Chemical substances in products, Policy and Management tools
Cover today...

♦ Introduction and my role explained
♦ Kingfisher Plc at a glance
♦ Corporate Social Responsibility (CSR) credentials
♦ Chemical regulations and policy
♦ Investment and tools deployed
♦ Key learning's, challenges and solutions
♦ Q&A.....

Paul Ellis  -Quality Regulation Manager
Introduction and my role…

Responsibilities…..
– Development of Chemical management strategy
– Implementation and management of strategies
– Lobbying for or against, proposed regulations in Europe
– Driving common approaches to EU regulations among the group
– Policy “policeman”

Paul Ellis  -Quality Regulation Manager
Kingfisher – Global retailer
## Kingfisher at a glance

<table>
<thead>
<tr>
<th>Our brands</th>
<th>Country</th>
<th>Brand</th>
<th>Market position</th>
<th>Store numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="#">B&amp;Q</a></td>
<td>UK</td>
<td>B&amp;Q</td>
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<td></td>
<td>Screwfix</td>
<td></td>
<td>145</td>
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<tr>
<td><a href="#">Castorama</a></td>
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<tr>
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<td>Brico Dépôt</td>
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<tr>
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<td>China</td>
<td>B&amp;Q</td>
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<tr>
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<td>Ireland</td>
<td>B&amp;Q</td>
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<td></td>
<td>Spain</td>
<td>Brico Dépôt</td>
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<td>Russia</td>
<td>Castorama</td>
<td>3</td>
<td>8</td>
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<tr>
<td></td>
<td>Turkey JV</td>
<td>Koçtaş</td>
<td>1</td>
<td>21</td>
</tr>
</tbody>
</table>

Paul Ellis - Quality Regulation Manager
A strong business in an attractive sector

• Home improvement is an attractive market…
  – Good demand (nesting/improving is a long-term trend)
  – Buying scale (similar product worldwide and fragmented supply)
  – Defensible market (against internet, grocers and specialists)

• Kingfisher is clear European leader…
  – 833 stores in eight countries
  – 80,000 employees, six million customers served every week
  – Value brands but with broad consumer appeal
  – Leading “green” credentials
  – Deep pool of international management talent

Paul Ellis  -Quality Regulation Manager
B&Q UK

Paul Ellis  -Quality Regulation Manager
CSR Credentials

• Strong heritage developed over the last 20 plus years
• Responsible for changing the market and developing market focus, for example,
  – FSC
  – VOC
• Measures Group performance


Paul Ellis  -Quality Regulation Manager
Regulations - REACH

- **REACH**, the European Union regulation for the Registration, Evaluation, Authorisation (and Restriction) of Chemicals, replacing a number of European Directives and Regulations

- Its key central aim is to protect human health and the environment from the risks arising from the use of chemicals.

Paul Ellis - Quality Regulation Manager
Regulations - REACH

- Often described as the most “complex” regulation ever released in the EU
- Regulation driven through NGO pressure groups
- Main principle, no data no market
- Article 33 – gives the legal right to consumers to “ask” if a product contains a substance of concern
- Retailers, have 45 days to respond
- Retailers NEED to “know” what substances reside in products they sell
Chemicals Policy

- Our Kingfisher Policy (Chemicals) aims to ensure that the products we sell do not adversely affect the health of our customers, or employees, or that of the environment.
  - Was revised in 2010, to stay ahead of regulations;
  - To reflect the challenges of substance removal from our products; and
  - To respond to growing consumer concerns, about substances in products that may cause harm.

Paul Ellis - Quality Regulation Manager
Chemicals Policy – cont..

- **Restricted:** the use of this chemical is restricted by law, it maybe completely banned, or banned within certain product categories or above certain amounts.

- **Remove:** by company policy, no new products that contain this chemical will be permitted. Existing product lines will be discontinued or reformulated by a set date; existing stock will be sold through. Maximum level (unless otherwise stated) is 0.1% by weight.

- **Phase Out:** by company policy this chemical is being phased out of products. New products containing this chemical maybe be permitted, but will be assigned a 'reformulation date'. Existing products will be sold through.

- **Watch:** Suppliers must inform us of the presence of this chemical in products they supply to Kingfisher companies. They are placed on this list in order to quantify use and inform our decision on what action to take.

- [http://www.kingfisherchemicals.com](http://www.kingfisherchemicals.com)

Paul Ellis  -Quality Regulation Manager
Chemicals Management Strategy

• Investment made into development of own web based Quality Management Tool - QMT and materials scorecard

• The QMT manages ALL quality related aspects, not just chemical management

• Why?
  – allows us to have tighter controls and manage the related risks
  – existing tools, didn’t provide the flexibility to manage additional policy requirements

Paul Ellis - Quality Regulation Manager
Chemicals Management Strategy

• Early learning's
  – We quickly identified the need, to “filter” products, to minimise workload
  – Vendors, don't know if their products contained the substances of concern to us
  – However, we expected Vendors too know the generic materials that make up the product
  – Our own QA technicians were unfamiliar with where to find substances

• This lead to the investment and development of the materials scorecard as it “automates” the process and removes the need to have extensive knowledge and minimises training
Materials Scorecard

• Principles of the scorecard
  – Substances are mapped to generic materials they can be theoretically found in
  – Each substance is categorised, depending upon use and given a score, known as the “theoretical” co-efficient
  – This is balanced, by test data to create a “reality” co-efficient

• The vendor completes the percentage weight distribution of their product, by generic materials

Paul Ellis - Quality Regulation Manager
## Materials Scorecard

If the overall score exceeds our benchmark, the product becomes a “suspect”

Paul Ellis - Quality Regulation Manager

KINGFISHER
**Declaration of Conformity**

No SVHC present above 0.1%

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**THE MANUFACTURER OF THE PRODUCTS COVERED BY THIS DECLARATION**

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Address</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>KINGFISHER SAFETY GOGGLES LTD</td>
<td>123 Main St, Anytown</td>
<td>UK</td>
</tr>
</tbody>
</table>

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**THE REGULATION COVERED BY THIS DECLARATION**


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**THE PRODUCTS COVERED BY THIS DECLARATION**

<table>
<thead>
<tr>
<th>EINECS Number</th>
<th>CAS Number</th>
<th>Substance Name</th>
<th>Weight (g)</th>
<th>Weight (% final product)</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>129-86-4</td>
<td>29915-65-4</td>
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<td>0.000 g</td>
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<td>200-204-1</td>
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<td>0.000 g</td>
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<tr>
<td>120-00-0</td>
<td>201-038-2</td>
<td>2-Butanone</td>
<td>0.000 g</td>
<td>Remove</td>
<td>23/12/11</td>
</tr>
<tr>
<td>120-00-0</td>
<td>201-038-2</td>
<td>2-Butanone</td>
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</tr>
</tbody>
</table>

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**Detailed Chemical composition**

This product does not contain SVHC above 0.1%

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Paul Ellis  -Quality Regulation Manager
Vendor Policy guidance

- Web-based tool, designed to allow vendors to understand policy requirements

- Provides a “guide” to where the substance can be found and the Kingfisher position

http://www.kingfisherchemicals.com

Paul Ellis - Quality Regulation Manager
Key learning's, challenges & solutions

- **Policy position**
  - Changing consumer trends, show that consumers are becoming more aware of chemicals in products, and equally more concerned about their presence.
  - Kingfisher has recognised this for many years, and learnt early on that Board support and active sponsorship fundamental, as applying a policy on chemicals in reality creates its own commercial challenges.

- **Policy application within a group of brands**
  - Kingfisher being the holding company, doesn't have a “face” to the consumer, with 5 competing brands in a competitive markets, in different countries, creates some interesting challenges.
  - The solution is to create sourcing synergies, which in turn drives the delivery of policy.
  - In addition, create a common sourcing platform, on which transparency is created.

Paul Ellis - Quality Regulation Manager
Key learning's, challenges & solutions

- **Defining Policy content**
  - Even among chemical experts, we soon discovered that it was difficult to reach a definitive conclusion on any substance.
  - The group had “chemical experts” who competed on which substances should or should not be in the policy, based upon their market.
  - To achieve a common policy, and reach common agreement on substances, we created the KCN – Kingfisher Chemicals Network.
  - The network is made up of group chemical experts, QA, commercial and policy makers.

Paul Ellis - Quality Regulation Manager
Key learning's, challenges & solutions

• **KCN – Kingfisher Chemicals Network**
  – The primary role, of the KCN, is to define the substances and the Kingfisher position for them, based upon a clearly defined criteria
  – They do this by, tracking substances, the media, scientific and NGO positions on each, relevant to their specific markets and countries
  – If seen as potential risk, the KCN member will present a business case and recommendations to the KCN, who will consider its inclusion
  – The business case, must include a properly researched commercial position’ looking at alternatives and cost for changing

Paul Ellis -Quality Regulation Manager
Key learning's, challenges & solutions

• **Investment and tools deployed**
  – We invested in custom built web based tool, the QMT, in order to manage risk and have control of our supply chain
  – The scorecard, was a key investment as it solved many challenges for us, for example removing the need for detailed knowledge of where to find substances and allowing us to focus on the real suspects
  – We felt this investment was critical to ensuring a consistent application of policy and in meeting regulation requirements

Paul Ellis - Quality Regulation Manager
Key learning's, challenges & solutions

• Vendors capability to complete scorecard
  – We learnt that, not only did vendors not know the ingredients, in some cases, they don’t know the generic materials that make up their product
  – We decided that the they should at least know the materials, and insist the scorecard is completed accurately
  – We partnered with a 3rd party, who set up a help line that verifies the vendors scorecard submission
  – Being a global business, this helpline had to be across Asia including India
Key learning's, challenges & solutions

- **Market awareness and removal**
  - In our experience, the majority vendors don’t know the ingredients of their products.
  - For those that do know, in test cases we did, it takes time to remove with no guarantee once removed the vendor won’t revert back, because alternatives are in short supply.
  - Some Vendors need support to enable them to make the removal happen, as this is mainly a technical challenge to ensure the performance of the product is not compromised.

Paul Ellis - Quality Regulation Manager
Key learning's, challenges & solutions

• **Dealing with priorities**
  – We learnt very early on, it’s better to develop processes that target “suspects”, rather than issue a long list of substances
  – Our success rate in finding suspected product dramatically increased, when we introduced the scorecard
  – You cannot deal with all the products at one time, so we focus upon those that may present the highest risk, in terms of profile to the consumer and volumes in the market
Key learning's, challenges & solutions

• **Education and training**
  – Don’t underestimate the value of training, both to the vendors but also internally
  – “Chemistry” is a specialist area which baffles the average person, so developing easy to understand, plain English guidance is a worthwhile investment in time and effort
  – Use webinars and interactive guidance for training, as you can track results and understand where the guidance works and does not work so well
  – Even with training, you can't expect the average QA Technician to fully understand, so be prepared to refresh knowledge on a regular basis
Key learning's, challenges & solutions

• **Commercial challenges**
  – Being ahead of the market, creates challenges as vendors may not see the benefits and buyers may not understand them either
  – Cost increases are always quoted and are always inflated!, so we conduct a value engineering process to help you understand costs and enable the challenge back to the vendor
  – Buyers need to understand the benefits, in terms of environmental protection, and these need to be marketed to create the market differential.
Key learning's, challenges & solutions

• **Alternative substances**
  – Case studies tell us, that vendors need technical support, in choosing suitable alternatives, as they could opt for an alternative that is even more harmful
  – Our case studies also tell us, that alternatives are in short supply, so a sustainable removal is a real challenge
  – Under REACH, substances are frequently added when evidence suggests they are harmful, this means that you need to monitor the growing number of substances, as the alternative selected may result in be classified as a harmful and restricted substance

Paul Ellis  -Quality Regulation Manager
Thank you for listening

Paul Ellis

Paul.Ellis@Kingfisher.com