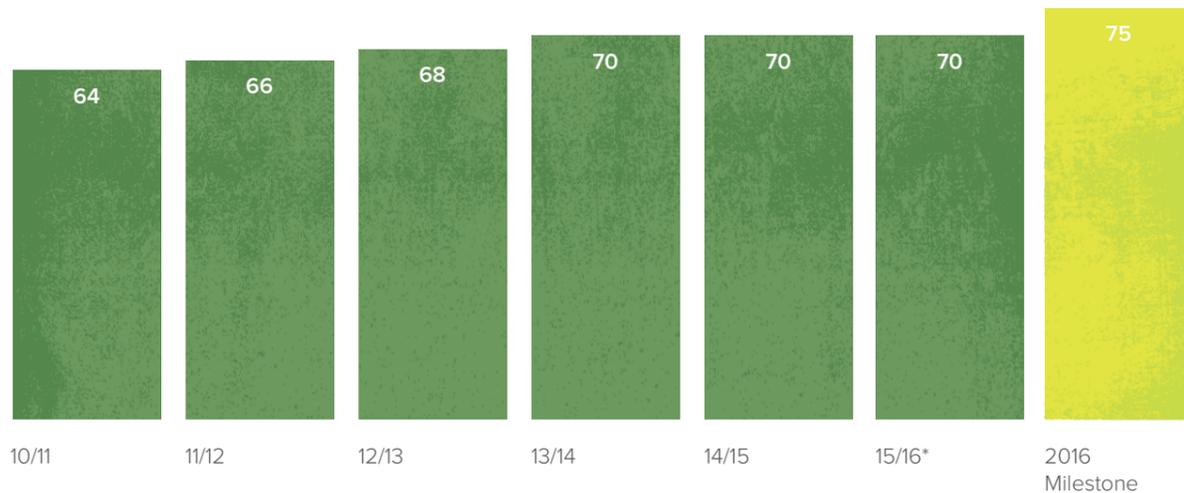


Waste recycled	166
Waste disposed to landfill	48
Waste disposed to incineration with energy recovery	24

*Within KPMG's limited assurance scope

WASTE RECYCLING

% of waste recycled



*Within KPMG's limited assurance scope

WATER

Our water use has risen by 15% since 2010/11 due to business growth, water leaks and an improvement in the quality of our data. Although we are not major water users, our companies are taking steps to minimise water use. For example, B&Q trains staff to use water efficiently when watering plants in its garden centres.

GREEN TRAVEL

CO₂e emissions from business air travel increased by 10.2% since 2010/11, and 0.6% year on year. CO₂e emissions from business road travel have increased by 1.6% since 2010/11, but decreased by 2.2% on the previous year.

Our companies are developing green travel plans to reduce CO₂ emissions from employee and customer travel. These include measures to reduce unnecessary business travel, and to encourage the use of public transport, car sharing and lower carbon transport options. For example, Castorama France stores have a car-sharing website for employees and customers as well as priority parking bays for employees sharing their car journey.

Our Group telepresence video conferencing system and online collaboration tools can help reduce unnecessary air travel between our key locations.

BIODIVERSITY

Biodiversity audits were carried out for 7% of new-build projects and major refurbishments during 2015/16. For example, Castorama France conducted biodiversity audits for its three major refurbishments and two new build projects during the year. These assessed which habitats and species could be affected by the projects and included measures to reduce any impacts on biodiversity. Castorama France has developed a new specification for landscaping around its stores designed to improve visual impact and biodiversity.

This includes planting more local species of vegetation and expanding the green spaces in store car parks. We aim to minimise negative impacts on biodiversity from our products through our work in areas such as chemicals (page 50), responsible timber sourcing (page 26) and peat-elimination (page 51). We also offer a range of products that help our customers create wildlife-friendly gardens. For example, B&Q has extended its range of plants that carry the Perfect for Pollinators label to help gardeners attract more bees and pollinators and introduced bug boxes as a new product line. Its website verveandbloom.co.uk includes advice on how to make gardens wildlife havens.

ENVIRONMENTAL PROSECUTION

Our Castorama Russia Pulkovo store in St. Petersburg was found to have violated wastewater standards, including levels of fats and iron above regulatory standards. The store has paid a fine and is working to address its wastewater standards.

ENGAGEMENT AND ADVOCACY

We engage with regulators, businesses and NGOs to encourage progress on environmental issues. For example:

- **Healthy buildings** – we participated in a report by the UK's Green Building Council looking at how retail building design affects health and wellbeing, and how improvements to indoor environments can help to reduce staff turnover and increase engagement.
- **Biodiversity Bill** – we participated in the development of the French Biodiversity Bill to ensure the proposed changes allow flexibility in how we improve our stores.
- **Peat elimination** – B&Q is working with manufacturers, retailers, growers and NGOs through the Growing Media Initiative, to reduce the use of peat in gardening products. This includes collaborating on a project to establish an audit process for members to help track progress on phasing out peat.



WE ARE INTEGRATING SUSTAINABILITY INTO HOW WE RUN OUR BUSINESS INCLUDING OUR CORE POLICIES AND PROCESSES



ROLES AND RESPONSIBILITIES

Overall responsibility for sustainability now sits with our Chief Customer Officer, who is a member of our leadership team and reports directly to our Chief Executive Officer. This is a new position, whose role is to create the best experience for our customers online and in-store, and to integrate sustainability across the customer journey. In line with our aim to fully integrate sustainability, we no longer have a separate Group Sustainability Director role. Sustainability issues are regularly discussed at meetings of the Kingfisher Board of Directors.

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

We created a new sustainability director role within our Offer and Supply Chain function to help lead our work on integrating sustainability into our unified offer.

Each of our companies is developing an implementation plan for how they will deliver on our Net Positive targets in a locally relevant way. These plans are based on our commercial model for delivering Net Positive, see page 11. Operating companies report progress against our targets to the Group once a year via our Foundations questionnaire. The results are reviewed by our operating company CEOs and senior directors at Group level. We publish an annual internal progress report which enables our senior leadership to track and compare performance across our companies. This is reviewed by the Group Sustainability Committee and communicated to all operating companies to encourage best practice sharing.

Our central sustainability team works closely with our businesses, including monthly meetings with representatives from our largest operating companies. The Kingfisher Sustainability Network, made up of the Group Sustainability team and representatives from each operating company, meets at least annually in person and through

monthly webinars. It is a forum for reviewing progress and sharing ideas and best practices.

We invest in helping our people to build their sustainability knowledge and to share information and ideas. For example, the members of our Group Sustainability Committee and 50 employees in the business have completed courses by the University of Cambridge Institute for Sustainability Leadership. The Kingfisher Exchange enables colleagues in our sustainability, property, health and safety and customer insight teams to share information and best practices. 222 webinars were delivered via the site which has almost 400 members.

We are updating our policies to integrate sustainability criteria and have published company-wide policies on timber, packaging, ethical sourcing and chemicals.

We are integrating sustainability into the development of our new Group data management systems. This will help us take a more efficient, consistent and automated approach to data collection across the business and enable us to use data more effectively in monitoring and managing performance.

We carried out an interim review of our Net Positive targets during 2015 to begin aligning them to our ONE Kingfisher strategy and to make sure that we have clear ownership and accountability for delivery among our functions and business areas. We made minor changes to a number of targets and added three new ones, bringing our total to 53 targets. We will do further work in this area during 2016/17.

STAKEHOLDER ENGAGEMENT

We learn from our stakeholders, and their views, expertise and insights are invaluable in helping us achieve our goals. We aim to be open about how we work and to communicate regularly with stakeholders on our approach and progress. Our stakeholders include our customers, employees, investors, suppliers and government as well as NGOs, the media and other third-sector organisations.

Information on our approach to engaging our employees is included on page 38 and our suppliers on page 44.

Our Net Positive Advisory Council of senior external experts provided advice and insight on sustainability to our senior leaders. Due to the significant changes

happening in the business, the Advisory Council did not meet during 2015/16, though we continued to engage with its members. We are reviewing our approach to understand how to best meet the changing needs of our business going forward.

We partner with many external organisations working on sustainability issues and benefit from their insight and feedback. You can read a perspective from Sally Uren, Chief Executive of Forum for the Future, on page 60.

Customers

Our customers are our most important stakeholders, and we engage with them to understand their needs, get feedback and help us develop the right products and services, for example through our customer home visits, page 40. We also undertake larger research projects such as our European Homes Report that surveys householders' attitudes to home improvement including sustainability-related issues. See kingfisher.com/europeanhomereport

Investors and SRI indices

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

We maintained an above average ranking in the leading benchmarks during 2015/16. These include:

- Dow Jones Sustainability Index (DJSI) – we have been included in the DJSI World and Europe Indices since 2010. We are listed in the RobecoSAM Sustainability Yearbook 2016, which includes the top 15% of companies from the DJSI.
- FTSE4Good Index – we are listed in this index with a rating of 3.8 out of 5.
- Carbon Disclosure Project (CDP) 2015 – we received a score of 98B (2014: 95A-). This reflects performance on climate change (B rating) and disclosure around our climate impacts (98%). Our performance score dropped in 2015, largely reflecting changes to the CDP's scoring

methodology, but remains above the average score for the FTSE 350 of 84C.

- CDP Forest Programme – we were joint retail sector leader for timber in 2015.

MATERIALITY

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

This is a continual process that includes:

1. Internal review: identifying priority stakeholders for engagement, and collating and reviewing feedback and information.
2. External review: engaging directly with stakeholders through channels such as customer visits, face-to-face meetings, and membership of organisations 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.

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

Our material issues

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

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

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

AUDIT AND RISK

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

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

Group Internal Audit performed testing over a selection of performance data at each of our operating companies. We appointed KPMG LLP to provide a limited assurance opinion on selected aspects of this report. Further details on the work they performed and their conclusion are set out in their full assurance statement on page 72.

Identification and management of risks relating to sustainability, at an operating company and Group level are incorporated in our strategic risk assessment processes. This means key risks to achieving our targets are considered at least twice a year. In addition we conduct topic-specific internal audits or risk reviews where required. For example, in 2015/16 Group Internal Audit conducted a Chain of Custody (FSC® and PEFC) audit in B&Q and also performed an on-site review of Bioregional's controls and procedures that are being used for validating the Group's sustainability data. Read more on our approach to risk management in our Annual Report and Accounts: annualreport.kingfisher.com/2015-16

HUMAN RIGHTS

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

We are signatories to the UN Global Compact (UNGC), and are committed to its 10 principles including those relating to human rights. See page 74 for our UNGC Index.

We support the introduction of the UK's Modern Slavery Act. We are reviewing our processes and procedures to ensure we comply with its requirements and will publish our transparency statement in 2017.

Read more about our approach to human rights issues in our supply chain on page 44 and in relation to our employees on page 38.

PUBLIC POLICY

Government policy can help stimulate progress on sustainability issues and on business issues more generally. We work with non-governmental organisations and regulators at the national and regional level to encourage legislation that incentivises sustainable business practices and creates a level playing field to support investment in sustainable business and innovation. Examples of our engagement and advocacy on sustainability issues are included on pages 17,25,31,35,41,46,53.

We also engage in the political process in our markets and at EU level to inform the development of policy that has a material impact on our business and the retail sector.

Approach and standards

Our Group Head of Government Affairs manages our public policy activities and reports to our Chief Customer Officer. The Board of Directors reviews our public policy activity quarterly. All our public policy work must meet the ethical standards set out in our Code of Conduct and reflect our public sustainability commitments. We are registered on the EU Transparency Register of lobbying activities.

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

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

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

Public policy priorities

We engaged with governments on a range of policy issues during 2015/16 including: supplier payment terms; supply chain responsibility; changes to property taxes; employment policies including the introduction of the UK's new National Living Wage and Apprenticeship Levy; the European Digital Single Market; the EU Timber Regulation; equal gender pay; Sunday Trading laws in the UK and France; and energy policy. Examples of public policy activity from 2015/16:

- EU – we participated in consultations relating to the European Commission's Digital Single Market package, working with the European DIY-Retail Association. We advocated in support of simplifying

VAT rules between member states, changes to make e-commerce easier, and new measures in relation to home deliveries of home improvement products such as paints and power tools with lithium batteries which can be classified as hazardous under current rules.

- Poland – we advocated against changes to the tax system for retailers which could negatively impact our business, working through the Polish Confederation of Private Employers and the Polish Organisation of Commerce & Distribution.

Membership of trade associations

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

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

PENSIONS

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

Principles

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

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

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

Ethical funds

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

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

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

Communication on responsible investment

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

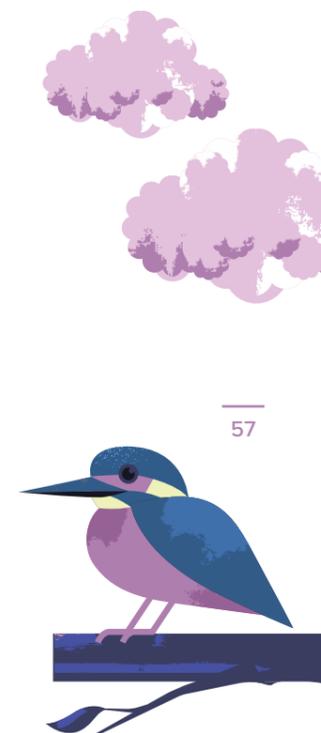
The KPS keeps investment managers updated on its investment approach and raises awareness of Kingfisher's commitment to responsible business.

Employee engagement

The KPS uses a number of innovative approaches to engage Kingfisher employees and encourage them to plan and save for their retirement. This includes educational DVDs for store managers to use during team meetings and a mobile app game designed to engage younger employees, with 78% of players stating that it encouraged them to think about saving for their future. This approach helped reduce opt-out rates from 6.2% to 2.42% by 31 March 2016.

External recognition

- DC Pensions Awards 2015, Best Communication Strategy, Trust Based Scheme of the Year
- Institutional Investors UK & Ireland Awards 2015, Most Innovative Pension Scheme
- Engaged Trustee Awards 2015, Best Approach to DC, Best Communication Strategy and Best Investment Strategy
- Pension Scheme of Year Awards 2015, DC Scheme of the Year and Best Financial Education Initiative
- European Pension Awards 2015, Communication Award
- Financial News 2015 Pension Awards – Best DC Plan Design and Best Member Communications
- Financial News 2015 Pension Awards – Best DC Plan Design and Best Member Communications



PERFORMANCE SUMMARY

We have set 53 targets to help us make progress towards our Net Positive aspirations and stimulate innovation. We are making progress on our priority issues, however we need to increase the rate of change in many areas to achieve our 2020 targets. A more detailed summary of progress during 2015/16 is on pages 63–70. We have followed a process ⁴, as described in our Data Collection Methodology, to determine our progress towards our sustainability targets.

Innovation

Sustainable home products – innovation: To be at the forefront of sustainable product innovation, by achieving 10% of Group sales from the most innovative sustainable home products.	
Sustainable home products – compliance: To bring sustainable products into the mainstream by achieving 50% of Group sales from products that help create a sustainable home.	
Sustainability of own brand: Demonstrate leadership on sustainable innovation across our Group own brands.	
Sustainable lifestyles: To use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles.	
Sustainable marketing: Embed sustainability into the marketing strategy for each of our brands/divisions/ operating companies.	
Water-using products: All water-using products to meet 'best practice' standards on water efficiency.	
Closed-loop products: 1,000 Kingfisher products with closed-loop credentials.	
Closed-loop supply chains: Work with partners across the product lifecycle to achieve ten 'closed-loop' supply chains.	
Alternative services: Explore and trial alternative business models which encourage a perpetual reuse of products, by 2016/17.	

Energy

Customer energy use: 38 TWh of energy saved for customers.	
Energy-using products: All energy-using products meet best practice standards on energy efficiency.	
Energy use in our operations: 45% reduction in the energy intensity (kWh/m ²) of our property portfolio from a 2010/11 baseline.	
Carbon footprint: 25% reduction in our absolute carbon footprint (tonnes CO ₂ e) from a 2010/11 baseline.	
Carbon intensity property: 50% reduction in the carbon intensity (CO ₂ e/m ²) of our property portfolio from a 2010/11 baseline.	
Renewable energy: We will develop a renewable energy plan for our own operations by 2016/17.	
Direct haulage emissions – dedicated delivery fleets: 20% reduction in CO ₂ emissions from direct transport impacts from a 2010/11 baseline.	
Indirect haulage emissions – supplier delivery fleets: Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts.	

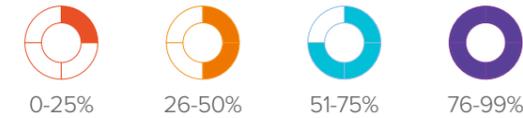
Timber

Responsible sourcing: 100% responsibly sourced timber and paper in all our operations.	
Timber in our products: 100% of the timber and paper we sell to be responsibly sourced.	

Timber in packaging: 100% of packaging which contains wood fibres to be responsibly sourced.	
Timber in construction: 100% of timber procured for construction and fit-out to be responsibly sourced.	
GNFR paper: 100% of the paper used in our Goods Not For Resale (GNFR) to be responsibly sourced.	
Tropical deforestation: None of our products to be sourced from materials that are linked to tropical deforestation.	
Sustainable forestry: Work with partners to measure the impact of FSC certification on forests, biodiversity and forest communities and assess the effect of our responsible timber sourcing.	
Strategic sourcing: Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories.	
Reforestation: Implement a unified group forest or woodland enhancement initiative that makes a substantial quantifiable step towards our aspiration of creating more forest than we use.	

Communities

Community plan: We will create a unified plan for community involvement, focusing on our core purpose by 2016/17.	
Community projects: 4,000 community projects completed by our people.	



PERFORMANCE SUMMARY

Skills sharing: Promote sharing of skills and 'know-how' in local communities by building online community platforms.	
Engagement surveys: Improve our employee engagement by extending engagement surveys to cover all employees.	
Diversity and inclusion: To be recognised as a 'best practice' company for equality and diversity within our local retail markets.	
Health and safety – employees: Achieve a 20% reduction in the employee lost-time accident rate (number of lost-time accidents per 100,000 full-time equivalent employees) from a 2010/11 baseline.	N/A
Health and safety – customers and contractors: Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target by 2016/17.	
Senior management sustainability training: 2016/17 target: Top 250 managers from around the Group to have completed a development programme on Net Positive by 2016/17.	
Performance management for sustainability: Integrate Net Positive into the performance management systems for all relevant employees.	
Net Positive engagement: Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home.	

Sustainable product training: Every employee has the right skills to help customers lead sustainable lifestyles.	
Suppliers & partners	
Ethical sourcing: All suppliers will meet or exceed our ethical and environmental standards.	
GNFR contracts: Key GNFR contracts will meet or exceed our sustainability standards.	
Supplier footprint: Require our top 40 suppliers to develop a waste, carbon and water reduction plan by 2020, towards delivering a 50% impact reduction.	
Ethical conduct: Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct.	
SRI Indices: Kingfisher to maintain its position in key SRI indices and corporate responsibility ratings by 2016/17.	
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.	
Environment	
Standardised policies: To standardise company policies across all relevant product sustainability issues.	

Packaging: Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging standards.	
Chemicals: None of our Goods Not for Resale (GNFR), own-brand, unbranded or exclusive brand products and packaging will contain the chemicals of concern we have committed to remove.	
Peat elimination: All growing media for sale and use in our operations in the UK to be from sustainable sources ahead of the government 2020 and 2030 deadlines.	
Waste: Achieve zero waste to landfill from our own operations.	
Construction waste: 90% of construction waste recycled in new build and major refurbishments.	
Water: To understand the water footprint of our own operations by 2016/17.	
Green travel: Demonstrate proactive green travel programme to minimise the environmental impact of travel by employees and customers.	
Learning stores: Every operating company to develop at least three 'learning stores' and to confirm the site for a store that champions low carbon and sustainability innovation by 2016/17.	
Biodiversity: Enhance biodiversity on new build projects, major refurbishments and existing stores.	

⁴Our statement that we have followed the process described in the Data Collection Methodology to determine progress towards our sustainability targets is within KPMG's limited assurance scope.

*We have changed the data we use to monitor our accident rate. We will be updating our target to reflect our new reporting approach. See page 67.



Sally Uren
Chief Executive
Forum for the Future

“The trick is to keep the customer at the heart of the strategy, with the strategy itself having very porous boundaries, allowing the outside in, and adapting as a result.”

Change is afoot at Kingfisher. The key message from the still relatively new CEO is one of business transformation in the shape of the ONE Kingfisher strategy, which is essentially a story of business integration as a means of delivering value, with two important ingredients.

The first is the placing of the Kingfisher customer squarely into the centre of the business strategy, arguably where it should have been for a while; but it is refreshing to see such clarity of insight into the centrality of the customer experience at the heart of any successful retailer.

The second ingredient is Kingfisher’s aspiration to become ‘a truly sustainable company’. With Net Positive being an enabler for this. The combination of this customer-centric strategy and the weaving of sustainability through every aspect of its delivery means that Kingfisher might just be able to pull off something that no major retailer has really managed yet: mainstreaming of sustainability into its core market proposition. The bold and brilliantly simple ambition ‘everyone should be able to create a sustainable home’ might actually become a reality.

Alongside this bold ambition is continued delivery against key performance indicators. Real strides have been made on product innovation with 28% of sales from products that help create a sustainable home, 96% of timber products now responsibly sourced and energy saving products and services that are saving customers £750 million a year. However, much remains to be done in areas like community investment, business carbon emissions, waste and supply chain management, with many of the 2020 targets still looking very stretching.

There are two aspects of this report that particularly excite me. The first is the strong link between all things Net Positive and business value. This feedback loop is critical if businesses are successfully going to play their role in tackling big sustainability issues. At Forum for the Future, we have a term ‘system innovators’, that we use to describe businesses who are trying to shape the system around them in ways that help solve difficult issues (climate change, community cohesion etc), but also create business value. Only by showing this link will these pioneering businesses succeed, and help create the next wave of corporate sustainability.

The second aspect I’m excited about? A mainstream retailer getting serious about experimentation with the sharing economy. Non-financial transactions are beginning to power the exchange of knowledge and goods in new and unprecedented ways. Combined with digital platforms, the sharing economy will, and arguably already is, disrupting traditional retail. But rather than hope this all goes away, Kingfisher is trying to understand what this shift in commerce means, and incorporate it into its business model. Through Casto Lab, and wikiforhomes Kingfisher is dipping its toe into the sharing economy, to learn, and to adapt.

Integration, ambition, experimentation – three themes then that run through this report. If there was one thing I’d like to see more of, though, it’s pace. In order to truly realise the benefits of Net Positive, to go with the end customer on their journey from bricks and mortar retail to digital, to realise the opportunity of the sharing economy, and not be left fighting its inevitability as a threat, Kingfisher will need to be nimble and adaptable. And keep looking outwards. The trick is to keep the customer at the heart of the strategy, with the strategy itself having very porous boundaries, allowing the outside in, and adapting as a result.

We believe our Net Positive ambition requires a two-sided approach. As this report shows, we’ve made much progress to this end – both in our home and in helping to improve our customers’ homes.

But our progression is also two sided: for every step forward we make there is still plenty more to be done. Which is why we’ll keep up the good work, to ensure the Kingfisher family continues on its way to becoming a truly sustainable company. Because this matters to us.

IT’S PERSONAL.



APPENDICES: ABOUT OUR REPORTING

Our Sustainability Report explains our progress towards our 53 targets and longer-term aspirations. It summarises performance at a Group level covering the financial year 1 February 2015 – 31 January 2016.

We also communicate our progress via our more integrated Annual Report for investors which explains the financial, economic, social and environmental value our business creates over both the short and long term, see <http://annualreport.kingfisher.com/2015-16/>

Regular updates are also posted on our website kingfisher.com/sustainability

About our data

Our sustainability data covers our wholly-owned operating companies, except where stated.

In previous years, we included data for our joint venture Koçtaş in all our Group totals at 50%. However, to bring our sustainability reporting in line with our financial reporting, we have now removed Koçtaş from Group totals with two exceptions. Koçtaş is included in our pre-tax profit and therefore is still included in our community investment data as we state community investment as a % of pre-tax profit. In addition, Koçtaş is included in our GHG report under scope 3, in the 'Investments' category. For both areas, 50% of Koçtaş data is included in line with our 50% ownership.

Kingfisher disposed of a controlling 70% stake in B&Q China in 2015 and we have therefore excluded their performance for 2015/16 and restated prior years.

We now include floor space and energy consumption data for B&Q distribution centres run by third parties where they are owned or leased by B&Q. Data has been included in property energy use and property carbon emissions (scope 1 and 2) for the current year and prior years have also been restated.

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

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

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

Progress against targets

We publish a Group score for each of our 53 targets, where data is available (see page 58). For qualitative targets this is a weighted average of the individual operating company scores. The weighting is based on the sales contribution of each operating company. For quantitative targets the score is based on Group KPI performance data. We also indicate on pages 63 – 70 where we are on track to our milestones for the end of financial year 2016/17.

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

External assurance

We engaged KPMG LLP to deliver a limited assurance engagement over selected aspects of our Sustainability Report for the year ended 31 January 2016. The information marked throughout the report with the symbol * or Δ indicates the scope of their work.

Please see page 72 for their full independent limited assurance report which includes details on their scope, work performed and conclusion.

Reporting standards

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

United Nations Global Compact Index

We joined the United Nations Global Compact (UNGC) in 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. Our UNGC Index on page 74 shows where information on our performance relevant to the 10 principles is included in our Report.

Read our Sustainability Report Appendix – Detailed Performance Data and Sustainability Data Collection Methodology at kingfisher.com/sustainabilityreport

APPENDICES: PROGRESS AGAINST MILESTONES 2015/16

WE HAVE ACHIEVED OR ARE ON TRACK TO MANY OF OUR TARGET MILESTONES FOR 2016/17. THIS SECTION SUMMARISES OUR PROGRESS DURING 2015/16. A SUMMARY OF PERFORMANCE AGAINST OUR 2020 TARGETS IS ON PAGE 58.

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
Innovation		
Sustainable home products – innovation 2020 target: To be at the forefront of sustainable product innovation, by achieving 10% of Group sales from the most innovative sustainable home products. 2016/17 milestone: 5% of Group sales.	Sales of best in class products, our most innovative sustainable home products, were worth £573 million in 2015/16, 6% of sales.	 Achieved milestone
Sustainable home products – compliance 2020 target: To bring sustainable products into the mainstream by achieving 50% of Group sales from products that help create a sustainable home. 2016/17 milestone: 25% of Group sales.	Sales of sustainable home products, those with improved environmental credentials, reached 28% (2014/15: 22%), meaning we achieved our milestone ahead of schedule and generated £2.9 billion for the business.	 Achieved milestone
Sustainability of own brand 2020 target: Demonstrate leadership on sustainable innovation across our Group own brands (focusing on relevant issues to each brand). 2016/17 milestone: All Group own-brands to conform to Kingfisher minimum sustainability criteria.	As we create our unified offer, we are taking the sustainability standards achieved in our most advanced operating company for each range and applying these to our new group range. This will improve the sustainability performance of our own brand ranges, particularly at lower scoring operating companies. During 2015/16, we focused on 20 categories of core essential products.	 Not on track to milestone
Sustainable lifestyles 2020 target: To use our global brands and marketing to help shift our millions of customers towards sustainable lifestyles. 2016/17 milestone: To give customers comprehensive information and advice in-store and online to help them with their sustainable choices.	Our companies are providing information online, at point of sale and in catalogues to give customers the knowledge and encouragement they need to adopt more sustainable lifestyles. For example, Screwfix has introduced icons for Saves Energy, Saves Water, Solvent Free to help customers quickly identify sustainable products.	 On track to milestone
Sustainable marketing 2020 target: Embed sustainability into the marketing strategy for each of our brands/divisions/ operating companies. 2016/17 milestone: Sustainability issues feature in at least three significant marketing campaigns.	We are integrating sustainability into our marketing to increase sales of more sustainable products. Our companies in Iberia, Romania and Russia have made less progress in this area, meaning that we are not on track to our milestone overall.	 Not on track to milestone

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
Water-using products 2020 target: All water-using products to meet 'best practice' standards on water efficiency. 2016/17 milestone: 50% of water-using products to meet 'best practice' standards on water efficiency.	We worked with Bioregional, the sustainability experts, to establish a clear definition of best practice for water efficiency. This covers all products included in the European water labelling initiative. We now have data for six operating companies, showing that in these businesses 39% of water-using products (such as toilets, baths, taps and showers) met our best practice standards in 2015/16.	 Not on track to milestone
Closed-loop products 2020 target: 1,000 Kingfisher products with closed-loop credentials. 2016/17 milestone: 300 Kingfisher products with closed-loop credentials.	We reached 748 products in our ranges with closed-loop credentials.	 Achieved milestone
Closed-loop supply chains 2020 target: Work with partners across the product lifecycle to achieve ten 'closed-loop' supply chains. 2016/17 milestone Five 'closed-loop' supply chains.	We are making progress in this area and our performance against our milestone will be assessed by Bioregional during 2016/17. We developed our Principles for Circular Product Design that will help our product developers and suppliers integrate circular design principles into our supply chains.	 On track to milestone
Alternative services 2016/17 target: Explore and trial alternative business models, such as product hire and repair, which encourage a perpetual reuse of products.	Examples of alternative services include Castorama Poland's successful tool repair service. We are also testing approaches that draw on the benefits of the sharing economy such as Castorama France's Casto Lab space where customers can share information and use specialist tools.	 On track to target

Energy

Customer energy use 2020 target: 38 TWh of energy saved for customers. 2016/17 milestone 11 TWh of energy saved for customers.	Our customers are saving 10.8 TWh every year due to the energy saving products and services they have purchased from us since 2011/12. We estimate this could save our customers almost £750 million every year. ¹	 On track to milestone
Energy-using products 2020 target: All energy-using products meet best practice standards on energy efficiency. 2016/17 milestone: 50% of energy-using products.	42% of energy saving products in five operating companies meet our best practice standards. Screwfix was our strongest performing company, reaching 59%.	 Not on track to milestone
Energy use in our operations 2020 target: 45% reduction in the energy intensity (kWh/m ²) of our property portfolio from a 2010/11 baseline. 2016/17 milestone: 15% reduction.	We achieved our energy intensity milestone ahead of schedule with a 15% reduction since 2010/11. However, we saw an increase in energy intensity year on year and considerable work is needed to reach our 2020 target.	 Achieved milestone
Carbon footprint 2020 target: 25% reduction in our absolute carbon footprint (tonnes CO ₂ e) from a 2010/11 baseline. 2016/17 milestone: No increase from a 2010/11 baseline.	We have achieved a 0.6% reduction in our absolute carbon footprint since 2010/11. However achieving our ambitious target for 2020 will be very challenging due to business growth, particularly growth in customer home deliveries.	 On track to milestone

¹ Based upon the average UK household energy bill.

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
Carbon intensity property 2020 target: 50% reduction in the carbon intensity (CO ₂ e/m ²) of our property portfolio from a 2010/11 baseline. 2016/17 milestone: 20% reduction.	We have achieved a 16% cut in our property carbon intensity since 2010/11, through improvements in energy efficiency and investment in renewable generation.	 On track to milestone
Renewable energy 2016/17 target: We will develop a renewable energy plan for our own operations by 2016/17.	We installed solar photovoltaic panels on two stores and three distribution centres with a generation capacity of 4.1MW during 2015/16. Our renewable energy plan will establish a roll out strategy for each of our markets, identifying the best technologies for each location.	 On track to target
Direct haulage emissions 2020 target: 20% reduction in CO ₂ emissions from direct transport impacts from a 2010/11 baseline. 2016/17 milestone: 10% reduction.	Our direct haulage emissions increased by 7.5% overall against our 2010/11 baseline, largely due to an increase in home deliveries.	 Not on track to milestone
Indirect haulage emissions 2020 target: Demonstrate a comprehensive programme of action to reduce the overall carbon footprint of our indirect transport impacts. 2016/17 milestone: Make progress in measuring and reducing the carbon footprint of our indirect transport impacts, e.g. in a key supply chain.	Indirect haulage emissions have increased by 8% since 2010/11, due to a growth in deliveries and improvements in our data collection. There was a 3% drop in emissions year-on-year due to a reduction in emissions from sea and air freight.	 On track to milestone

Timber

Responsible sourcing 2020 target: 100% responsibly sourced timber and paper in all our operations. 2016/17 milestone Achieve our 2016 milestones on timber used in products, packaging, Goods Not For Resale (GNFR) and construction.	We have made good progress on responsible sourcing, particularly for our products; however, we are not on track for our milestones for timber in construction and GNFR paper.	 Not on track to milestone
Timber in our products 2020 target: 100% of the timber and paper we sell to be responsibly sourced. 2016/17 milestone: 90% of the timber and paper we sell to be responsibly sourced.	We achieved 96% responsibly sourced timber in our products, with B&Q at 100% and a further four companies at or over 95%. Our data does not yet include our business in Russia. When this is included it could reduce the percentage of timber that is responsibly sourced overall.	 Achieved milestone
Timber in packaging 2020 target: 100% of packaging which contains wood fibres to be responsibly sourced. 2016/17 milestone: To develop a methodology and data collection system for achieving our 2020 target on responsible sourcing of wood fibres in packaging.	We have appointed a partner to help us collect data on packaging materials used and to monitor compliance with our packaging policy and responsible sourcing policy. We hope to be able to report progress against our 2020 target next year.	 On track to milestone
Timber in construction 2020 target: 100% of timber procured for construction and fit-out to be responsibly sourced. 2016/17 milestone: 90% of timber procured for construction and fit-out to be responsibly sourced.	We are working with contractors to improve data collection in this area. We have data for seven operating companies (B&Q, Brico Dépôt France, Brico Dépôt Iberia, Brico Dépôt Romania, Castorama France, Castorama Poland and Screwfix) which shows that 60% of timber used in the construction projects reported on by these companies was responsibly sourced.	 Not on track to milestone

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
<p>GNFR paper 2020 target: 100% of the paper used in our Goods Not For Resale (GNFR) to be responsibly sourced.</p> <p>2016/17 milestone: All paper used in catalogues and customer marketing to be responsibly sourced.</p>	<p>We have reached 80% responsibly sourced paper in our catalogues and customer marketing materials and office paper. This includes all markets except for Screwfix Germany for catalogues and customer marketing, and all markets except for Brico Dépôt Iberia, Castorama Poland and Screwfix Germany in relation to office paper.</p>	<p> Not on track to milestone</p>
<p>Tropical deforestation 2020 target: None of our products to be sourced from materials that are linked to tropical deforestation (including hardwood products, cow leather and palm oil).</p> <p>2016/17 milestone: All new tropical hardwood products to comply with Kingfisher's Timber Policy Standard.</p>	<p>All new tropical hardwood products in B&Q UK, Castorama France, Brico Dépôt Iberia and Screwfix complied with our policy. Further work is needed at our other operating companies and to improve our data.</p>	<p> Not on track to milestone</p>
<p>Sustainable forestry 2020 target: Work with partners to measure the impact of FSC certification on forests, biodiversity and forest communities and assess the effect of our responsible timber sourcing.</p>	<p>In 2014 we were one of the founding partners of Value and Impact Analysis (VIA) that will develop a methodology for quantifying the impacts of FSC certification for forests, their biodiversity and communities. During 2015/16 we worked closely with VIA on a number of initiatives, including agreeing seven focus areas for VIA's work.</p>	<p> On track to target</p>
<p>Strategic sourcing 2020 target: Demonstrate resilient supply chain relationships that can guarantee the future provision of responsibly sourced timber across the Group's major timber categories.</p> <p>2016/17 milestone: Demonstrate a resilient supply chain relationship that can guarantee the future provision of responsibly sourced timber for at least one of the Group's major timber categories (by volume or value).</p>	<p>Strategic sourcing means securing affordable and sustainable timber supplies for our business over the long term by implementing our responsible sourcing standards, establishing long-term relationships with suppliers and helping to create local timber supply chains. We are looking at opportunities including exploring the potential benefits of contracting directly with sustainably managed forests to source timber for our unique product ranges.</p>	<p> On track to milestone</p>
<p>Reforestation 2020 target: Implement a unified group forest or woodland enhancement initiative that makes a substantial quantifiable step towards our aspiration of creating more forest than we use.</p> <p>2016/17 milestone: Group to have at least one forest or woodland enhancement initiative that makes a quantifiable contribution towards the Group aspiration of creating more forest than we use.</p>	<p>To date our forest projects have benefited forested areas covering over 13,000 hectares (equivalent to 19,000 full-sized football pitches) working with 255 landowners. This includes projects in Poland, Spain and the UK. We started a collaboration with RSPB and their BirdLife partners in early 2016, through which we will support Indonesia's first ever Ecosystem Restoration Concession. This will restore an area of over-logged tropical forest known as Hutan Harapan on the island of Sumatra covering 100,000 hectares (approximately the size of Greater London) and will ensure future sustainable forest management.</p>	<p> Achieved milestone</p>
Communities		
<p>Community plan Target 2016/17: We will create a unified plan for community involvement across our business, focusing on our core purpose.</p>	<p>We are reviewing and updating our communities strategy, and will publish a new plan for how our community involvement can help us deliver our purpose.</p>	<p> On track to target</p>
<p>Community projects 2020 target: 4,000 community projects completed by our people.</p> <p>2016/17 milestone: 1,500 community projects.</p>	<p>We reached 1,142 community projects supported since 2012/13 and are on track to our milestone. However, our total community investment decreased to £1.7 million in 2015/16 (2014/15: £2.3 million), equivalent to 0.24% of pre-tax profits (2014/15: 0.34%).</p>	<p> On track to milestone</p>

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
<p>Skills sharing Target 2016/17: Promote sharing of skills and 'know-how' in local communities by building online community platforms in the UK and France.</p>	<p>Our businesses in the UK and France have launched or are developing online platforms where customers and communities can connect, learn from experts and benefit from each other's skills and know how. These include wikiforhome.org developed by Castorama France, needhelp.com at Brico Dépôt France, The Screwfix Community Forum and StreetClub established by B&Q which is now part of Streetbank.</p>	<p> On track to target</p>
People		
<p>Engagement surveys 2016/17 target: Improve our employee engagement by extending engagement surveys to cover all employees.</p>	<p>Our annual Engagement Survey covers all operating companies and employees. A set of 12 core questions are used across each company to help us evaluate engagement. We achieved an overall engagement score of 4.20 out of 5.00, an improvement from 4.06 in 2014.</p>	<p> On track to target</p>
<p>Diversity and inclusion 2020 target: To be recognised as a 'best practice' company for equality and diversity within our local retail markets.</p> <p>2016/17 milestone: All our operating companies to have in place an action plan to become a 'best practice' retailer in their market on equality and diversity.</p>	<p>Two of our companies now have action plans in place (Brico Dépôt France and Castorama France) but further work is needed to achieve the milestone at our other companies.</p>	<p> Not on track to milestone</p>
<p>Health and safety – employees 2020 target: Achieve a 20% reduction in the employee lost-time accident rate (number of lost-time accidents per 100,000 full-time equivalent employees) from a 2010/11 baseline.</p> <p>2016/17 milestone: 10% reduction in the employee lost-time accident rate from a 2010/11 baseline.</p>	<p>Our total accident rate (number of all work-related accidents per 100,000 full-time equivalent employees) was 12,160, a decrease of 9% year on year and 2.3% reduction since 2012/13.</p> <p>We have changed the data we use to monitor our accident rate. This now includes all accidents, not just major and over three-day lost-time accidents as reported in previous years. Major accidents are defined differently across our markets which made it harder to compare performance. Our new approach will address this and provide a fuller picture of performance. However, it means we are not able to report progress against our target. We will be updating our target to reflect our new reporting approach.</p>	<p>N/A</p>
<p>Health and safety – customers and contractors 2016/17 target: Develop a Group-wide accident reporting framework for customers and onsite contractors, and set a reduction target.</p>	<p>There were 4,060 accidents reported by customers in our stores during the year (2014/15: 4,722) and 383 contractor accidents (2014/15: 423). Our data does not currently include construction contractor accidents and we have not set a reduction target.</p>	<p> Not on track to target</p>
<p>Senior management sustainability training 2016/17 target: Top 250 managers from around the Group to have completed a development programme on Net Positive.</p>	<p>Our Kingfisher One Academy Net Positive executive education module was developed to inspire our leaders on sustainability, improve understanding of the business benefits and catalyse action. 86% of our most senior leaders completed the module. Members of our Group Sustainability Committee also completed a two-day intensive course run by the University of Cambridge Institute for Sustainability Leadership.</p>	<p> On track to target</p>

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
<p>Performance management for sustainability 2020 target: Integrate Net Positive into the performance management systems for all relevant employees.</p> <p>2016/17 milestone: Integrate Net Positive into the performance management systems for the top 250 managers from around the Group.</p>	<p>We are reviewing our approach in this area. Some of our operating companies have integrated sustainability into performance management for leaders. For example, the Screwfix board of directors each have an objective related to implementation of True to our Trade, the Screwfix sustainability plan and employee engagement initiative.</p>	 On track to milestone
<p>Net Positive engagement 2020 target: Net Positive engagement and development programmes to motivate all our employees to become more sustainable at work and at home.</p> <p>2016/17 milestone: To include Net Positive in induction training for every new employee.</p>	<p>Sustainability is integrated into our induction training for new employees at five operating companies.</p>	 Not on track to milestone
<p>Sustainable product training 2020 target: Every employee has the right skills to help customers lead sustainable lifestyles.</p> <p>2016/17 milestone: Our store staff who give advice to customers are trained on sustainable home products and services so they can help customers make more sustainable choices.</p>	<p>We train our buyers on our Sustainable Home Product Guidelines, and as part of the development of our unified range our sustainability experts are running training sessions for their colleagues in product development. More work is needed to roll out training to all relevant employees in every operating company.</p>	 Not on track to milestone
Suppliers & partners		
<p>Ethical sourcing 2020 target: All suppliers will meet or exceed our ethical and environmental standards.</p> <p>2016/17 milestone: High priority suppliers of own brand/ exclusive brand products will meet or exceed our ethical and environmental standards.</p>	<p>We sourced from 2,167 critical suppliers including 1,028 factories and 1,139 suppliers of own and exclusive brand products in 2015/16. The majority of products sourced directly from factories are own and exclusive brand products. 52% of these suppliers and factories have had an on-site audit in the past three years and 5% a desk-top assessment. Eight potential suppliers or factories were not accepted in 2015/16 because they failed to meet our ethical sourcing standards. 308 factories (77% of factories audited) were required to implement a corrective action plan in relation to ethical sourcing requirements following an audit in 2015/16.</p>	 Not on track to milestone
<p>GNFR contracts 2020 target: Key GNFR contracts will meet or exceed our sustainability standards.</p> <p>2016/17 milestone: Process established to apply our sustainability standards to key Goods Not For Resale (GNFR) contracts.</p>	<p>During 2015/16, we integrated sustainability criteria into the request for proposal process for a number of GNFR contracts including print and paper for customer marketing. We are also working closely with GNFR suppliers in areas such as clothing, and cleaning and security services to ensure they comply with the requirements of the UK's Modern Slavery Act.</p>	 Not on track to milestone
<p>Supplier footprint 2020 target: Require our top 40 suppliers to develop a waste, carbon and water reduction plan by 2020, towards delivering a 50% impact reduction.</p> <p>2016/17 milestone: 50% of our top 40 suppliers have demonstrated that they have waste, carbon and water reduction plans in place towards delivering a 50% impact reduction by 2020.</p>	<p>From 2016/17 we will be engaging with our largest group vendors, including suppliers for our unified ranges, to help them put in place waste, carbon and water reduction plans. This target was revised during 2015/16 and we will begin reporting progress next year.</p>	N/A

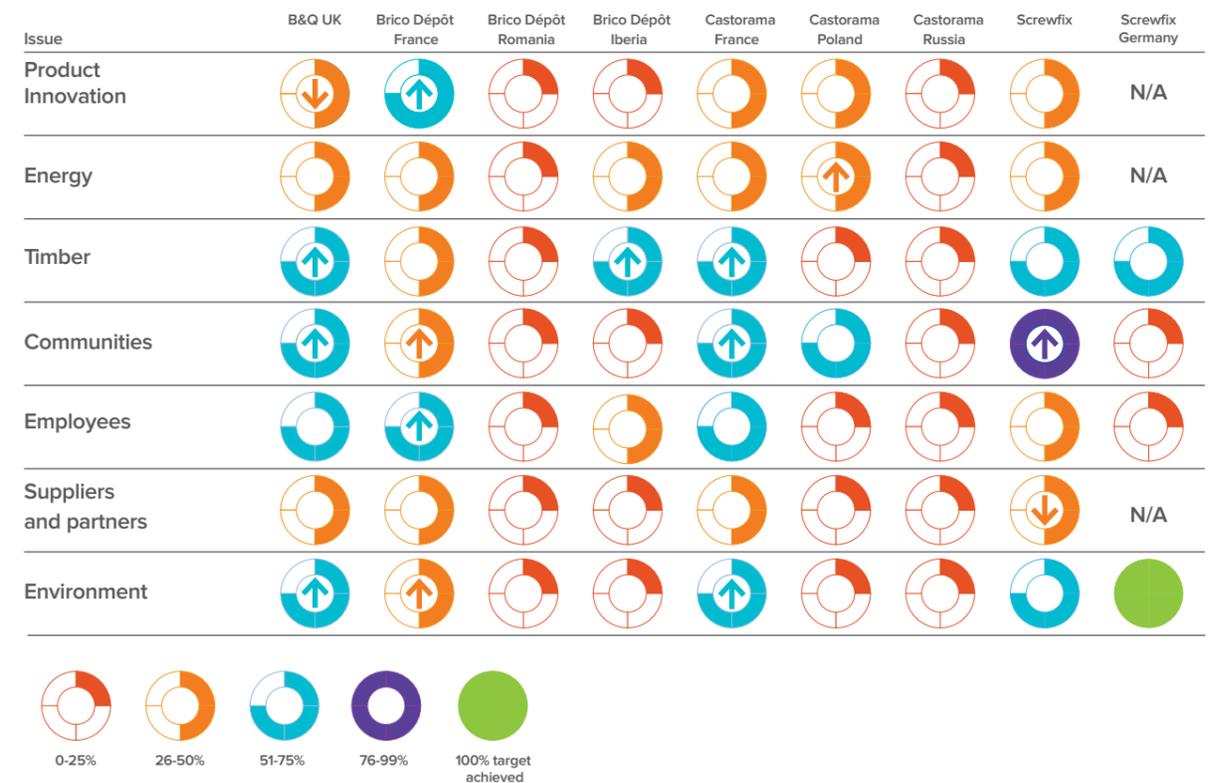
TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
<p>Ethical conduct 2020 target: Maintain the highest standards of ethical business conduct through ongoing implementation of, and compliance with, the Group Governance Manual and Code of Conduct.</p> <p>2016/17 milestone: Operating companies to demonstrate robust reporting and compliance with the Group Governance Manual and Code of Conduct.</p>	<p>Our companies' reporting and compliance procedures include: the appointment of a senior compliance officer in each company; training for relevant employees; raising awareness of our whistle-blowing procedures; and integration of the Code of Conduct into employee and supplier contracts. We have a compliance network for our operating company compliance officers to share information and best practices. Our milestone has been achieved at all our companies with the exception of Brico Dépôt Romania.</p>	 On track to milestone
<p>SRI Indices Target 2016/17: Kingfisher to maintain its position in key SRI indices and corporate responsibility ratings.</p>	<p>We participate in a number of SRI indices and corporate responsibility ratings and maintained an above average ranking in these surveys during 2015/16, in line with best practice. These are the Dow Jones Sustainability Index, FTSE4Good Index, CDP Carbon Disclosure Project and CDP Forest Programme.</p>	 On track to target
<p>Sustainability accounting Target 2016/17: Calculate and account for the impact and value of our sustainability strategy to the business and communicate this to investors and employees.</p>	<p>We measure the financial impact of our sustainability strategy in key areas, including sales of sustainable home products and cost savings associated with increased recycling, installation of energy efficient LED lighting, and energy efficient IT. We no longer plan to develop an overall metric for calculating the impact of our sustainability strategy, as we don't believe the benefits would justify the time and investment required.</p>	 Not on track to target
Environment		
<p>Standardised policies 2020 target: To standardise company policies across all relevant product sustainability issues.</p> <p>2016/17 milestone: Have signed off at least half of company policies across a range of key product sustainability issues.</p>	<p>We now have in place group policies for timber, packaging and ethical sourcing and expect to publish our chemicals policy during 2016. During 2016/17 we will review our current set of policies and identify where additional policies are needed.</p>	 Achieved milestone
<p>Packaging 2020 target: Packaging on all own-brand and exclusive brand products to conform to Kingfisher packaging standards.</p> <p>2016/17 milestone: Packaging on new own-brand and exclusive brand products to conform to Kingfisher packaging standards.</p>	<p>We are redesigning our packaging, to use fewer and more sustainable materials, in line with our packaging policy. We have appointed a partner to help us collect data on packaging materials used and monitor compliance with our packaging policy. We hope to be able to report progress against our target next year.</p>	 Not on track to milestone
<p>Chemicals 2020 target: None of our Goods Not for Resale (GNFR), own-brand, unbranded or exclusive brand products and packaging will contain the chemicals of concern we have committed to remove.</p> <p>2016/17 milestone: Work is in progress to phase out, substitute or eliminate the chemicals of concern we have committed to remove from our own-brand or exclusive brand products.</p>	<p>We developed our company-wide chemicals policy in 2015 to help us phase out, substitute or eliminate chemicals covered by EU REACH. We will use a risk-based approach to identifying and phasing out chemical substances in our products, focusing on products more likely to contain chemicals of higher concern. Under our new policy suppliers will be required to provide a list of all substances found in their products, and to substitute chemicals where required by EU REACH.</p>	 Not on track to milestone

TARGET AND MILESTONE	SUMMARY OF PERFORMANCE	STATUS AGAINST MILESTONE
<p>Peat elimination 2020 target: All growing media for sale and use in our operations in the UK to be from sustainable sources ahead of the government 2020 and 2030 deadlines.</p> <p>2016/17 milestone: 65% of bagged growing media (by volume) sold in the UK to be from sustainable sources.</p>	<p>62% of UK bagged growing media (by volume sold) was peat-free, a decrease from 64% in 2014/15. This was mainly due to a number of promotional campaigns running on products containing peat. 46% of growing media used by B&Q's plant suppliers was peat free.</p>	 On track to milestone
<p>Waste 2020 target: Achieve zero waste to landfill from our own operations.</p> <p>2016/17 milestone: Recycle at least 75% of the waste we generate.</p>	<p>Our recycling rate remained at 70%, not on track for our milestone. We generated 237,780 tonnes of waste in 2015/16, an increase of 1.5% year-on-year (2014/15: 234,344) compared to an increase in sales of 3.8%.</p>	 Not on track to milestone
<p>Construction waste 2020 target: 90% of construction waste recycled in new build and major refurbishments.</p> <p>2016/17 milestone: 50% of construction waste recycled in new build and major refurbishments.</p>	<p>We are working with construction and waste management suppliers as well as landlords to increase recycling of construction waste and to improve data quality.</p>	Full data not available
<p>Water Target 2016/17: To understand the water footprint of our own operations.</p>	<p>Our water use has risen by 15% compared with 2010/11.</p>	 Not on track to target
<p>Green travel 2020 target: Demonstrate a proactive green travel programme to minimise the environmental impact of travel by employees and customers.</p> <p>2016/17 milestone: Some key actions taken on green travel to minimise the environmental impact of travel by employees or customers.</p>	<p>Our companies are developing green travel plans to reduce CO₂ emissions from employee and customer travel. These include measures to reduce unnecessary business travel, and to encourage the use of public transport, car sharing and lower carbon transport options.</p>	 On track to milestone
<p>Learning stores 2016/17 target: Every operating company to develop at least three 'learning stores' and to confirm the site for a store that champions low carbon and sustainability innovation.</p>	<p>We test out sustainable approaches to building design, construction and operation at 'learning stores' in each of our businesses. We now have 22 learning stores including three flagship stores that champion low carbon and sustainability innovation.</p>	 Not on track to target
<p>Biodiversity 2020 target: Enhance biodiversity on new build projects, major refurbishments and existing stores. Enhance biodiversity on new build projects, major refurbishments and existing stores.</p> <p>2016 milestone: Biodiversity audits and action plans to be completed for all new-build projects and major refurbishments.</p>	<p>Biodiversity audits were carried out for 7% of new-build projects and major refurbishments during 2015/16.</p>	 Not on track to milestone

WE MEASURE THE PROGRESS OF EACH OF OUR COMPANIES AGAINST OUR 53 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 (kingfisher.com/sustainabilityresources)

The up and down arrows indicate where scores have changed since 2014/15. Our performance is strongest in our largest and longest established companies – those in the UK and France, with most work still to do in our businesses in Russia and Romania. This is the first year we are reporting data for Screwfix Germany and we do not yet have data for this operating company across all our Net Positive themes.



Independent Limited Assurance Report to Kingfisher plc

KPMG LLP ('KPMG' or 'we') were engaged by Kingfisher plc ('Kingfisher') to provide limited assurance over the Selected Information described below for the year ended 31 January 2016.

Our conclusion

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

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

Selected Information

The scope of our work includes only:

- the selected sustainability performance data for the year ended 31 January
- 2016 marked with the symbol *; and
- the assertion by Kingfisher that they have followed a specified process to determine the progress towards selected sustainability targets for the year ended 31 January 2016 marked with the symbol ^Δ

included within Kingfisher's Sustainability Report for the year ended 31 January 2016 ('the Report') (together, the 'Selected Information').

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

Reporting Criteria

The Reporting Criteria we used to form our judgements in relation to the Selected Information marked with the symbol * and with the symbol ^Δ are included within Kingfisher's Data Collection Methodology Document 2016 respectively, as set out at kingfisher.com/sustainabilityresources. The Selected Information needs to be read together with the Reporting Criteria.

Inherent limitations

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

Directors' responsibilities

The Directors of Kingfisher are responsible for:

- designing, implementing and maintaining internal controls relevant to the
- preparation and presentation of the Selected Information that is free from
- material misstatement, whether due to fraud or error;
- selecting and/or developing objective Reporting Criteria;

- measuring and reporting the Selected Information in accordance with the
- Reporting Criteria; and
- the contents and statements contained within the Report and the Reporting Criteria.

Our responsibilities

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

Assurance standards applied

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

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

Independence, professional standards and quality control

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

Summary of work performed

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

- assessing the appropriateness of the Reporting Criteria for the Selected Information;
- understanding the process to determine progress towards targets through interviewing specialists in Kingfisher Head Office and Operating Company ('OpCo') teams and inspecting selected supporting documentation;
- planning and agreeing with Kingfisher

Management the scope of work and extent of testing that Kingfisher's Internal Audit function would perform. Their testing included considering the processes and controls used to report the Selected Information and agreeing a selection of the Selected Information to the corresponding source documentation. Their scope included:

- Timber (B&Q UK, Brico Dépôt France)
- Energy (All OpCos)
- Innovation (Castorama France, Screwfix UK)
- Communities (Castorama France, Screwfix UK, B&Q UK)
- Suppliers and Partners (Castorama France, KSO Asia)
- Environment (Brico Dépôt Iberia, Castorama Poland, B&Q UK)
- Employees (Castorama Russia, Brico Dépôt France, Koçtas Turkey, Brico Dépôt Romania)
- Targets (B&Q UK, Castorama France, Screwfix UK, Group)

- considering the work performed by Kingfisher's Internal Audit function, which included attending the audit close out meetings, understanding and challenging the conclusions reached and re-performing a selection of the work
- considering the data collation and validation processes at the Kingfisher Head Office level, including:
 - understanding the functionality of Kingfisher's online CR reporting system
 - considering the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors
 - re-performing a selection of the calculations and conversion factors used by Kingfisher to prepare the Selected Information
 - performing an analytical review that compared current year data against prior year data
 - reading the query logs completed by the Kingfisher Head Office team and submitted to OpCos
- reading the Report and narrative accompanying the Selected Information in the Report with regard to the Reporting Criteria, and for consistency with our findings.

This report's intended use

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

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

Paul Holland
for and on behalf of KPMG LLP
Chartered Accountants
London 20 June 2016

UNITED NATIONS GLOBAL COMPACT INDEX

We joined the United Nations Global Compact in 2014, and are committed to its 10 principles covering the areas of human rights, labour, environment and anti-corruption. This Report is our second Communication on Progress against the Global Compact Principles, covering our financial year 2015/16. This table summarises our approach and shows where information on our targets and progress for each principle can be found in the report:

PRINCIPLES	SUMMARY OF APPROACH	LOCATION IN REPORTING
Human rights and labour		
Principle One Businesses should support and respect the protection of internationally proclaimed human rights; and	We take steps to protect the human rights of people affected by our business, including employees and suppliers.	Human rights, page 56.
Principle Two make sure they are not complicit in human rights abuses.	We have clear policies on human rights and labour standards including our Code of Conduct, our Ethical Sourcing Policy and the Kingfisher Workplace Standards. These reflect international human rights frameworks including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.	Suppliers & partners, page 44. Ethical conduct, page 46.
Principle Three Businesses should uphold the right to freedom of association and the effective recognition of the right to collective bargaining;		Inclusion and diversity, page 38.
Principle Four the elimination of all forms of forced and compulsory labour;	We support the introduction of the UK's Modern Slavery Act. We are reviewing our processes and procedures to ensure we comply with its requirements and will report on our approach during 2016/17.	Health and safety, page 41.
Principle Five the effective abolition of child labour; and	We respect the rights of our employees and suppliers in areas such as freedom of association, the right to collective bargaining, no child labour or forced or compulsory labour. We work to eliminate discrimination and to promote diversity in our workforce and take steps to protect the health and safety of employees, customers and contractors. We have an ethical assessment and audit programme for supplier factories which covers human rights and labour standards. We set targets and report our progress annually.	
Principle Six eliminate discrimination in respect of employment and occupation.	Employees can report concerns via our independently managed hotline. The number of open and resolved cases and the outcomes are reported to the Audit Committee of the Board of Directors. We also run an online reporting system for vendors.	

PRINCIPLES	SUMMARY OF APPROACH	LOCATION IN REPORTING
Environment		
Principle Seven Business should support a precautionary approach to environmental challenges;	We aim to be restorative to the environment, going beyond zero impacts to create positive change. We have identified the issues of sustainable innovation, energy and timber as most significant for our business and are also reducing our impacts in areas such as waste, transport, packaging, water, chemicals and biodiversity. We have set ambitious targets and report progress annually. Our approach is summarised in our Sustainability Policy.	Product innovation, page 12. Energy, page 18. Timber, page 26. Environment, page 49.
Principle Eight undertake initiatives to promote greater environmental responsibility; and		
Principle Nine encourage the development and diffusion of environmentally friendly technologies.	We focus on reducing the environmental footprint of our products while enabling customers to create more sustainable homes. We are also cutting the environmental footprint of our own operations. We support a precautionary approach as illustrated by examples such as our decision to remove pesticide products containing certain neonicotinoid chemicals that are thought to contribute to bee decline, across our global operations.	
Anti-corruption		
Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	We will not tolerate bribery or corruption in any form. Our Code of Conduct explains our approach and helps us to comply with regulation such as the UK's Bribery Act. To implement the Code, our companies have established reporting and compliance procedures including the appointment of a senior compliance officer in each company, training for relevant employees, raising awareness of our whistle-blowing procedures for employees and suppliers and integration of the Code of Conduct into employee and supplier contracts. All employees whose location or role poses a potential corruption risk must complete our anti-bribery and corruption training module. We have a target on ethical conduct and we monitor compliance with our standards through our internal audit programme and annual self-certification process.	Ethical business conduct, page 46.

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

Véronique Laury
Chief Executive Officer

FIND OUT MORE

Our sustainability website
kingfisher.com/sustainability

Annual Report and Accounts
annualreport.kingfisher.com/2015-16

Sustainability Report Appendix – Detailed Performance
Data and Sustainability Data Collection Methodology
kingfisher.com/sustainabilityreport

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

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

Castorama Poland
castorama.pl/castorama/odpowiedzialnosc-spoleczna/raport-odpowiedzialnosci-spolecznej

GET IN TOUCH

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



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