

ESG REPORT FY 2022

Building **influence.** Delivering **impact.**



 **FERGUSON**

01 Together We Build Better

CEO Letter	03 →
We Are Ferguson	04 →
Engaging With Our Stakeholders	08 →

OUR FOOTPRINT

02 Our Internal Responsibility

Our Associates	11 →
Health and Safety	16 →
Inclusion and Diversity	19 →
Our Environmental Footprint	25 →
Packaging Efficiency and Solutions	30 →

A MEANINGFUL HANDPRINT

03 Our External Impact Opportunities

Sustainable Products and Solutions	33 →
Supplier Diversity	40 →
Ferguson Ventures	41 →
Our Communities	42 →

04 Governance

Corporate Governance	48 →
Board Management and Composition	49 →
Q&A With Denise Vaughn, Vice President of ESG	51 →
Shareholder Engagement	52 →
Regulatory and Risk Oversight	52 →
Managing a Responsible Supply Chain	56 →

05 Data and Frameworks

United Nations Sustainable Development Goals	58 →
ESG Data	59 →
Ferguson SASB Disclosure Matrix: Multiline and Specialty Retailers and Distributors	61 →
TCFD	64 →
Raters and Rankers	64 →

Table of Contents

Together We Build Better

In this section

CEO Letter [03 →](#)

We Are Ferguson [04 →](#)

Engaging With Our Stakeholders [08 →](#)





CEO Letter

We are proud to present Ferguson's ESG Report for FY 2022, which communicates our company's ongoing commitment to responsible conduct and sustainable business practices. The programs, initiatives and positive impacts detailed throughout this report are guided by Ferguson's belief that together we build better. Through our consultative approach and service-first culture, we help build more than homes, businesses, large-scale infrastructure and all the plans and systems that ensure success for our customers. We help build relationships, trust, confidence and community. Every day, our 36,000 associates across North America head to work with a shared mission to help make our customers' projects better because they worked with Ferguson.

We have always been partners in building the world for the better, and we look to strengthen our position as we move ahead on our sustainability journey. In the last few years, Ferguson has responded to unprecedented change and embraced our role as a trusted project advisor. While we are proud of the momentum we have built thus far, our associates remain dedicated to responding to the needs of our many stakeholders.

At Ferguson, we celebrate the challenge of complexity and make it our mission to solve for it across every industry we serve. Whether you are an associate, a customer, a supplier, a shareholder

or a neighbor, Ferguson places tremendous value on the relationships we build. Those relationships make our company truly special.

We continue to make progress against our environmental, social and governance priorities, and we have a great opportunity ahead to help transform the company in which we work, the industries in which we operate and the world in which we live. We are excited to share details of what we have accomplished since publishing our inaugural ESG report for FY 2021 and where our priorities lie for both the near- and long-term.

Beginning this year, we will align the publication of our sustainability reporting with our financial reporting to streamline our disclosure practices. We have laid the foundation to begin piloting fleet electrification solutions and are continuing to help our customers meet their sustainability goals. Our Inclusion and Diversity program has gained momentum with new development programs for women and people of color, and through Ferguson Cares, we continue to make progress in expanding access to clean water and sanitation, quality housing and ensuring a workforce of skilled trades professionals. These efforts are built on a foundation of strong governance that ensures we remain focused on driving long-term shareholder value and always maintain ethical and compliant business practices. Our favorable ratings from organizations like MSCI, Sustainalytics and CDP illustrate our dedication to consistent sustainability performance and the progress we continue to make. We embrace the opportunity to do our part to influence a greener, healthier, safer and more sustainable future.

Every day, our associates maintain an unwavering commitment to each other, our customers and our neighbors. Alongside the community of builders we serve, we work to transform our world. We are trusted partners with the scale to provide peace of mind. We bring water where people need it. We help keep people warm, sheltered and safe. We can walk down any street and see the impact we deliver.

Ferguson's success is a testament to our diverse and distinguished history. For nearly 70 years, we have grown our business from a local distributor to a \$29 billion company with more than 1,700 locations across North America. Our handprint touches almost every aspect of our customers' work and brings positive impacts to our communities. And we are honored to play our part. We build relationships. Trust. Confidence. In a world that grows increasingly more complicated, we possess the knowledge, expertise and technology to help structure projects for success. We build intelligently, profitably and sustainably.

Together with our associates, customers and partners, we are shaping the future of the built world. We are building the world we all want by ushering in the change we all need.

Thank you for your partnership,

Kevin Murphy, CEO

We Are Ferguson

As a leader in our chosen markets, we leverage our associates' unique expertise to help make our customers' complex projects simple, successful and sustainable.

Our purpose

Our purpose is to serve as a trusted supplier and partner to our customers, providing innovative products and solutions to help make their projects simple, successful and sustainable. Our associates are the driving force of our business and a key differentiator in how we achieve our purpose and create value.

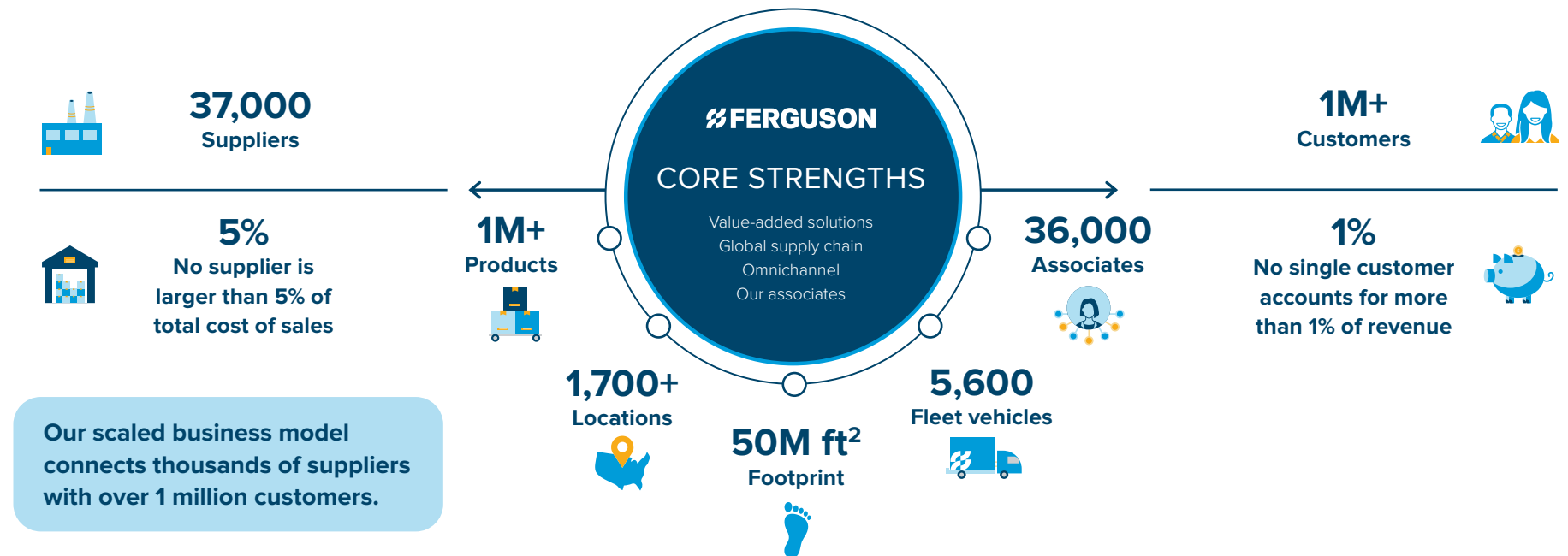
Corporate profile

Ferguson is a leading value-added distributor in North America providing expertise, solutions and products from infrastructure, plumbing and appliances to HVAC, fire, fabrication and more.

Our company

We deliver value through customer focus.

With more than 1,700 branches spread across the U.S. and Canada, Ferguson is a North American business. But we're a local business, first. In the U.S., our locations are within 60 miles of 95% of the population. We build long-term relationships with our customers by providing a valuable experience, in branch or online, that is rooted in exceptional service.

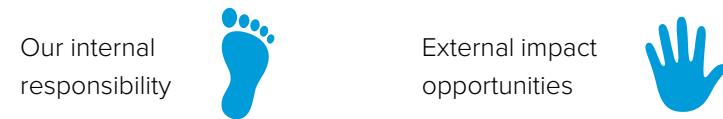


Our vision for sustainability

Our vision for sustainability shares our holistic approach to what we are trying to achieve and how we will achieve it. We have chosen to structure this report in alignment with our vision, to illustrate how our priority Environmental, Social and Governance (ESG) topics are truly integrated into our business.

Our vision begins with our internal responsibility, our footprint. We are dedicated to minimizing the environmental impact of our operations and fostering a culture that is safe, inclusive, accepting and engaging for our associates.

Beyond the scope of our operations, we are committed to a meaningful handprint, driving sustainable product innovation and helping our customers achieve their sustainability goals. Our people, expertise and position within the value chain create positive impact opportunities for our customers, suppliers and local communities. As a company, we embrace the opportunity to extend a hand, leave our mark and help build a better world.



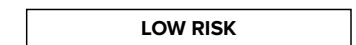
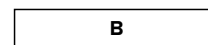
Our internal responsibility

External impact opportunities

From our footprint...through a meaningful handprint, we help build a better world.

ESG framework

Ferguson's Board-approved ESG Framework is guided by our vision for sustainability and provides our sustainability strategy with a structure that informs our actions. Our ESG Framework reflects Ferguson's priority ESG issues identified through our risk management analyses, stakeholder priorities assessments and the guidance and methods provided by the Sustainability Accounting Standards Board (SASB), considering all issues relevant to Multiline and Specialty Retailers & Distributors industry **standards (www.sasb.org). It comprises the key sustainability topics** informing and influencing our business strategy and structures our overall vision for sustainability across three key pillars: Environmental, Social and Governance. Our sustainability efforts align with the United Nations (UN) Sustainable Development Goals (SDGs) 6, 8 and 12, which reflect the areas in which Ferguson believes it can have the greatest positive impact. We have mapped these SDGs throughout this report to highlight our programs and initiatives that most meaningfully contribute to advancing each goal's objective. Learn more about the UN SDGs at sdgs.un.org.



ESG Framework

Environmental

Facilities

Energy management
Renewable energy

Products

Encourage adoption
of sustainable and
energy-efficient solutions

Fleet

Electric / hybrid vehicles

Social

Health and Safety

Associate Development
Inclusion and diversity
Human capital management

Supply Chain

Supplier compliance and
supplier Code of Conduct
Product safety
Product quality

**Community Investment /
Ferguson Cares**

Governance

Board Management and Composition

Shareholder Engagement
Shareholder rights
Executive compensation

Regulatory and Risk Oversight

Ethics / business conduct
Enterprise risk management
Information security

Privacy
Compliance with laws
and regulation





Incorporating stakeholder input into our strategy

We maintain proactive dialogue with all our stakeholders and work to incorporate their feedback and priorities into our dynamic ESG strategy. In FY 2021, Ferguson conducted a high-level [stakeholder priorities assessment](#) with a third-party consulting partner to identify, prioritize and address the sustainability issues most important to our stakeholders. Our review was designed to inform our ESG Framework, reinforce the importance of stakeholder feedback and help prioritize our ESG strategy and disclosures going forward.

Our assessment process utilized a collaborative, four-step process:

- 1. Identification of potential topics**
- 2. Internal and external stakeholder engagement**
- 3. Topic prioritization and matrix mapping**
- 4. Validation of priority topics**

The company is committed to managing its impact on society and the environment, while engaging with multiple stakeholders on related issues, including governments, consumers, business partners, investment community, associates, civic organizations, local communities and under-resourced populations.

In accordance with our [Environment and Social Sustainability Policy](#) and to help ensure that the company is aligned with the needs of its stakeholders, a refresh of the priority ESG issues that inform the company's Sustainability Program shall be conducted every three years or at the juncture of significant change to the business. The company commits to reviewing its strategies for its environmental and social programs on an annual basis to ensure continuous improvement.

Engaging With Our Stakeholders

In the last few years, our organization has responded to unprecedented societal challenges, not only from impacts of COVID-19, but also from incidents of racial injustice, rising income inequality, macroeconomic instability and the effects of weather-related events. The proactive dialogue we maintain with stakeholders allows us to better understand and identify opportunities to increase our positive impacts in areas that matter most to our associates, customers, investors and the communities we serve.

Standing for social equity

At Ferguson, we are committed to creating an environment free from discrimination and harassment, where all associates are treated with dignity and respect. To help create more equitable, inclusive and sustainable communities, we have continued to drive change and make meaningful impacts in under-resourced communities.

In FY 2022, among a variety of initiatives, we continued our partnerships with local Historically Black Colleges and Universities (HBCUs), provided impact grants to equity-focused nonprofit organizations and centered the efforts of Ferguson Cares on expanding fair and adequate access to water, housing and decent employment. In addition, Ferguson associates, led by our Business Resource Groups (BRGs), played an active role in expanding our inclusion and diversity (I&D) efforts both inside and outside our organization.

We are committed to challenging our partners and community leaders to look beyond a one-size-fits-all approach and addressing the evolving needs of our communities, individually.



Mental health

To support the mental and emotional wellbeing of our associates, we developed and shared a toolkit with appropriate leaders to help them recognize signs of mental health distress and when needed, provide appropriate accommodations for associates. Through Ferguson's benefit partners, we also provide mental health webinars and free counseling sessions for our associates and their families.

As part of our commitment to supporting the wellbeing of our hometown, Ferguson donated a total of \$2.5 million over two years to the Children's Hospital of the King's Daughters' Lighting the Way campaign (CHKD) to expand mental health services for children and families in the community.

“

In our current post-pandemic environment, mental health concerns and issues have reached critical levels, especially among children. Their mental health is every bit as important as their physical health. CHKD has always been at the forefront of pediatric care and our associates have relied on CHKD for decades to ensure the wellbeing of their own children. Ferguson's commitment is an opportunity for us to invest in a renowned hospital system that will pave the way for children's mental health and provide real solutions for our community.

Kevin Murphy, CEO

Extreme weather impacts

At Ferguson, we recognize and embrace our position in the value chain to support our stakeholders in adapting to extreme weather impacts and reaching their sustainability-related goals. For our most vulnerable neighbors, we focus our philanthropic efforts on expanding access to clean water and proper sanitation and providing access to shelter and affordable housing. Support in these areas will remain critical to countering effects such as decreasing water security and more prevalent and severe weather-related disasters.



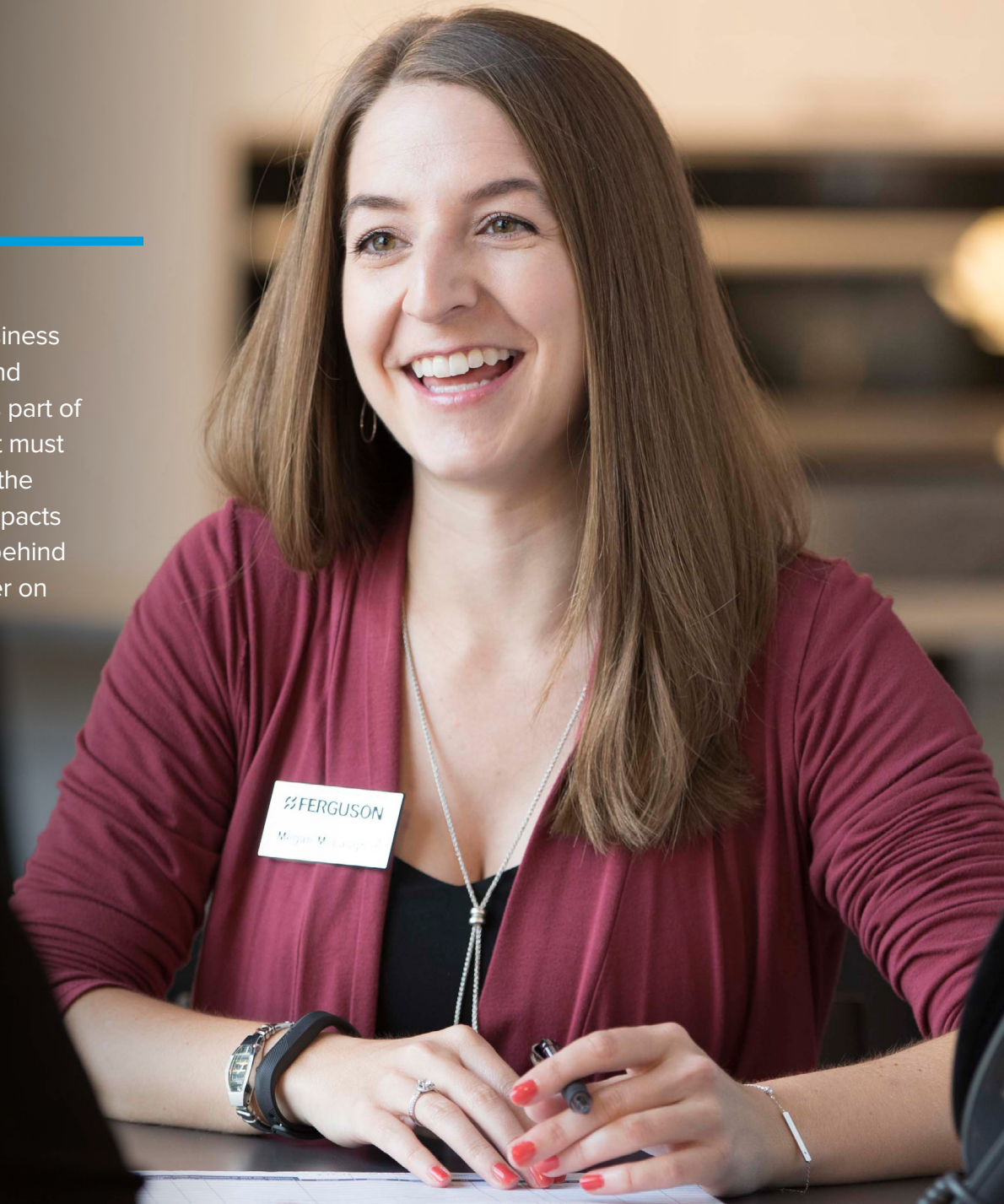
OUR FOOTPRINT

Our Internal Responsibility

Our footprint encompasses the internal aspects of our business that offer the greatest opportunities for positive impacts and change: our culture, our associates and our operations. As part of our vision for sustainability, we recognize that our footprint must be safe, inclusive, engaging and dedicated to maximizing the value we create for our customers while minimizing our impacts on the environment. Our associates are the driving force behind this effort, and they are integral in helping Ferguson deliver on our business and sustainability strategy.

In this section

Our Associates	11 →
Health and Safety	16 →
Inclusion and Diversity	19 →
Our Environmental Footprint	25 →
Packaging Efficiency and Solutions	30 →





Our Associates

Our associates are at the core of everything we do and are fundamental in helping create industry-leading services and long-term value for our customers. From the skillsets they possess to the dedication and collaborative mindset they embrace; our associates are the heart of our culture and our company.

Human capital management: attracting, developing, engaging and retaining our associates

Our company is committed to attracting, developing, engaging and retaining the best talent. Our culture and reputation depend on our 36,000 associates, who fulfill the [company's purpose, vision and values](#) and help us make progress towards our sustainability goals and objectives. A mix of internal opportunities and external hires, blended with new talent through acquisitions, allows us to broaden the experience, knowledge and diversity of our leadership teams and overall workforce.

In FY 2022, we created a strategic plan for diversity hiring, including in schools and colleges that historically serve underrepresented student populations. We implemented systems that review our job postings to ensure that we are using more inclusive language that resonates with all potential candidates. Through our diverse and inclusive hiring process, we continue to foster a culture of innovation and acceptance through differences in thought, experience and perspective.

We also encourage our associates to feel more connected to their work by engaging in community service. Ferguson Cares is introduced to our associates during the recruiting process and throughout the onboarding program. Through a variety of outreach efforts and programs, we provide our associates with the opportunity to directly contribute to Ferguson's success as a company and as a corporate citizen.

Compensation, benefits and associate wellbeing

To support our talent strategy, we design our associates' total reward packages to be as competitive as possible. We continually review the structure of our incentive programs to make sure they align with our talent attraction and retention goals, exemplify our purpose and values and incentivize our associates to take ownership of their performance. We are committed to rewarding our associates based on the delivery of business objectives, as well as outstanding individual performance.

In FY 2022, we introduced annual bonus plans for eligible hourly paid associates in the U.S. (except for our distribution centers, where a bonus plan was already in place). This addition complements the existing bonus plans we offer our salaried associates. In Canada, we enhanced our annual bonus programs for all associates in the organization with a focus on driving a performance culture and individual performance metrics along with relevant financial targets.

This year, our associates continued to go above and beyond, demonstrating hard work, service and dedication to our customers through an incredibly challenging economic environment and rising inflation.

Due to their tremendous efforts and strong financial results for our company, we continued to reward eligible associates with additional variable compensation to recognize their valuable contributions to Ferguson's success.

We care deeply for our associates' wellbeing, which encompasses physical, mental, emotional and financial needs, and we offer a catalog of resources—including toolkits, webinars and employee assistance programs—to support these needs. We added a Parental Leave Program, enabling birth and nonbirth parents to take paid time away from work to care for and bond with children new to their families.

We recognize that remote and flexible work continues to be an important aspect of our associates' careers and wellbeing. Responding to feedback from thousands of our associates about the future of our flexible work strategy, Ferguson introduced new flexible work principles across our organization for eligible roles. We support workplace flexibility and are committed to effectively and transparently managing our associates wherever they work. While doing so, we also maintain a work environment that fosters our culture of collaboration, communication and teamwork. This evolution of our remote workforce strategy encourages a more sustainable, flexible workplace for years to come.



PROGRAM HIGHLIGHT

FERGUSON SCHOLARSHIP PROGRAM

Each year, Ferguson awards a select group of children or dependents of Ferguson associates with scholarships for college or trade schools. Students can receive \$1,500 each year for up to four years. During the 2021–2022 academic year, we awarded \$90,000 to 39 students.

Associate training and development

Ferguson's business is constantly evolving, and we recognize the importance of developing superior skillsets within our organization while providing our associates with the tools and training they need to deliver value to our customers. In FY 2022, we created new programs and expanded existing ones to develop key associate professional skills by:

Investing in frontline leaders by offering two flagship development programs.

Offering advanced leadership development experiences for our senior leaders.

Launching a micro-learning library of educational content that provides associates with on-demand training to advance their skills.

Responding to associate feedback and aligning talent initiatives with our business strategy.

Executing succession planning, role movement and launching our inclusive talent pipeline process.

Providing a job-sharing program for associates in showroom consultant roles. This has promoted work-life balance for those participating while ensuring the business and customer needs are fully and continually met.

Continuing to measure engagement during and after the COVID-19 pandemic.

Customizing Leadership Development Concentration programs for three cohorts spanning two customer groups (HVAC and Facilities Supply).



In FY 2022, Ferguson's learning and development efforts featured:



6,700+

leadership essentials course completions



~3,000

inclusion and diversity learning completions



15,700+

learning modules completed

Inclusion and Diversity leadership development programs

In alignment with our Inclusion and Diversity strategy, Ferguson launched two Leadership Development Programs for People of Color in FY 2022—**LIFT** and **FORWARD**. Both programs aim to build an inclusive and diverse talent pipeline by intentionally developing key talent identified through Ferguson’s annual talent review and succession planning processes. Recognizing the unique challenges and barriers to advancement that people of color experience in the workplace, these programs are designed to provide participants with the tools, capabilities and networks needed to achieve their professional aspirations.

Over the span of eight months, participants complete individual and assigned group activities, as well as a three-day immersive workshop series covering concepts such as conveying a personalized career vision, expanding a professional network, strategic thinking and building confidence and courage as a leader. Post-workshop activities include Individual Action Plan reviews, group coaching sessions and peer network meetings.

“

Ferguson’s culture involves serving others within the community with excellence and understanding. When choosing to begin my career at Ferguson, one of the deciding factors for me was the Ferguson Cares program—all of the things the company was doing for nonprofits and for its associates. I saw myself as part of this amazing organization and Ferguson Cares, and I was excited to begin my journey in making a difference in the world.

Aaron Maldonado, Sales Leadership Program Associate

In a follow-up survey, participants reported increased understanding of the concepts covered during the workshops. When asked how likely on a scale of zero to 10 they were to recommend these programs to a coworker, participants of **LIFT** and **FORWARD** gave an average rating of 9.9 and 9.4, respectively.

Sales leadership program

Ferguson’s new Sales Leadership Program (SLP) accelerates the development journey of our early career associates by providing them with authentic experiences that engage with multiple customer groups, establish long-lasting relationships and encourage connection to our company through our values. This year, the inaugural class of associates spent part of their onboarding week framing a house alongside Habitat for Humanity. By working together across customer groups and building inclusive sales leadership capabilities, our SLP prepares Ferguson’s talent pool to fill critical frontline sales leadership roles in our organization.



Associate recognition programs

We currently have several established recognition programs, such as the President's Club, the President's Circle and the President's Gallery, where our top-performing sales associates and managers receive recognition.



The purpose of these programs is to demonstrate our appreciation for our associates and to recognize the exceptional performance and outstanding contributions they make to support profitable growth in our business. We also recognize Ferguson sales associates who consistently demonstrate exceptional performance and sales leadership through the Bob Wells Leadership Award. This award is the pinnacle of sales leadership at Ferguson and is presented only in years when we identify a candidate who embodies the attributes of its namesake, including the highest standards of integrity, honor and serving as an inspiration to others.

Training APEX award

In FY 2022, in recognition of our learning and development efforts and dedication to building a culture of Best Associates, Ferguson was awarded a Training APEX Award by Training magazine, the "industry standard for professional development, training and human resources." APEX winners are celebrated for developing and implementing the "most successful learning and development programs in the world." Ferguson's focus on redefining our leadership development framework and increasing associate engagement scores were key to earning this recognition. Our efforts are supported by our digital training infrastructure, which includes using innovative approaches to teaching content such as gamification and simulations.

“

We take our mission to provide the right development experiences to associates at the right time very seriously. To be able to deliver a high-quality experience to our associates and be recognized by an objective and valued leader in the learning and development space is a powerful indicator that we are delivering upon the value proposition of Best Associates.

Brad Barnes, Director of Learning and Development



Health and Safety

Ferguson’s success is driven by our associates, and we place a high priority on creating a safe and healthy work environment for every member of the Ferguson family. Safety is among Ferguson’s core values and remains at the forefront of our decision-making processes.

Strengthening our First in Safety culture

Our dedication to safety empowers our associates to understand their contributions to a strong health and safety culture. Our high standards for safety, expected safe behaviors and global safety rules and enforcement processes enable us to drive continuous improvement in our health and safety performance. Our safety journey is supported by a commitment from our senior leadership, strong safety engagement from all management

levels, a robust engagement program for all associates, allocation of safety resources and the deployment of dedicated safety professionals in the field. Additionally, our health and safety training encourages associates at all levels to go beyond compliance and integrate safety into their daily routines.

To support our culture, Ferguson maintains a health and safety policy that sets out our detailed minimum standards and standard operating procedures. This expectation applies to all locations, including our headquarters. We are establishing safety committees in our branch and distribution center locations with 50 or more associates to encourage greater engagement at the local level. We also incorporate safety moments before our meetings, which are brief, informal safety discussions and an important part of our culture.

“

We are building a robust safety culture by promoting the right behaviors, focusing on the foundational basics of compliance, providing the right tools and training to work safely and engaging associates at all levels in conversations about safety.

Hannah Sesay, Vice President of Health and Safety



Worksite safety

At each work site, it is critical that our associates are well-informed and resourced with the appropriate equipment and tools to protect themselves and those around them. Through continuous investment in health and safety, we strive to mitigate the risk of on-the-job injuries. For example, to improve material handling ergonomics and reduce associate injuries, we invested in self-supporting hand trucks and pallet wrap sticks for all distribution centers. We also invested in health and safety information boards to increase associates' knowledge and focus on health and safety in targeted areas.

We actively engage with our associates, promoting a strong safety culture by empowering them to make safe decisions. Ferguson's field safety organization enables more direct engagement with local branch leadership teams on health, safety and environmental issues. In the field, our Territory Safety Managers oversee areas such as material handling and training, and they also develop and execute cultural change and technical learning programs. Together, our Health and Safety associates strengthen morale and reinforce our safety culture. We depend on our associates to hold each other accountable and drive our safety culture by conducting safety observations, which serve to reinforce good safety practices.

Safety training

Associates in North America receive annual training on Expected Safe Behaviors to ensure they understand and can demonstrate them on a daily basis. Our associates also receive enhanced role-specific training through hands-on task-specific job hazard analysis training, with supervisors and trainers utilizing a Teach/Demonstrate/Evaluate approach that combines web-based instruction, practical demonstration of safe work practices and evaluation of associate competency.



~60,000

Safety observations conducted across our business during FY 2022

Our New Hire Health and Safety 30-60-90 Onboarding Training Program, launched in FY 2022, prepares each new associate in our U.S.-based distribution centers, branches and headquarter locations to conduct work safely through a structured, paced and documented learning program. Featuring a mix of onboarding modules, web-based interactive learning and hands-on, location-specific training, the program equips all new associates with the introductory safety knowledge they need to contribute to our First in Safety culture. Key aspects of the program include green, high-visibility safety vests for all new hires in field operational roles and restricted overtime during the first 90 days to reduce injury risk.





We strive to create an environment where every associate returns home in as good or better condition than when they arrived at work.

Kevin Murphy, CEO

During FY 2022, the company’s total recordable injury rate (TRIR) increased by 8% and lost time rate (LTR) remained consistent with FY 2021. While we did not see TRIR improvement over prior year, we continue to make progress overall and are confident in our strategy.

Our new onboarding training program, along with investments in ergonomic equipment, directly address the areas where we see the most injuries, and we remain committed to becoming First in Safety.

Figure 1. Company total recordable injury rate

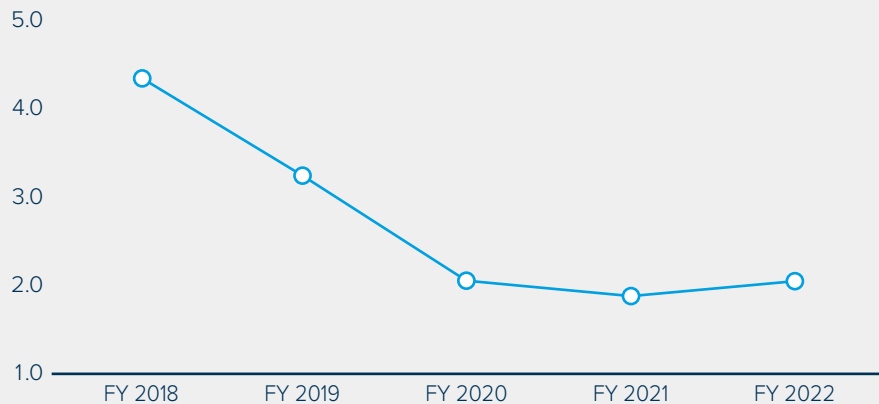
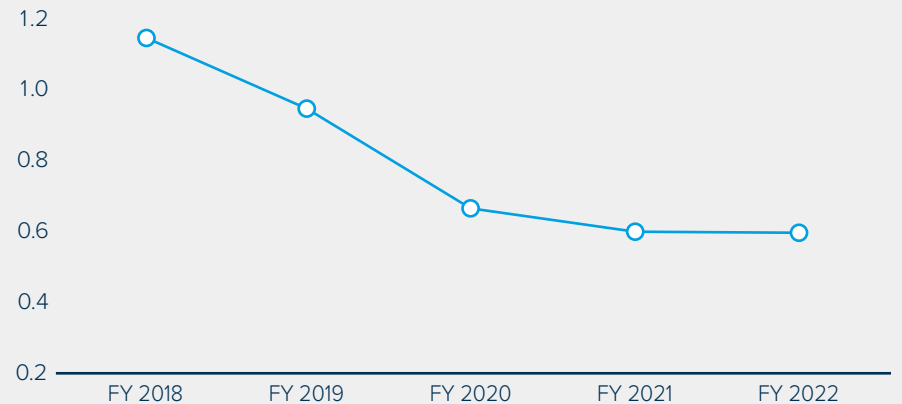


Figure 2. Company lost time rate



Total recordable injury rate (TRIR): Total number of injuries per 200,000 hours (this represents 100 associates working 40 hours per week for 50 weeks) in line with the U.S. Occupational Safety and Health Administration guidelines.

The injury number is based on associates receiving medical treatment beyond first aid that requires them to leave the workplace. The hours worked are calculated using full-time equivalent associate numbers and average days by business and assume an eight-hour working day.

Lost time rate: An injury case that involves at least one day absent following the day of an injury authorized by a registered medical professional.

Inclusion and Diversity

Passionate, diverse associates are the heart of Ferguson. Every day, our associates commit to delivering best-in-class customer service and ensuring that our customers' projects are better because they choose to work with us.

Inclusion and diversity framework

Ferguson's Inclusion and Diversity (I&D) strategy focuses our efforts around a framework of four main pillars: Attract, Develop, Engage and Retain. Our associate-led I&D Council oversees the evolution of this strategy and is responsible for aligning our I&D programs with Ferguson's [vision, mission and strategy](#).

We believe that the range of perspectives fostered by a diverse and inclusive organization gives us a competitive advantage, especially when it is shaped by a workforce that reflects the communities we help build.



Diversity of our associates

Recruiting diverse associates

Our strategic focus on I&D begins with our employment practices. We are committed to recruiting and developing a diverse workforce and strive to identify and remove any potential for unconscious bias in hiring, promotion and succession decisions. To achieve our objectives, associate decisions at Ferguson are based on merit, where the best candidates are hired and promoted within the organization and associates are encouraged and supported to be their best. Our recruitment practices factor in underrepresented groups and we insist on diverse candidate slates when using executive search firms, where permissible to do so.

Supporting an inclusive working environment and developing associates

Ferguson aims to support an inclusive working environment for all the communities represented within our company. Celebrating our differences enables us to learn from each other, and we remain committed to listening, learning and doing more to advocate for inclusion, diversity and acceptance within our organization and our communities. For example, this year we introduced a non-binary designation for our associates' profiles in Workday. Ferguson's culture is one where all associates are expected to be treated with dignity, fairness and respect. We strive to develop our associates to help them reach their full potential and champion engagement initiatives so that our associates can feel welcomed and valued.

ASSOCIATE SPOTLIGHT



JASMINE WASHINGTON

Jasmine Washington, the newest member of Ferguson's Inclusion and Diversity team, joined the company in 2022 and plays an integral role in our strategy to develop a diverse and inclusive workforce. She leads

an I&D program that is dedicated to encouraging associates to reach their full potential and creating an environment free from discrimination and harassment, where all are treated with dignity and respect. She leverages her expertise to ensure we are creating an environment where our associates can bring their true, authentic selves to work, and where all are treated with dignity and respect.

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Ferguson associates are open to having a conversation, which I think is important. When we're talking about change around inclusion and diversity, I think the willingness to learn has to be there, and I see that in our associates.

Mentorship programs

We believe in the value that mentorship can have in developing a new generation of bright minds. In collaboration with EmpowHER, our Women’s Business Resource Group (BRG), we piloted a program for members of Ferguson leadership to provide mentoring to associates seeking to develop knowledge and skills in corporate leadership. The program has been well received by our associates and involvement has been expanding rapidly throughout our organization. EmpowHER is also helping to mentor the next generation of female leaders beyond our organization by partnering with Old Dominion University, alongside other local business partners.

Unconscious bias training

Educating our people on critical I&D topics is a key part of how we are strengthening our culture of inclusion and acceptance. We offer our leaders and associates specific training focused on recognizing and removing unconscious and unintentional bias. The Executive Committee has participated in multiple highly interactive inclusion and diversity experiences and our senior leaders and people managers completed unconscious bias training. We continue to offer unconscious bias training via an on-demand option to all associates.

PROGRAM HIGHLIGHT

IMPACT GRANTS

In collaboration with our BRG Advisory Team, Ferguson Cares donated \$250,000 to 10 small, grassroots nonprofits dedicated to addressing equity in our communities. Among our grant recipients was the Virginia Peninsula Chapter of the 100 Black Men of America, Inc. Chartered 31 years ago, the chapter is dedicated to mentorship, health and wellness, economic empowerment and education. It has mentored more than 1,000 youth, distributed approximately \$500,000 in scholarships to deserving students and conducted countless community health and wellness forums. Ferguson’s grant will be used to support several initiatives to uplift underserved youth in our hometown, along with projects and programs that further the economic development and economic independence in our underserved communities.





PROGRAM HIGHLIGHT

CONTINUING OUR PARTNERSHIPS WITH LOCAL HBCUs

Ferguson's partnerships with Norfolk State University (NSU) and Hampton University (HU), two Historically Black Colleges and Universities (HBCUs), are an opportunity for us to provide diverse students with business development education, internships, mentorships and other resources while investing in our talent pipeline. In just one year of partnership, our support for these universities has grown far-reaching—Members of Ferguson's technology leadership team serve on the advisory boards of Hampton University's School of Engineering and Norfolk State's School of Business.

In Ferguson's technology intern class this year, 30% were students from HBCUs. Our IT team also partnered with NSU to donate over \$25,000 in computers to students in underserved communities around the school's campus.

In recognition of our collective efforts, Ferguson was selected by the U.S. Black Engineer and Information Technology (USBE&IT) magazine as a 2022 Top Supporter of Historically Black Colleges and Universities. Top Supporters are companies and government agencies considered most supportive of HBCU engineering programs and contribute to the institutional missions of these schools. Ferguson's nomination was made by Hampton University to recognize the company's efforts in our ongoing partnership, including advisory board participation and contributions, placement of interns and hosting special technology-focused events throughout the year.

EXPANDING THE INFLUENCE OF OUR BUSINESS RESOURCE GROUPS

Our Business Resource Groups (BRGs) provide our diverse associates with opportunities to find affiliation, share common experiences and strengthen Ferguson's culture of inclusion and belonging within our organization. They are also integral to our community engagement efforts, taking part in community service in close collaboration with Ferguson Cares. Through our BRG Advisory Team, our BRGs work directly with Ferguson Cares to advance I&D initiatives in our communities.

Membership in our BRGs is open to all our associates, and we are proud that our current BRG membership comprises more than 10% of our workforce and 60% of our Executive Leadership Team. Each BRG has an Executive Committee Sponsor, Chair and leadership team who are voted into their roles by group members. BRG leaders establish the group's priorities, and several initiatives are already underway to deliver support to each group's objectives.

LEAD's (Listening, Empowering and Advocating for Diversity) mission is to foster a workplace where our Black associates can thrive by bringing diverse perspectives that contribute to Ferguson's business objectives.

In FY 2022, LEAD continued to host interactive listening sessions to ensure that the voices of our Black associates are amplified. It also hosted its first-ever strategic offsite to build a go-forward plan for members and allies and launched a monthly member update.



EmpowHER's goal is to provide an inclusive environment where women achieve their professional and personal goals through support, networking, mentorship, development and empowerment.



EmpowHER is developing a new program to further connect and mobilize its regional networks. Through networking and engagement events, the program aims to build stronger interpersonal connections among associates and enable Ferguson to have more impact on communities on a local level.

Building Pride aims to create a safe, inclusive workplace that empowers LGBTQ+ members and allies to enhance professional growth and achieve organizational goals.



In June 2022, members of Building Pride joined forces with Ferguson Cares to co-host Ferguson's booth at the Hampton Roads PrideFest in Norfolk, Virginia. On a day full of inclusivity and excitement, Building Pride members at the booth participated in the celebration, built lasting connections and engaged in meaningful dialogue with members of the community.

VALOR (Veterans and Allies for Leading Organizational Results) is a dedicated community of associates with a shared passion to recognize the contributions and honor the sacrifices of those who have served and their families.



Members of VALOR seek to promote awareness, encourage gratitude and foster camaraderie and a sense of connection based on shared experiences.

VALOR is led by Jim Golini, Vice President of Residential Trade. After being discharged from the Marine Corps, Jim attended night school while working as a truck driver for a soon-to-be Ferguson acquisition. Jim's career journey at Ferguson has taken him through operations, sales and into leadership, where he now drives strategy and execution of our largest customer group.

Inclusion and diversity policy

Ferguson is committed to creating an inclusive workplace where all associates can thrive, enabling equality and promoting diversity. The key to this is creating an inclusive culture and accessible environment, where associates can reach their full potential, contribute effectively and share their unique ideas and insights. Ferguson also expects its suppliers and vendors to share its commitment relating to inclusion and to contribute to its progress.

Equal employment opportunity policy

Ferguson provides equal employment opportunities to its applicants and associates as well as growth opportunities to its associates. Ferguson recruits, hires, transfers, promotes, compensates, trains, terminates and makes all employment decisions about applicants and associates without regard to their race, color, religion, national origin, ethnicity, age, sex, marital status, lawful alien status, physical or mental disability, veteran or marital status, sexual orientation, gender identity or expression, genetic information, pregnancy or any other basis protected by law.



ASSOCIATE SPOTLIGHT



CHRIS NICHOL

Chris Nichol joined Ferguson in 2001 through the acquisition of Westburne Supply, where he served as the U.S. Corporate Controller. Since joining the company, Chris has held numerous leadership positions and currently chairs Building Pride, Ferguson's LGBTQ+ Business Resource Group, facilitating thoughtful dialogue and focused activities to drive awareness and action throughout our organization. Building Pride provides a platform for progress and engagement around inclusion and diversity within the communities we serve.

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Diversity brings creativity. It brings enthusiasm and opens minds. It makes us smarter and makes us see the world and our business in different ways. With enthusiasm and support from the top down, Ferguson has come a long way. We respect each other, and we listen to each other. It's how we do business—it's part of our fabric.

Our Environmental Footprint

Carbon reduction

In FY 2022, our combined Scope 1 and 2^[1] carbon emissions per million U.S. dollar (USD) revenue decreased by 30.7% compared to a 2019/2020 baseline (8.8 tCO₂e per million USD revenue in 2021/2022 compared to 12.7 tCO₂e per million USD revenue in 2019/2020), partially benefitting from our ability to manage and pass along product price inflation in revenue, as shown in Figure 1. The period of 2019/2020 was established as the baseline for our new Scope 1 and 2 emissions goals set by the company in FY 2021.

Our total Scope 1 emissions increased by around 4% in 2021/2022 due to increased fuel usage from goods transported. We have updated our methodology for calculating Scope 2 emissions to incorporate regional electricity grid mixes and have restated previous emissions to reflect the new emission factors. Our relative reduction in Scope 2 emissions against our baseline is due in part to more low-carbon power sources being added to the conventional grid mixes in the United States. However, to help reduce our direct emissions in the future, we will continue to drive new energy efficiency projects in our U.S. operations and plan to further integrate sustainability considerations into all new construction projects.

Our reported Scope 3^[2] emissions are generated largely by outsourced transportation partners, and our Transportation Management System streamlines and consolidates the process of collecting this data. Our U.S. outsourced transportation partners are committed to reducing their carbon emissions and improving their fuel efficiency. Our largest carriers maintain U.S. Environmental Protection Agency's SmartWay Transport Partnership status and several have received SmartWay Excellence Awards. Our growth in Scope 3 emissions was driven primarily by an increase in business travel, which has returned to 2019/2020 pre-pandemic levels.

Ferguson has partnered with an experienced environmental consultancy on strategies for decarbonizing our business. Through this engagement, we completed a Scope 3 emissions screening and learned more about our overall emissions profile, including categories like "Use of Sold Products" and "Purchased Goods and Services." Specifically, we learned that Scope 3 emissions are more significant than our own Scope 1 and 2 emissions. We also learned that most Scope 3 emissions in the "Use of Sold Products" category are attributed to the water heater, HVAC and appliance categories. These findings have influenced our strategy moving forward. Ferguson is working to establish a manageable baseline for measuring further Scope 3 emissions calculations.

[1] Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling (as defined by the U.S. EPA).

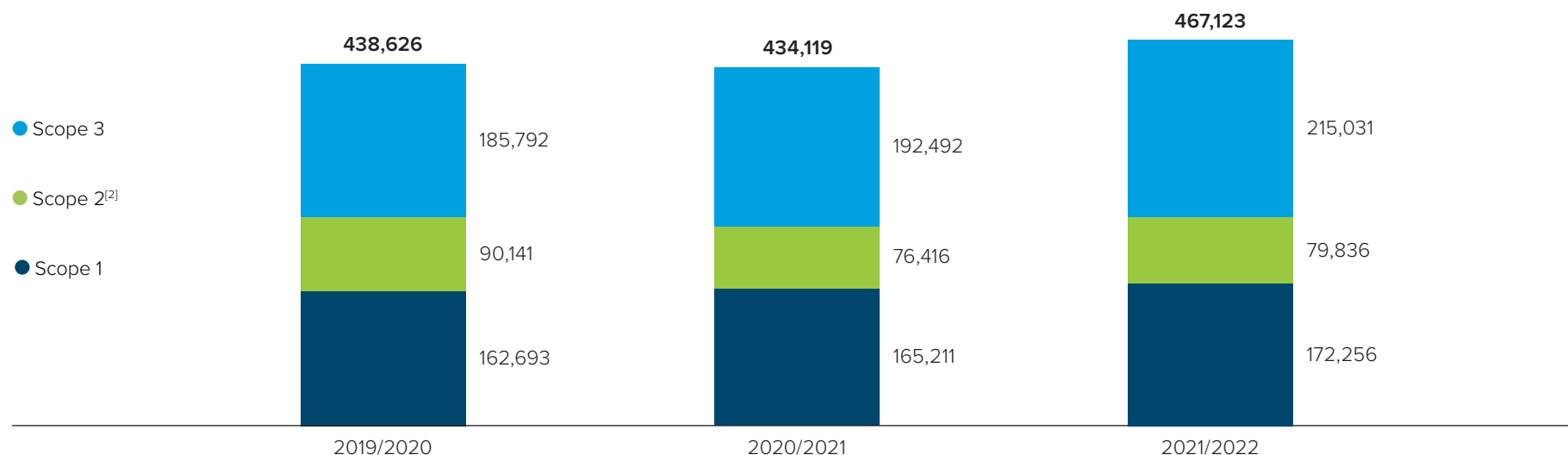
[2] Scope 3 emissions are GHG emissions resulting from activities from assets not owned or controlled by Ferguson, but that Ferguson indirectly impacts in its value chain (as defined by the U.S. EPA).



Figure 1. Metric tons of carbon dioxide equivalent (CO₂e) per million U.S. dollars of revenue

Carbon emissions	Baseline 2019/2020 ^[1]	2020/2021	2021/2022	Increase/(reduction) from 2020/2021	Total emissions reduction since 2019/2020
Scope 1 and 2 emissions intensity	12.7	10.6	8.8	(17.0%)	(30.7%)

Figure 2. Total carbon emissions (Metric tons CO₂e)



[1] The period of 2019/2020 was established as the baseline for our new Scope 1 and 2 emissions goals set by the company in FY 2021.

[2] In FY 2022 Ferguson updated its methodology for calculating Scope 2 emissions to incorporate regional electricity grid mixes and have restated previous emissions to reflect the new emission factors. Our relative reduction in Scope 2 emissions against our baseline is due in part to more low-carbon power sources being added to the conventional grid.

Our Scope 3 emissions inventory may evolve as we calculate additional emissions categories from our supply chain and/or sale of products. In FY 2022, we developed a methodology to account for emissions from Scope 3 Category 5: Waste Generated in Operations and Scope 3 Category 3: Fuel- and Energy-Related Activities, and we have retroactively applied these emissions to previous years back to our goal baseline. Following an in-depth analysis of Ferguson’s emission levels, Ferguson has laid out our roadmap for the near term, and we are committed to the following objectives:

- To reduce our Scope 1 and 2 emissions by 35% per million USD of revenue by 2026 (against a 2019/2020 baseline).
- To manage our Scope 3 emissions through supplier engagement, acknowledging that the outcome is not within our direct control.
- To help our customers meet their own carbon reduction goals through sustainable products.



PROGRAM HIGHLIGHT

CALIFORNIA FLEET ELECTRIFICATION PILOT

Through a first-of-its-kind collaboration, Ferguson has partnered with Holman, a global automotive services organization, and Electrada, an electric fuel solutions company, to pilot fleet electrification in California. This groundbreaking effort delivers a turnkey fleet management and electrification solution enabling Ferguson to deploy medium- and heavy-duty all-electric vehicles throughout California while streamlining the development of the necessary charging and energy management infrastructure. We will start to pilot electric vehicle projects by purchasing clean vehicles for our vehicle fleet via state incentives programs such as the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).

Construction of the depot-charging infrastructure is underway, and Ferguson anticipates taking delivery of the initial 15 all-electric trucks before the end of the year, with the next 15 to be delivered in 2024.

To reduce our Scope 1 and 2 emissions, we will increase the use of renewable energy across our business, incorporating on-site options, particularly at our largest facilities where appropriate. In 2020/2021, we completed Phase 1 of our lighting and HVAC upgrades which are expected to save us over 900 tCO₂e per year. Phase 2 of upgrades is under way. Fleet emissions remain a sizable proportion of our Scope 1 emissions and reductions will require accelerated conversion of our medium-duty and heavy-duty fleet to alternative low-carbon fuels, as well as improving the fuel efficiency of our fleet. Electrification technology in these vehicle classes continues to face challenges, including battery range and payload capacity, but innovation is occurring rapidly. We have formed collaborations with Holman and Electrada, as well as Ford Motor Company to pilot low carbon fleet technologies. We remain committed to continuing to improve the efficiency of our fleet and reduce our overall fuel consumption through programs such as centralizing final mile logistics and utilizing transportation route optimization software to mitigate miles traveled.

Our long-term goal remains to seek alignment with the Science Based Targets initiative (SBTi) as medium- and heavy-duty fleet technology matures. We are committed to transparency in our ESG disclosures and disclose our information in line with the recommendations set out by the Task Force on Climate-Related Financial Disclosures (TCFD).

Partnership with Ford Motor Company and U.S. Department of Energy

Ferguson is collaborating with Ford Motor Company in cooperation with the Department of Energy^[1] to place a first-of-its-kind F550 Fuel Cell Prototype Chassis Work Truck in service within Ferguson's daily fleet operations for six months. The goal of the project is to evaluate how fuel cell technology will operate within our fleet while providing usage data to Ford. By engaging in this partnership, we hope to accelerate not only our own transition to low carbon technology but also its overall development.

[1] SuperTruck 3 is an initiative jointly funded by the DOE Hydrogen and Fuel Cell Technologies Office and the Vehicle Technologies Office within the Energy Efficiency and Renewable Energy Office, and under DOE Cooperative Agreement No. DE-EE0009858.



Sustainable building management

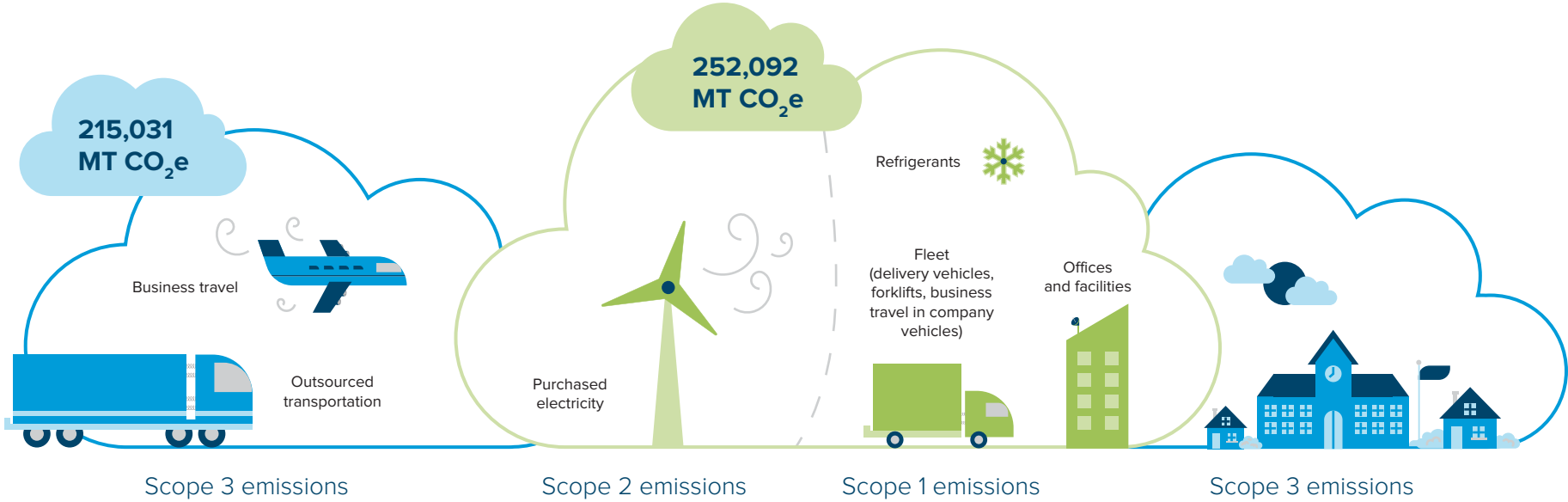
The energy-efficient management of our buildings and operations is one of the key factors in ensuring our organization maintains a lighter, more sustainable footprint.

As part of our efforts to accelerate our carbon reduction endeavors, Ferguson worked with a green building consulting firm to establish a consistent framework of sustainable design standards for our new market distribution centers (MDCs). The standards share alignment with two building certification programs, LEED and Fitwel, and incorporate a multitude of sustainability considerations, including rainwater management, heat island effect, indoor and outdoor water use, building electrification, energy efficiency, rooftop solar accommodations, use of sustainable construction materials and indoor air quality. The standards also include performing a building life cycle assessment to determine the embodied carbon of a typical MDC, as well as evaluating the feasibility of using low-carbon concrete and steel to reduce embodied carbon in future MDCs.


We are also working with this consultancy to complete energy efficiency optimizations within a diverse range of portfolios. In the latest phase of this optimization, our Centralized Facilities Management team will undertake a second phase of lighting retrofits at our central and west blended locations. This collaboration will not only help us to reach our Scope 1 and Scope 2 objectives but will also support Ferguson's ability to guide our customers in achieving their sustainability goals.

To advance our commitment to sustainable buildings, we purchased and installed a 1.1-megawatt solar array at our Perris, California, Distribution Center. The rooftop system is the first instance of Ferguson owning renewable energy converters within our distribution network and the project is expected to offset roughly 1,305 metric tons of carbon dioxide annually, equivalent to removing roughly 282 passenger vehicles from the road per year. Additionally, we purchased a solar array for our Phoenix, Arizona, Distribution Center. We are also pursuing LEED Silver certification for Phoenix, which further demonstrates our commitment to integrating sustainability considerations into our new construction. We are examining additional ways to bring more renewable energy into our portfolio.


FY 2022 greenhouse gas (GHG) emissions




← Ferguson's value stream →

Upstream 

To manage our Scope 3 emissions through supplier engagement, acknowledging that the outcome is not within our direct control.

GHG reduction objective 

To reduce our Scope 1 and 2 emissions by 35% per million USD of revenue by 2026 (versus a 2019/2020 baseline).

Downstream 

To help our customers meet their own carbon reduction goals through sustainable products.

Packaging Efficiency and Solutions

Ferguson is working to enhance the overall efficiency of our packaging solutions and reduce the amount of waste sent to landfills, in alignment with UN SDG 12. Our distribution centers recycle pallets, corrugated cardboard, shrink wrap and plastic banding. Currently, our Packaging Design team is looking at market trends and packaging materials prototypes to improve:

- Sustainability and environmental impact.
- Packaging material efficiency and cost reduction.
- Damage reduction rate of packages.



ASSOCIATE SPOTLIGHT



BRENDA ROBLES TULE

Brenda Robles Tule is a Packaging Design Engineer who recently joined Ferguson to advance our sustainability efforts through a holistic approach to packaging. She focuses on reducing cost, damage and material waste from the packaging of our Own Brand products while also aligning the operations of key internal departments. She continues to identify opportunities for Ferguson to reduce our environmental impact by increasing the use of sustainable and recyclable materials.

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Ferguson’s investment in positions like mine demonstrates our commitment to sustainability, packaging efficiency and always focusing on improving the customer experience. This is a new area of focus and tremendous opportunity for our company.



Ferguson continues to implement new packaging solutions and shipping techniques within our operations, improve packaging efficiency rates and reduce expenses associated with replacing and shipping products. We have added more PackSize printer machines to our distribution center network, which helps us use the most efficient package size for each product and reduce the amount of waste that our customers need to recycle downstream. PackSize has also lowered our product damage rates, reduced the cost of packaging materials by 61% and has streamlined our carton configuration options from four to one. This has resulted in more efficient packaging construction, reduced shipping costs and less material waste generated. Additionally, our distribution centers expanded a foam injection system for particularly fragile items in an effort to reduce overbox packaging and damage rates.

Ferguson also works with packaging specialist PacD to assist our vendors with the optimization of our packaging. Our objective is to create efficient inbound packaging from our supply chain, use consistent materials and

increase standardization and visibility of packaging quality. We plan to provide informational materials—including narratives, technical specifications, forms, templates and illustrations—to educate our vendors on optimal packaging specific to Ferguson's parts and supply chain considerations.

Good360 partnership

Through our partnership with Good360, a nonprofit organization that distributes highly needed donated goods to a diverse network of nonprofit affiliates, Ferguson gives our excess inventory a second life. Working with Good360, appliances, plumbing fixtures and lighting, just to name a few, are diverted from landfills while impacting the lives of those in need of a helping hand. In FY 2022, we jointly distributed more than 100 truckloads of needed and valuable goods. Ferguson recently donated more than \$11 million of surplus tools and goods to help support communities in need and in total, 200 nonprofits across 38 states benefitted from our donations.

A MEANINGFUL HANDPRINT

Our External Impact Opportunities

Through our consultative approach, Ferguson facilitates value-added connections between our customers, suppliers and local communities. In recent years, however, we have gained a better understanding of the unique position we hold to help build a better world across our value chain and the communities we serve. Our handprint embodies Ferguson's commitment to ensuring sustainable product innovation and helping our customers achieve their sustainability goals. By leveraging our expertise and our role as a trusted project advisor and partner, we drive meaningful change in the areas we know best while empowering our stakeholders to build better.

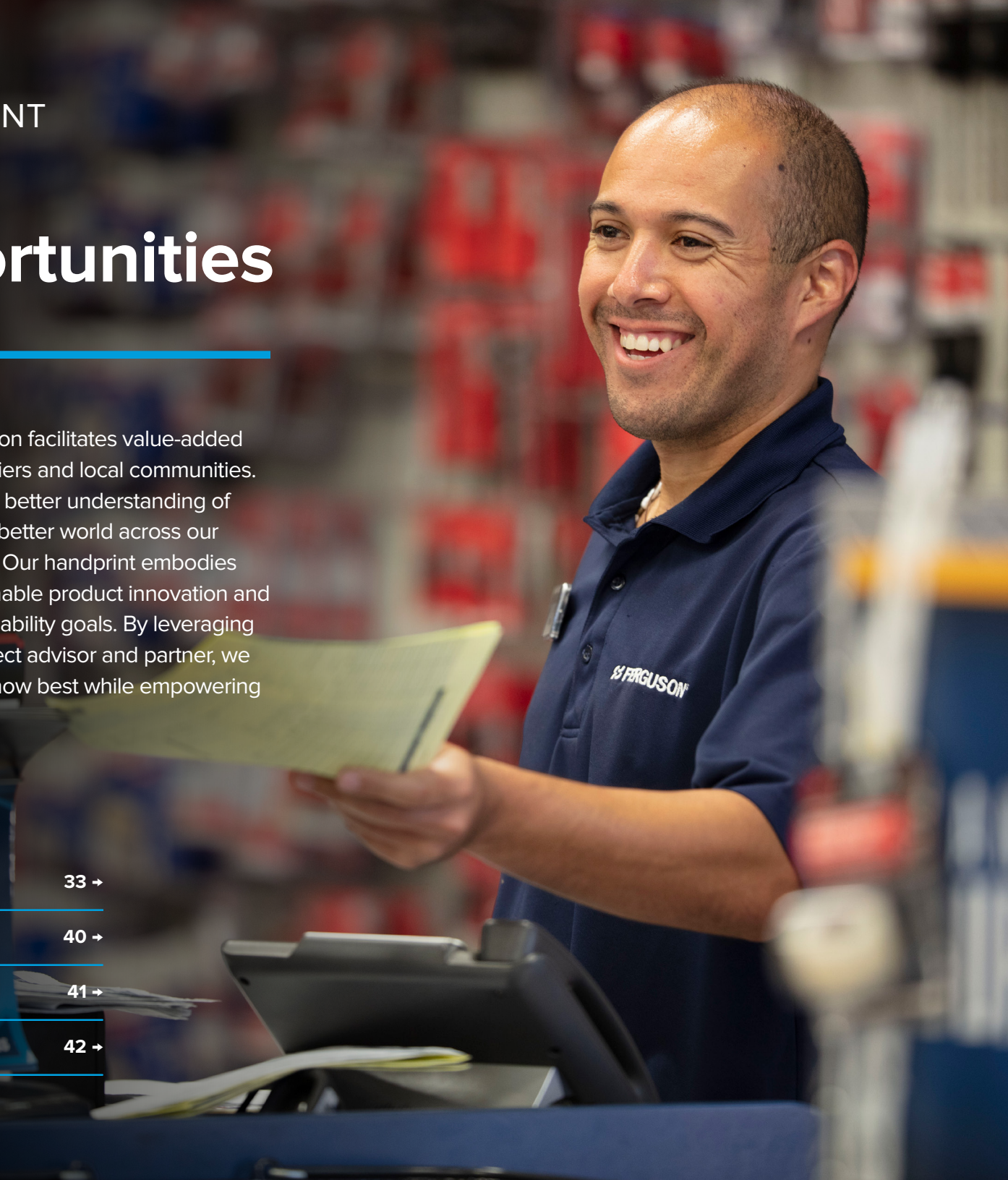
In this section

Sustainable Products and Solutions 33 →

Supplier Diversity 40 →

Ferguson Ventures 41 →

Our Communities 42 →



Sustainable Products and Solutions

We help make our customers' complex projects simple, successful and sustainable

Growing climate and water uncertainty demands that the infrastructure of tomorrow be efficient, adaptable and resilient. As an industry leader across the customer groups we serve, Ferguson is working with its supplier partners to expand the range of available sustainable product choices and to grow awareness of environmentally friendly products and solutions throughout our customer base. Through product recommendations and identification of alternative, sustainable project solutions, our associates help our customers redefine project success and meet their sustainability goals.

In tandem with our associate efforts, we are increasing the visibility of sustainable products through digital channels. By allowing customers to shop online based on sustainable attributes, Ferguson is making it easy to find the right products for any project. Our investment in the start-up Pearl Certification, a third-party certification agency, provides us with another way to help homeowners find sustainable products that add value to their homes.

In FY 2022, over \$3 billion of Ferguson's revenue was attributed to sustainable products with third party certifications, including Energy Star, WaterSense, Green Seal, ECOLOGO, EPA Design for the Environment and Forest Stewardship Council. This represents a 20% increase from FY 2021.

Building Decarbonization Coalition

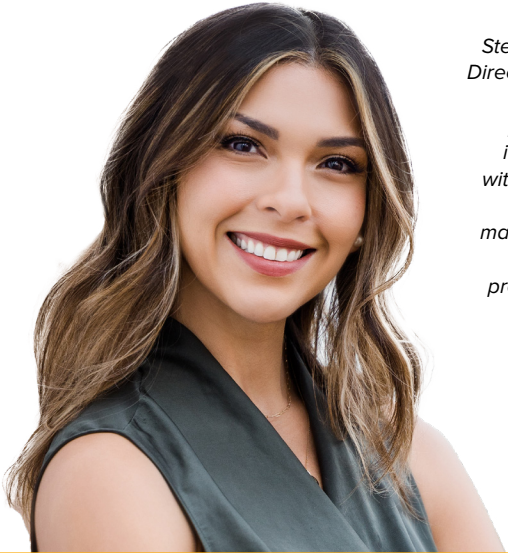
In FY 2022, Ferguson joined the Building Decarbonization Coalition, an organization that works to unite building industry stakeholders with energy providers, environmental organizations and local governments to power our nation's homes and workspaces with clean energy. The Coalition is focused on accelerating the expansion of electrification technologies and best practices, building consumer awareness and identifying and addressing challenges and opportunities through research.



Engaging with our suppliers

Ferguson works to collaborate with vendors on the innovation, design and manufacturing of sustainable products and solutions. This extends from sustainable products to sustainable packaging. Our ability to influence through a consultative process uniquely positions us to positively impact the environment, promoting products that protect and conserve water, reduce emissions and create a safer, healthier environment at home and work. We work to understand the ESG goals both our suppliers and customers have in place and how we might partner to achieve collective goals. We also pursue opportunities to connect within our industry to find new ways to educate customers collaboratively with vendors to maximize our reach.

As part of our goal to increase Ferguson’s sustainable growth, we realize that indirect Scope 3 emissions occurring throughout our value chain contribute to our overall carbon emissions as a business. We acknowledge that the outcome is not within our direct control; however, with this in mind, we are working proactively with customers and suppliers to craft an environmental product strategy that promotes products that not only improve energy efficiency but also reduce carbon emissions associated with their use.



Stephanie Vega Ziegler, Director of Environmental Product Strategy, plays an integral role in spurring innovation within our supplier base and encouraging our manufacturers to create more sustainable products and solutions.

PROGRAM HIGHLIGHT

ENVIRONMENTAL LEADERSHIP COUNCIL

As part of our efforts to further integrate ESG into our corporate goals, in 2022 Ferguson formed the Environmental Leadership Council (ELC), chaired by Director of Environmental Product Strategy Stephanie Vega Ziegler. The ELC is comprised of leaders across Ferguson’s customer groups, Ferguson Ventures, and Ferguson’s marketing and ESG teams who possess decades of combined experience driving sustainable solutions across the company and the marketplace. This group brings broad and deep industry knowledge and an incredible level of passion that will further drive our strategy. Moving forward, the ELC will influence the direction of Ferguson’s environmental areas of focus and investment approach, while providing direct access to customer insights and market trends.

CASE STUDY

EXTENDED STAY AMERICA

In FY 2022, hotel company Extended Stay America (ESA) engaged Ferguson looking for assistance in meeting their carbon emissions reduction targets. In a multi-phase project, Ferguson is developing water heater and HVAC product recommendations, which will lower ESA’s carbon footprint and introducing them to contractors who can complete installations at select pilot locations. By connecting ESA with our contractor customers, we are helping meet the needs of one customer with the services of another. Based on the carbon emission reduction results from these pilots, ESA will finalize our recommendations in a list of approved products for their regional area managers going forward. This project demonstrates Ferguson’s role as a trusted advisor, solution provider and connector in the market.



CASE STUDY

U.S. DEPARTMENT OF ENERGY ZERO ENERGY READY HOME

Inspired by sustainable home construction in Japan and high-performance homes in general, Mark Kuntz, Chief Executive Officer of Mitsubishi Electric Trane HVAC U.S., sought to build a net zero home with a reasonable cost premium to a conventional home without sacrificing on aesthetics, quality or durability. When Mark was ready to purchase the high efficiency HVAC system accessories and plumbing fixtures, his builder Imery Group directed him to Ferguson. In addition to purchasing all the parts and pieces for his HVAC system, Mark selected Ferguson's PROFLO plumbing fixtures for the home, as they met the Environmental Protection Agency (EPA) WaterSense requirements and were an affordable option. Mark wanted to show that going net zero doesn't need to cost "an arm and a leg" and is something achievable for the average homeowner. Mark's home was awarded the U.S. DOE Zero Energy Ready Home's Housing Innovation Award in 2019.

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In a net-zero home, all of the systems have to be integrated together from concept to design to final construction. It has to be a coordinated vision. Ferguson provides it all and was uniquely positioned to support our project and help us achieve our sustainability goals.

Mark Kuntz, Chief Executive Officer of Mitsubishi Electric Trane HVAC U.S.

Water is an integral part of our vision for sustainability

Water is one of the world's most precious resources, and at Ferguson, it flows through everything we do. Challenges relating to heightened water stress and other effects of weather-related events may increasingly impact the needs of our business partners and the performance standards of our products and may have considerable implications for civil infrastructure. This gives our company a unique opportunity to contribute meaningfully to a sustainable future for water. We are committed to ensuring the availability and sustainable management of water and sanitation for the communities we serve. This is how we believe Ferguson can make the most meaningful, long-term impacts for the benefit of present and future generations. Throughout this report, we highlight sections of the report with a blue water droplet to denote areas where Ferguson's engagement with our business and community partners creates **positive water impacts**—actions or initiatives that contribute to the improvement of water access, water quality or efficiency of water use in the communities we serve.



Creating positive water impacts



Water stewardship

To guide product stewardship efforts, we work with municipalities, civil engineers, skilled trade professionals and other important stakeholders to help us identify and offer a greater number of sustainable products and solutions for our customers. Considering the sustainability impacts of our inventory helps us effectively meet the needs of the ever-evolving markets we serve.

- We offer leak detection products that span both residential and nonresidential applications.
- We sell advanced metering infrastructure with robust platforms that provide real-time data on communities' water resources.
- We provide Geosynthetics and Stormwater management products and solutions that protect water resources by collecting trash and debris and filtering a range of harmful pollutants on site development and urban green infrastructure projects.
- We offer a variety of EPA-certified WaterSense products including bathroom sink faucets, high-efficiency toilets and urinals, high-efficiency showerheads, pre-rinse spray valves, landscape irrigation services and weather-based irrigation controllers.

Delivering sustainable solutions

At Ferguson, we leverage our product expertise and client relationships to help deliver green infrastructure solutions across the U.S. By recommending innovative products and highlighting potential solutions, Ferguson Waterworks supplies valuable advocacy during large, planned water infrastructure projects for a wide range of residential, commercial and municipal applications.

At the core of Ferguson Waterworks is a desire to build relationships with municipalities and take away valuable lessons on access to green infrastructure and improved water quality that can be applied across the U.S. Through our involvement in green infrastructure projects, Ferguson has delivered positive water impacts, including improved stormwater management and environmental education. As green infrastructure initiatives expand within the water industry, Ferguson will continue to work with other municipalities to deliver new sustainable opportunities.

ASSOCIATE SPOTLIGHT



CHRIS BOGDAN

Chris Bogdan is the Business Development Manager for Ferguson Waterworks Urban Green Stormwater initiative. Born and raised in Florida, Chris is passionate about protecting water. Chris has worked on green stormwater infrastructure projects throughout the Southeastern United States related to water quality and conservation. Today, Chris is focused on helping design engineers and municipalities implement green infrastructure design. He works with developers and contractors to show them how this design can improve their profitability while enhancing water quality. Internally, Chris assists in the professional development of associates and helps drive collaborations between business units and other Ferguson teams.



CASE STUDIES

Through collaborative projects involving stormwater masterplans, geosynthetic solutions, and water meter automation and metering infrastructure, Ferguson believes it can have an impactful influence when solving challenges related to clean water access.

BOAT LAUNCH AND STORMWATER IMPROVEMENTS IN WESTBROOK, MAINE



The Lincoln Street Hand-carry Boat Launch provides recreational boaters in Westbrook with direct access to more than five miles of the Presumpscot River. Stormwater runoff regularly puddled in the adjacent parking lot and carried pollutants into the river, eroding both the access path's surface and the boat launch's slope. The City of Westbrook partnered with Ferguson Waterworks to develop a plan that would increase accessibility, usability and safety in the park while stabilizing the boat launch and access path. The locally-based Ferguson team applied extensive knowledge of local regulations and green infrastructure design to provide tailored recommendations and streamline the permitting process. The team also leveraged its network of area contractors to further condense the project timeline. The end result was an attractive low impact parking lot with permeable pavers, a permeable but stable access path for pedestrians and vehicles and a regraded, stabilized boat launch to minimize erosion and create a smooth approach for paddlers.

PROTECTING THE INDIAN RIVER LAGOON IN COCOA BEACH, FLORIDA, WITH BOLD & GOLD®



The Indian River Lagoon (IRL) is a 156-mile-long impaired water body in eastern Florida, revered as one of the most diverse estuaries in the world but faced with a state of ecological crisis. To help protect the rich biodiversity of the IRL from non-point source nutrient pollution in stormwater runoff, Ferguson Waterworks supported the design and construction of a treatment train using Bold & Gold Filtration Media, R-Tank subsurface storage modules and open joint permeable pavers. This nature-based solution increased infiltration of stormwater, treated the water that made its way through the system and helped to recharge the surficial aquifer, resulting in reduced nitrogen and phosphorus levels that contribute to damaging pollution in the lagoon.

Recent acquisitions

Ferguson employs a two-pronged acquisition strategy focused on geographic expansion and acquisitions that give us new capabilities, such as the new companies below who joined the Ferguson team in FY 2022. With capability acquisitions, Ferguson brings in new products or services, associate expertise and customer relationships that we can then leverage across our platform—opening up these products and services to our more than 1,700 locations and 1 million customers to rapidly expand that offering.

Stormwater Treatment Environments, LLC

In FY 2022, Ferguson closed on the acquisition of Stormwater Treatment Environments, LLC (STE), a licensee and sub-licensor of patents and trademarks held by the University of Central Florida Research Foundation (UCFRF). STE holds the licenses for Bold & Gold® as well as subsequent generation biofiltration. This transaction provides Ferguson with broader distribution rights for geotextile products, enabling us to drive and influence the future of biofiltration media, while expanding our sustainable product offerings. Bold & Gold® Filtration Media is a biosorption-activated media (BAM) product currently sold through the Ferguson Waterworks Geosynthetics and Stormwater Management business. It is used to remove nitrogen, phosphorus, suspended solids and pathogens from polluted water.

Triton Environmental, LLC

Triton Environmental, LLC, is a full-service distributor of erosion control, containment, geotextile and geogrid products. Like Ferguson, Triton's associates use a consultative approach to customer service, ensuring project success by delivering the right value-engineered solution.

D2 Land & Water Resource, Inc.

D2 Land & Water Resource, Inc., headquartered in Indianapolis, is the Midwest's premier full-service distributor of geotextile and erosion/sediment control products. The acquisition of D2 furthers Ferguson's commitment to becoming the leading coast-to-coast distributor of geotextile and erosion control products—which is a key strategic initiative of Ferguson's Waterworks customer group.

ASSOCIATE SPOTLIGHT



ROB WOODMAN

Rob Woodman graduated in Civil Engineering from the University of Wollongong, Australia. He spent the first 10 years of his career as a design and project engineer for a private engineering consulting firm, gaining experience and expanding his knowledge of the industry on a wide variety of civil and stormwater engineering design projects for private and public sector clients throughout New England. In 2014, Rob took an opportunity to leverage his expertise in innovative stormwater and green infrastructure treatment systems and transitioned from consulting to the product, solution and innovation side of the industry. Joining Ferguson through acquisition in 2020, Rob now serves our company as the National Manager of Urban Green Infrastructure and leads a team of business development-focused individuals, engineering designers and project managers who support engineers, landscape architects and designers' on-site development and green infrastructure systems overcoming design and permitting challenges with a suite of innovative solutions.

Supplier Diversity

Maintaining diversity across our supply chain

Ferguson's Supplier Diversity initiatives provide potential business opportunities for minority-, women-, veteran-, service-disabled- and small-business-owned companies to join our supply chain. As part of our commitment to maintaining supplier diversity, Ferguson partners with various Supplier Diversity Inclusion organizations throughout Virginia and across the nation.

The Distributor Alliance Program (DAP) is a small business program sales tool of approved certified small, minority-, women-, veteran- and service-disabled-owned businesses for our customer groups to utilize. Featuring over 260 partners, DAP enables Ferguson to expand in new markets while growing our business opportunities with diverse suppliers.

Ferguson also offers aspiring leaders within our supplier network the opportunity to attend executive education programs through the National Minority Supplier Development Council (NMSDC). Through our corporate partnership with the NMSDC, we recommend high-performing individuals to help improve the performance of their respective organizations, which helps to innovate Ferguson's supply chain.



ASSOCIATE SPOTLIGHT



CATHY WILLIAMS

Cathy Williams developed and implemented Ferguson's business diversity program nearly two decades ago, expanding the company's portfolio to support certified minority-, women-, veteran-, service-disabled- and small-business-owned resellers and wholesalers. As we continue to evolve as an organization, we recognize that supporting and developing economic inclusion opportunities will help us strengthen our supply chain and grow our business to maintain our competitive advantage in the marketplace. Under Cathy's guidance, the program is growing to provide more holistic assistance to our partners, including leadership development opportunities, business operations training and eCommerce support. In addition, Cathy was selected to serve as an Executive Coach for the National Minority Supplier Development Council (NMSDC) Centers of Excellence Certificate Program (COECP), a 12-month Minority Business Enterprise (MBE) development program designed to build minority entrepreneur competitiveness through relationship building and collaboration.

Ferguson Ventures

Ferguson Ventures is the Corporate Venture Capital (CVC) and strategic partnering arm of Ferguson. Our vision is to provide innovators focused on the built world with the resources, industry expertise and capital necessary to launch transformation in the construction and services industries that will create a better future. We invest in early through late-stage companies that solve industry challenges, add value to our partners, lead in their space and scale across our customer base.



Mentoring program with the College of William and Mary

For the past four years, Ferguson Ventures has partnered with the College of William and Mary Entrepreneurship Center to provide MBA and undergraduate students with real-life corporate-venture experience.

Under the guidance of Blake Luse, Senior Director of Ferguson Ventures, students were instructed on how to research companies, identify product markets and create an investment thesis. Throughout the program the 2022 cohort was given weekly challenges to identify potential startups Ferguson could invest in or partner with that would drive our environmental focus area forward, culminating in a final investment pitch to the Ferguson ESG team.

Ferguson Ventures invests in three key areas:

- Construction evolution that drives productivity for our customers.
- Contractor efficiency.
- Emerging environmental opportunities in water and energy.

By continuing to grow our partnerships in these areas, we accelerate our business strategy and capabilities.



Greyter: In FY 2022, Ferguson engaged with Greyter on a multi-year exclusive distribution program. Greyter helps builders, developers and municipalities create water-efficient buildings and homes. By capturing

greywater, which includes water from showers and bathtubs, Greyter Water Systems can supply all the water for a building’s toilet flushing and irrigation, saving 30% in water use. Ferguson is the exclusive distributor of Greyter products in North America, furthering our commitment to provide customers with products that lower their environmental impact.



Pearl Certification: Ferguson Ventures invested in Pearl Certification—a third-party certification program that provides homeowners with the guidance and tools to select environmentally friendly products to create an energy-

efficient home. As an exclusive eCommerce partner, Ferguson will utilize Pearl Certification’s Green Door platform to connect our suppliers with homeowners seeking sustainable products. Our new collaboration with Pearl Certification directly aligns with our environmental product strategy around water conservation and energy savings and will help to construct more resource-efficient communities for homeowners and trade professionals.

Our Communities



Ferguson’s culture is grounded in our commitment to prioritize the care and wellbeing of our associates, customers and communities. Our core values and

commitment to promote positive change inspire us to create meaningful impacts through our community engagement program, Ferguson Cares. We work together with dedicated community partners to create a future that everyone can be proud of. The work done by Ferguson Cares is a major part of our goal to leave a meaningful Handprint. Our efforts focus primarily on three key areas: clean water and sanitation, housing and support of skilled trades.

Clean water and sanitation: expanding access to clean water and proper sanitation

As part of our commitment to creating water positive impacts by ensuring the availability and sustainable management of water resources, Ferguson has partnered with the U.S. Water Alliance to help build a sustainable water future for all. Through the alliance’s efforts to accelerate innovative, inclusive and integrated approaches to water stewardship, Ferguson is working to revitalize America’s water infrastructure and educate others about effective water resource management.

Ferguson is also a member of the Water Council, a nonprofit organization and global hub dedicated to solving critical global water challenges by driving freshwater innovation and advancing water stewardship.





Continuing our partnership with IWSH

Since 2019, Ferguson has partnered with the International Association of Plumbing and Mechanical Officials (IAPMO) and its charitable arm, International Water Sanitation and Hygiene (IWSH) to collaborate and develop opportunities to achieve greater impact on Water, Sanitation and Hygiene (WASH)-related issues.

Through this renewed and extended partnership, we will implement a joint strategy to provide new resources for the plumbing and mechanical industry, develop recognized thought leadership on water and sanitation issues and build social capital in the communities where we work. Ferguson, IAPMO and IWSH will focus on water and sanitation related research and WASH demonstration projects that support industry-led access projects in the U.S. These projects will target a wide range of underserved communities and will be designed to showcase the important role the plumbing industry plays in providing lifesaving services, including:

- U.S.-based Community Plumbing Challenge projects.
- Sanitation challenges in Appalachia, Alabama and on the Navajo Nation.
- A plumbing certificate training program at Navajo Technical University.
- Development of a new program delivering (and potentially installing) water treatment technologies to communities in need.

ASSOCIATE SPOTLIGHT



MELISSA HAZELWOOD, DIRECTOR SOCIAL IMPACT: A DECADE OF CARING, COMPASSION AND CAMARADERIE

Melissa leads our community engagement programs and associate volunteerism and guides our strategic philanthropic initiatives and partnerships. Through Ferguson's outreach programs and engagement activities, Melissa has been a great ambassador of our commitment to the local communities we serve. Under her leadership, Ferguson continues to focus on addressing a wide variety of social issues, including housing, the shortage of skilled trades professionals, and clean water and sanitation.

Housing: providing access to shelter and affordable housing

Rebuilding Together

Ferguson Cares works to support projects that expand access to shelter and affordable housing. As part of our national partnership with Rebuilding Together, a leading nonprofit organization for repairing homes of people in need, our neighbors in communities nationwide will receive essential home repairs. Our combined support will help revitalize neighborhoods, enabling families to remain where they love while building safer homes and communities for all.

Veterans Community Project

Through our Ferguson Cares Impact Grant program, Ferguson is helping the Veterans Community Project (VCP) build and provide transitional housing and other housing stability support in St. Louis, Missouri. Aligning with our efforts to address equity in housing, Ferguson's support will enable VCP to develop a nearly four-acre veteran campus, which will include 50 tiny houses for veterans experiencing homelessness as well as an Outreach Center to provide walk-in support services. Local Ferguson branches are also engaged, consulting on the project, providing and shipping materials to the project site and supporting other efforts such as neighborhood beautification (i.e., landscaping), food and clothing drives, fundraising events and administrative work at the outreach center.



Skilled trades: building a sustainable trades workforce

Ferguson Cares has partnered with several national organizations to help rebuild the pipeline of skilled trades professionals, which contributes to the UN Sustainable Development Goal of promoting sustained, full and productive employment and decent work for all. Alongside our partner Explore the Trades, a nonprofit organization with a mission to recruit individuals to the plumbing, heating, cooling and electrical trades, Ferguson continues to build a sustainable pipeline of skilled trades professionals in the United States. We recently donated \$300,000 to Explore the Trades to help support the creation of a new program: Explore the Trades Skills Labs, Built by Ferguson. The new learning spaces will be designed with select Ferguson products and will provide technical training for students to help develop the next generation of skilled trade professionals.

Alongside our impact grant recipient Washburn Institute of Technology, we are collaborating to make access to skilled trades training more accessible and inclusive. Specifically, Ferguson’s grant will help the school provide the tools and consumables needed for training, lowering the student’s overall cost of tuition and removing a barrier for any student wishing to enter the plumbing industry.

Ferguson Cares has also recently renewed its longtime partnership with the Plumbing-Heating-Cooling Contractors (PHCC) Educational Foundation. We donated \$25,000 to help support PHCC’s overall education efforts and Diversity, Equity and Inclusion initiatives to provide reduced-cost access to plumbing pre-apprentice courses for people from minority backgrounds interested in pursuing a career in the plumbing industry.





Our associates: the heart of Ferguson Cares

Associate-driven support to battle hunger

Our associates are passionate about serving our communities and frequently drive their own initiatives to give back. For instance, every year Ferguson associates come together to participate in an annual Turkey Trot—both virtually and in-person—to have fun and contribute to ending food insecurity in our local communities. Last year, associates helped raise nearly \$25,000 for Feeding America and the Virginia Peninsula Foodbank.

Associates in Action Month

Our associates are the heart of Ferguson Cares. They are resilient and committed to one another, our customers and our neighbors. Together, the actions and volunteerism of our associates make a meaningful impact. Ferguson's Associates in Action Month is our opportunity to celebrate the Ferguson Family going above and beyond in their commitment to each other and their communities. Throughout this company-wide month of giving, we recognize the extraordinary volunteering commitments and contributions our associates make to worthy causes.

Ferguson Cares Volunteer Service Awards

Ferguson recognizes the significant volunteering efforts our associates make through our annual Associates in Action month. Whether online, at the office or the local food bank, our associates generously donate their time and talents to worthy causes, which we feel deserves recognition. This year, we awarded 22 Volunteer Service Awards to associates who worked to strengthen their local communities alongside a \$1,000 reward for recipients to donate to the nonprofit of their choice.



This year, through nomination by our associates, John Wells, Warehouse Manager in Indianapolis, Indiana, received Ferguson's first Extra Mile Award and was named Volunteer of the Year. These awards gave John well-deserved recognition for his contributions to the American Cancer Society and cancer-related organizations, his leadership of blood drives to support the American Red Cross and his work to combat local homelessness. John creates a meaningful impact by leading warehouse associates and truly earned this award for the exemplary leadership he has shown during his tenure at Ferguson.

Ferguson Cares Branch and DC Service Awards

This year, Ferguson's Waterloo DC and Fort Myers, Florida, branch were the deserving recipients of Ferguson Cares' Community Service Awards, exemplifying what it means to be caring, compassionate members of the Ferguson family. Associates at these locations were recognized for their focused involvement in community projects and events, associate engagement with charitable partners such as Builders Care and the Northeast Iowa Food Bank and their committed and consistent volunteerism on local projects and various fundraisers. Each location received \$10,000 to donate to their community partner.



Governance

In this section

Corporate Governance

48 →

Board Management and Composition

49 →

Q&A With Denise Vaughn, Vice President of ESG

51 →

Shareholder Engagement

52 →

Regulatory and Risk Oversight

52 →

Managing a Responsible Supply Chain

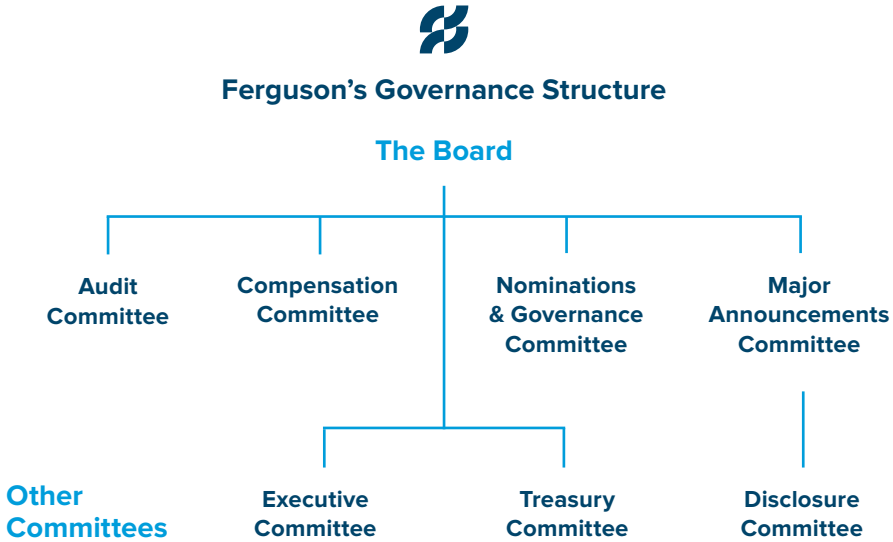
56 →

Corporate Governance

Ferguson has always taken pride in maintaining effective corporate governance that supports our core values and underpins our ability to set our overall strategic direction.

The primary responsibility of Ferguson’s Board of Directors is to ensure the long-term, sustainable success of our company. The Board sets Ferguson’s strategic direction, ensuring that strategy is aligned with our purpose and culture, and promotes and protects our interests for the benefit of all our stakeholders. The Committees of the Board support the Board in the fulfillment of its duties and take strategic decisions of a substantive nature. More details on the specific roles and responsibilities of the Board’s Committees can be found on our [website](#).

The Board has a vested interest in improving Ferguson’s ESG performance, and the Nominations & Governance Committee is responsible for providing oversight of the company’s ESG disclosure framework. Both the Board and the Executive Committee have structured their agendas to regularly receive ESG updates.



Primary listing on the New York Stock Exchange

On May 12, 2022, Ferguson successfully transferred our primary listing from the London Stock Exchange (LSE) to the New York Stock Exchange (NYSE).

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With 100% of our operations today in North America, we now have the right listing structure for Ferguson as it continues to grow. On behalf of the Board, I’d like to thank our associates, customers and investors for their support, and we look forward to the significant opportunities ahead.

Geoff Drabble, Ferguson Chairman



Geoff Drabble
Chairman



Kevin Murphy
Chief Executive Officer



Bill Brundage
Chief Financial Officer



Alan Murray
Independent
Non-Executive Director



Kelly Baker
Independent
Non-Executive Director



Cathy Halligan
Independent
Non-Executive Director



Brian May
Independent
Non-Executive Director



Tom Schmitt
Independent
Non-Executive Director



Nadia Shouraboura
Independent
Non-Executive Director



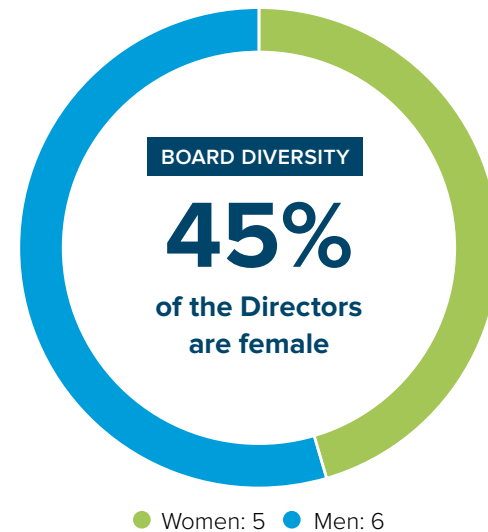
Jacky Simmonds
Independent
Non-Executive Director



Suzanne Wood
Independent
Non-Executive Director

Board Management and Composition

As of the date of this report, the Board comprises 11 Directors: the Chairman, the Chief Executive Officer, the Chief Financial Officer and eight independent Non-Executive Directors. 45% of the Directors are female, and all Directors possess strong and diverse experience that is relevant to the sector in which Ferguson operates and aligns with Ferguson’s business strategy. More details on the specific roles and responsibilities of the Board and its Directors, considerations related to Director independence, as well as the Board’s composition, succession and evaluation practices, can be found in our [Corporate Governance Guidelines](#).



Diversity of the Board

Ferguson’s Board maintains a strong commitment to advancing Inclusion and Diversity (I&D) both at the Board level and throughout our entire company, and it regularly monitors and reviews the progress of Ferguson’s I&D priorities. The Board’s formal Diversity Policy reflects our belief that diversity in the boardroom makes business sense, bringing the benefit of differences in skills, experience, background, personality, culture and work style.

In addition, the Board has set measurable objectives in support of its Diversity Policy and has achieved several of these targets.

BOARD ENGAGEMENT

Kelly Baker, Independent Director, feels passionately about staying connected to Ferguson’s associates. She is helping to foster an environment where people can bring their whole selves to work—all day, every day—to drive business results. Kelly engaged with Ferguson’s African American BRG LEAD, sharing her story and rich experiences throughout her career leading people and organizational development. She encouraged associates to recognize what sparks their energy and take control of their careers, reflecting on successes and embracing failure as fuel for learning. Her parting advice: “Never underestimate the power and importance of your voice and your perspective.”



Objective ^[1]	Status	Progress to date
To maintain a minimum of 40% female representation on the Board.	Achieved	45.5% of the Board is female.
To maintain at least one person from an ethnic minority background on the Board.	Achieved	There is one ethnic minority female Non-Executive Director.
To only engage executive search firms that have signed up to the standard Voluntary Code of Conduct for executive search firms (or U.S. equivalent).	Achieved	25% of senior management are female (20% in fiscal year 2021). We have established Inclusion and Diversity Councils and Business Resource Groups in the U.S. and Canada to promote inclusion and drive our initiatives. In addition, a female mentoring program was launched, we delivered People of Color development programs for senior management associates, and we will be rolling out a development program for senior-level female associates in fiscal year 2023.
To achieve a minimum 25% female representation among senior management by 2025. ^[2]	Achieved	During the year, Spencer Stuart was engaged in the search for the VP Brand Marketing. We work with Korn Ferry for our Non-Executive Director searches in coordination with the Nominations & Governance Committee. All firms are signatories to the voluntary Code of Conduct.

[1] All targets detailed in these objectives are aspirational in nature. Recruitment decisions are based on merit with the best candidate hired or promoted irrespective of race, color, religion, gender, age, sexual orientation, marital status, disability or any other characteristic that makes them unique.

[2] Defined as the Executive Committee and their direct reports that are included in the Company’s report to the annual FTSE Women Leaders Review. The FTSE Women Leaders Review (formerly Hampton-Alexander Review) is an independent, business-led framework supported by the U.K. Government and set recommendations in 2016 for FTSE 350 companies to improve the representation of women on their boards and in leadership positions.

Q&A With Denise Vaughn, Vice President of ESG

As Vice President of ESG, what role do you play in advancing sustainability at Ferguson?

We are fortunate to be a part of a company that believes profit and purpose are not mutually exclusive. Our team is responsible for setting our ESG strategy and ensuring our ESG priorities are integrated into our business strategy and operations. Our goal is to create long-term value for our associates, investors, customers and suppliers to have a meaningful positive impact on the world.

How is the ESG team making meaningful progress to advance sustainability at Ferguson?

We have a talented ESG team that is responsible for driving sustainability across our organization, telling our sustainability story and measuring and reporting our impact to our stakeholders. A team member recently commented that you know you love your job when you spend your free time listening to podcasts, reading and learning about what's developing in your field. This rings true for all of us.

And while we have a team that wakes up and thinks about our ESG strategy daily, every Ferguson associate contributes to our sustainability efforts, and that's why we are successful. Our people inspire and energize us. We cannot do any of this important work without our engaged and committed associates helping us achieve our targets and deliver a positive impact.

What direction do you see Ferguson taking to enhance sustainability in the next three to five years?

We will continue to ensure sustainability is integrated into our strategy and operations, and I believe in the coming years, it will become second nature. Across our organization, our associates are beginning to think more about our own sustainability goals as well as how we can help our customers reduce their impact in everyday business decisions and transactions. This will continue to expand as Ferguson evolves as a trusted partner who simplifies the sustainability journey for our customers.

We are uniquely positioned in the value chain bridging the gap between 37,000 suppliers and more than 1 million customers. And our 36,000 associates are guiding product decisions across the built world, from the ground up. It's exciting to work with our suppliers to ensure a continuous influx of innovation while helping our customers achieve their sustainability goals.

Why is enhancing social and environmental sustainability important to Ferguson's business and the future of the company and its stakeholders?

We have a great opportunity and responsibility to create positive change for our company, our industry and the communities we serve, helping to build a better world. Our ESG priorities position us to use our influence for good. We are committed to building an environment where our associates are energized by our purpose, valued for their contributions, treated fairly and equitably, and encouraged to share their ideas and feedback. And by doing so, we believe we have created a competitive advantage in attracting, developing, engaging and retaining talent.

Through our sustainability efforts, we also believe we will increase customer loyalty, expanding business for Ferguson and our valued supplier partners. Our associates have incredible passion to help make our customers' projects simple, successful and sustainable.



*Denise Vaughn,
Vice President of ESG*

Shareholder Engagement

Executive compensation

Our executive compensation framework is built on the principle that executives are only rewarded for delivering strong financial results and that executive pay is aligned with the broader stakeholder experience. We recognize the evolving expectation of some investors for ESG performance to be captured in incentives. Therefore, beginning this year, Ferguson's executive compensation framework will incorporate ESG considerations that align with the company's sustainability commitments for members of our Executive Committee. Additional information on our FY 2022 executive compensation practices and outcomes can be found in our FY 2022 [10-K filing](#) and our 2022 Notice of Annual General Meeting and Governance Disclosures.

Regulatory and Risk Oversight

Ethics and business conduct

Ferguson's governance framework is defined by standard-setting documents, including the schedule of matters reserved for the Board, each [Board Committee's charter](#), the [Ferguson Code of Business Conduct and Ethics](#), our [Corporate Governance Guidelines](#) and our other applicable policies and procedures. These documents formally describe our approach to decision-making and clearly assign responsibilities to our leadership team, enabling them to act with freedom and confidence when performing their duties. They also establish a common set of standards around behavior that align with our culture and support the Board to ensure that Ferguson continues to comply with its legal obligations.

Ferguson is committed to acting ethically in all its business activities, while remaining compliant with applicable laws and regulations. The standards that we expect of our associates and those who may work on our behalf are set out in our Code of Business Conduct and Ethics, a resource dedicated to helping our associates live by our values and follow all applicable laws, our Code and corporate policies. It also provides guidance on ethical situations where there is uncertainty over how to proceed. As part of our efforts to embody our values and company-wide culture of integrity, we require all associates, including new associates, to complete the Code of Business Conduct and Ethics training as part of their onboarding process and annually thereafter. Topics covered in the scenario-based training vary year to year and have included anti-bribery/anti-corruption, antitrust, and fraud prevention. We provide periodic compliance training to associates in certain roles through online educational resources and face-to-face instruction.



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To Ferguson, ethical conduct means going beyond the minimum standards set by laws and regulations. It's making sure that we're always doing the right thing when no one is looking. By doing this, our valued customers trust that we are honest with them in all of our dealings.

Grace C. Wu de Plaza, Group Head of Ethics



We work to ensure that a strong “speak up” culture exists at every level of our company, in which our associates feel comfortable in raising concerns and have a touchpoint for ethical dilemmas. Ferguson’s Ethics Helpline, a public-facing online portal, encourages our associates and business partners to report concerns of misconduct. In addition, the portal allows associates to ask policy or ethics questions so they can embed ethical decision-making in day-to-day operations, mitigate the legal and financial risks of serious incidents and breaches of our Code of Conduct, and drive our purpose by producing better experiences for our customers. To encourage reports and inquiries to the platform without fear of retaliation, submissions can be done anonymously. Further information on our approach to ethics and compliance can be found on [Ferguson’s Ethics Helpline webpage](#).

Among the Board’s core responsibilities are to determine the nature and extent of the risks it is willing to take in achieving its strategic objectives and to ensure Ferguson maintains sound risk management and internal control systems. During FY 2022, the Board, Audit Committee and

Executive Committee reviewed the company’s enterprise and emerging risks throughout the year. Performance data that helps inform us of our risks and corrective actions is provided directly from frontline operations, via corporate functions and independent assurance.

While ultimate responsibility for maintaining a robust internal control environment and effective risk management processes sits with the Board, oversight of the effectiveness of these systems of internal control has been delegated to the Audit Committee. During FY 2022, the Audit Committee reviewed the effectiveness of the company’s entity level controls and enterprise risk management program, including the procedures for risk identification, assessment, mitigation, monitoring and reporting, and was satisfied with its effectiveness.

Information and cybersecurity

Information and cybersecurity are fundamental to Ferguson's relationships with our business partners and our future growth and success as a company. Thus, we have a clearly defined global technology strategy and roadmap in place to protect the information entrusted to us. We believe our leadership team is well-prepared to manage and mitigate emerging cyber threats to our business systems.

IT management continuously invests in processes, resources and incremental technical defenses necessary to prepare and bolster our systems against emerging cybersecurity threats. We have in place enterprise-level compliance processes and insurance coverage, including data protection and cyber liability, as well as policies that include an Information Security Policy, a Privacy Policy and a Record Retention Policy, among many others.

Ferguson continues to invest in the technology required to ensure we are protecting our associates' and customers' information. In support of ongoing internal risk management processes, Ferguson partners with an industry-leading Security Operations Center (SOC) partner to monitor and initiate response to security risks at all times. Ferguson implemented Multi-factor Authentication (MFA), requiring all associates to be registered with MFA capabilities to add an additional layer of protection when accessing Ferguson systems. Associates will be alerted if someone attempts to access their account maliciously.

Disaster recovery systems, secondary data centers, cloud redundancy and resiliency platforms, resources and processes have been implemented to support the recovery of business-critical systems in the event of a major disaster or cybersecurity event. Testing of critical infrastructure and application systems is in place and has been consistently executed across the company.

Ferguson also invests in training and education to prevent cyber attacks. Our associates receive ongoing communication on security awareness via email, the company intranet and leadership. We also conduct phishing email campaigns to test associates on their ability to identify and respond to phishing attempts and use software to protect the assets within our environment and prevent emails that may be malicious.

The Board, the Audit Committee and the Executive Committee are regularly provided briefings on the status of Ferguson's IT-related risks, the implementation of our strategic plan and the execution of operational IT functions (e.g., relating to cybersecurity) throughout the year.

IT General Controls are independently tested by our Internal Audit team and the findings are reported to the Audit Committee. In addition, we have established a team to provide an independent review of the status and risk to delivery of the strategic roadmap.





Privacy

Our culture of integrity is demonstrated in our commitment to customer and shareholder data privacy. Ferguson takes the privacy and security of personal information very seriously, and we strive to uphold the highest standards of information protection. We aim to ensure the safekeeping of all digital information entrusted to us.

Following the adoption of the California Consumer Privacy Act (CCPA), Ferguson's relevant businesses implemented procedures and controls needed to comply with this legislation. As additional privacy laws are enacted, we continue to implement procedures and controls across our business to comply with all applicable laws.

For all shareholders, we have in place a [Shareholder Privacy Notice](#) that outlines what personal information we collect, how that information is used and what their rights are in relation to that information.

Compliance with laws and regulations

Ferguson is affected by various statutes, regulations and standards in the countries and markets in which we operate, and we strive to maintain full compliance with all applicable laws. While Ferguson is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including those related to competition, product safety, privacy and data protection of user data, labor and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation and other matters.

Since the registration of the company's shares in the United States, we are subject to additional reporting requirements of the Securities Exchange Act of 1934 (as amended), the Sarbanes-Oxley Act of 2002, the listing requirements of the NYSE and other applicable securities rules and regulations. We constantly monitor the laws and regulations governing our markets in order to minimize the effects of changes and maintain full compliance. We also align enterprise-wide policies and procedures with our key compliance requirements and monitor their implementation.

Managing a Responsible Supply Chain

In FY 2022, the Board approved the Human Rights Policy to help ensure compliance with applicable U.K. and U.S. legal requirements that prohibit forced labor, child labor or human trafficking related activities. The Policy includes requirements for all associates to adhere to the U.K. Modern Slavery Act and the U.S. Prohibition of Human Trafficking, Forced Labor and Child Labor.

Supplier Code of Conduct

Ferguson is dedicated to managing a global supply chain that is socially and environmentally responsible. To do this, we require higher risk suppliers to sign a [Supplier Code of Conduct](#) (the SCOC) (or operate under their own comparable business conduct principles) and reserve the right to terminate a business relationship with any supplier that violates any of our principles. The SCOC includes requirements for social responsibility, including human rights and labor standards, standards for meeting environmental regulations and providing safe working conditions, measures for anti-bribery and corruption and supply chain transparency. The SCOC requires suppliers to provide information requested by Ferguson related to the use of conflict minerals, as defined by Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act, in products supplied to Ferguson. Earlier this year, in accordance with the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of minerals from Conflict-Affected and High-Risk Areas and using the Responsible Minerals Initiative's (RMI) Conflict Minerals Reporting Template (CMRT), we conducted a reasonable country of origin inquiry to determine whether relevant products contain conflict minerals that originated in certain covered countries. Our conflict minerals report filed with the U.S. Securities and Exchange Commission can be found on the Securities and Exchange Commission (SEC) filings page of our [website](#). We continue to strengthen our quality control procedures for

sourcing products, and quality teams in our overseas entities continue to visit and assess our suppliers. Each business also assesses its suppliers against set criteria to provide protection to both us and our customers in the event of a product failure or breach of regulation in the supply chain.

U.K. Modern Slavery Act Statement

Ferguson is committed to extending the principles of the UN Global Compact and Universal Declaration of Human Rights to our workforce. Since 2016, Ferguson has responded to the U.K. Government's directive under the Modern Slavery Act for concerted action to tackle the occurrence of forced, involuntary and child labor in the global supply chain. Ferguson's Supplier Code of Conduct, which comprises requirements for social responsibility, including human rights and labor standards, standards for meeting environmental regulations and providing safe working conditions, measures for anti-bribery and corruption and supply chain transparency, codifies our commitment to source from ethical suppliers to ensure the products we supply are safe, reliable and manufactured by companies that share Ferguson's values of integrity and respect for the human dignity of workers. Ferguson has achieved notable success during FY 2022 to bring higher risk suppliers of its regional operations under contractual human rights commitments. Over 1,500 suppliers have contractually pledged to abstain from use of child, forced or involuntary labor in their operations, a 38% increase from FY 2021. Approximately 19% percent of these suppliers are in countries with a prevalence of modern slavery according to The Global Slavery Index^[1]. Please read Ferguson's [U.K. Modern Slavery Act Statement](#) for a detailed overview of the policies and procedures we enforce throughout our global supply chain.

^[1] This statement is exclusive of Wolseley U.K. which was sold in January 2021.

Data and Frameworks

In this section

United Nations Sustainable Development Goals **58** →

ESG Data **59** →

Ferguson SASB Disclosure Matrix: Multiline and Specialty Retailers and Distributors **61** →

TCFD **64** →

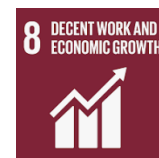
Raters and Rankers **64** →





United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of interconnected goals designed in 2015 by the United Nations General Assembly to help end extreme poverty, reduce inequality and protect the planet by 2030. Ferguson has aligned its efforts with SDGs 6, 8 and 12, as these reflect our business strategy and are areas in which we can have the greatest positive impact. Learn more about the SDGs at sdgs.un.org.





ESG Data

Metric	2021	2022
Carbon emissions		
Scope 1 GHG emissions (MT CO ₂ e) ^[1]	165,211	172,256
Scope 2 GHG emissions – location-based (MT CO ₂ e) ^[1]	76,416	79,836
Total calculated Scope 3 GHG emissions (MT CO ₂ e) ^[1]	192,492	215,031
Scope 1 and 2 emission intensity (MT CO ₂ e / million USD of revenue) ^[1]	10.6	8.8
Total energy consumed from all sources (GJ)	3,309,588	3,450,529
Percentage supplied from grid electricity	25%	24%

[1] In FY 2022 Ferguson updated its methodology for calculating Scope 2 emissions to incorporate regional electricity grid mixes and have restated previous emissions to reflect the new emission factors. Our relative reduction in Scope 2 emissions against our baseline is due in part to more low-carbon power sources being added to the conventional grid.

Metric	2021	2022
Associates		
Total associates ^[2]	32,000	36,000
Female associates	24%	25%
Minority associates ^[3]	29%	30%
Percentage of management positions held by female associates ^[4]	20%	22%
Percentage of management positions held by minority associates ^{[3][4]}	15%	16%
Associate engagement	56%	58%
Safety		
Associate Recordable Incident Rate (TRIR)	1.94	2.09
Associate Lost Time Incident Rate (LTIR)	0.61	0.61

[2] Associate accounting methodology based on total count of all management and non-management associates as of July 31, 2022.

[3] Race and ethnicity data reflects U.S. workforce only. Minority data is self-reported by associates in accordance with SASB guidelines.

[4] Management includes all positions with direct reports and is not restricted by title.



Ferguson SASB Disclosure Matrix: Multiline and Specialty Retailers and Distributors

Table 1. Sustainability disclosure topics and accounting metrics

Activity metric	Category	Unit of measure	Code	Data response or reference
Energy management in retail and distribution				
1) Total energy consumed 2) percentage grid electricity 3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	CG-MR-130a.1	1) Total energy consumed in FY 2022: 3,450,529 GJ 2) Percentage grid electricity: 24% 3) Percentage renewable: 0.15% Ferguson is beginning our journey toward increasing our renewable energy procurement. In our U.S. business, we installed a solar array for our Perris, California, Distribution Center in 2021. This rooftop system is the first instance of owned renewable energy on our distribution network and is expected to offset 1,305 metric tons of carbon dioxide annually. This reduction in greenhouse gases is equivalent to removing approximately 282 passenger vehicles from the road for one year according to the U.S. Environmental Protection Agency’s carbon footprint calculator. The U.S. business also invested in the purchase of a solar array for the roof of the Phoenix , Arizona, Distribution Center, which is expected to come online in FY 2023.
Data security				
Description of approach to identifying and addressing data security risks	Discussion and analysis	n/a	CG-MR-230a.1	2022 ESG Report — Information and Cybersecurity, pg 54

Activity metric	Category	Unit of measure	Code	Data response or reference
Workforce diversity and inclusion				
Percentage of gender and racial/ethnic group representation by 1) management and 2) all other associates	Quantitative	Percentage (%)	CG-MR-330a.1	Management ^[1] — Female: 22%, Male: 78% All Other Associates ^[2] — Female: 26%, Male: 74% Management ^[1] — Racial/Ethnic Minority ^[3] : 16% All Other Associates ^[2] — Racial/Ethnic Minority ^[3] : 33%
Product sourcing, packaging and marketing				
Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	Reporting currency	CG-MR-410a.1	Over \$3 billion in revenue is attributed to products with third party certified products, including Energy Star, WaterSense, Green Seal, ECOLOGO, EPA Design for the Environment and Forest Stewardship Council.
Discussion of process to assess and manage risks and/or hazards associated with chemicals in products	Discussion and analysis	n/a	CG-MR-410a.2	Products: Ferguson is committed to the safety of our vendors, associates, customers and our communities. In line with those values, we offer EPA Safer Choice products, Greenguard products and products that are Green Seal certified. Ferguson provides detailed information regarding the composition and safety of the products we sell, with product specifications available on our website, including component and certification data. We screen products at the point of sourcing and at various stages of the value chain to ensure that they meet state and federal requirements and assess any products that may have harmful impacts on human health or the environment. To ensure that our customers are informed on the products they purchase, Ferguson also provides Safety Data Sheets on all relevant products that we sell.

[1] Management includes all positions with direct reports and is not restricted by title.

[2] Reporting a snapshot value from July 31, 2022.

[3] Race and ethnicity data reflects U.S. workforce only. Minority data is self-reported by associates in accordance with SASB guidelines.

Activity metric	Category	Unit of measure	Code	Data response or reference
Discussion of process to assess and manage risks and/or hazards associated with chemicals in products	Discussion and analysis	n/a	CG-MR-410a.2	<p>Hazard Communication: The safe storage, handling and disposal of hazardous materials is inherent in our business and our Corporate Health and Safety group has a team dedicated to Hazardous Materials Management. For associates who are in roles that require chemical handling, storage or transport, Initial Hazardous Materials Training and annual refresher training is required and provided. For associates who may handle or manage hazardous wastes, specific training is required and provided. Ferguson has robust policies and procedures in place to ensure that these materials are safely stored and disposed of, and that associates know how to respond the unlikely event of a spill. A Hazardous Materials and Environmental Compliance Steering Committee meets quarterly and includes cross-functional leaders throughout the business to communicate industry trends and educational opportunities for Ferguson associates.</p>
Discussion of strategies to reduce the environmental impact of packaging	Discussion and analysis	n/a	CG-MR-410a.3	<p>Ferguson works to reduce the environmental impact of packaging, with a specific focus on right-sizing product packaging. Within our distribution network “Packsize” packaging machines allow us to print the actual dimensions of a package to ensure that each parcel is shipped in the most efficient way, minimizing waste and void fill, and reducing related carbon emissions from product shipment. Each of our distribution centers have had these machines installed, which has resulted in increased efficiency and savings. Ferguson recently hired a Packaging Design Engineer to advance our sustainability efforts through a holistic approach to packaging. The role focuses on reducing cost, damage and material waste from the packaging of our brand products. Ferguson continues to identify opportunities to reduce our environmental impact by increasing the use of sustainable and recyclable packaging materials.</p>

Table 2. Activity metrics

Activity metric	Category	Unit of measure	Code	Data response
Number of 1) retail locations and 2) distribution centers	Quantitative	Number	CG-MR-000 A	1) 1,720 branch locations 2) 11 DCs
Total area of 1) retail space and 2) distribution centers	Quantitative	Number	CG-MR-000 B	1) 4,100,000 m ² 2) 635,000 m ² ^[4]

[4] The total area reported for our distribution centers includes pipe yards.

TCFD

We have disclosed climate-related risks and opportunities identified through scenario analysis in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. View our [TCFD Disclosure](#).

Raters and Rankers

Many different ESG Ratings firms evaluate Ferguson’s performance on sustainability and measure our performance. Below are key ratings from 2022.



B



CCC B BB BBB A AA **AAA**



LOW RISK

Cautionary note on forward-looking statements

Certain information included in this report is forward-looking, including within the meaning of the Private Securities Litigation Reform Act of 1995, and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, objectives and projections with respect to the company's ESG program and related sustainability-centric plans and efforts, statements or guidance regarding or relating to our future financial position, results of operations and growth, projected interest in and ownership of our ordinary shares by domestic US investors, plans and objectives for future capabilities, risks associated with changes in global and regional economic, market and political conditions, ability to manage supply chain challenges, ability to manage the impact of product price fluctuations, our financial condition and liquidity, legal or regulatory changes, and other statements concerning the success of our business and strategies. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "continues," "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and other similar references to future periods.

Forward-looking statements speak only as of the date on which they are made. They are not assurances of future performance and are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections (including the projected ESG initiatives, results and performance, including whether the company will be able to achieve its emissions reduction goals in the anticipated timeframe or at all), anticipated events and trends, the economy and other future conditions. Therefore, you should not place undue reliance on any of these forward-looking statements. Although we believe that the forward-looking statements contained in this report are based on reasonable assumptions, you should be aware that many factors could cause actual results to differ materially from those in such forward-looking statements, including but not limited to: weakness in the economy, market trends, uncertainty and other conditions in the markets in which we operate, and other factors beyond our control, including any macroeconomic or other consequences of the current conflict in Ukraine; failure to rapidly identify or effectively respond to direct and/or end customers' wants, expectations or trends; decreased demand for our products as a result of operating in highly competitive industries and the impact of declines in the residential and non-residential repair, maintenance and improvement (RMI) markets as well as the new construction market; changes in competition, including as a result of market consolidation; failure of a key information technology system or process as well as exposure to fraud or theft resulting from payment-related risks; privacy and protection of sensitive data failures, including failures due to data corruption, cybersecurity incidents or network security breaches; ineffectiveness of or disruption in our international supply chain or our fulfillment network, including delays in inventory, increased delivery costs or lack of availability; failure to effectively manage and protect our facilities and inventory; unsuccessful execution of our operational strategies; failure to attract, retain and motivate key associates; exposure of associates, contractors, customers, suppliers and other individuals to health and safety risks; inherent risks associated with acquisitions, partnerships, joint ventures and other business combinations, dispositions or strategic transactions; regulatory, product liability and reputational risks and the failure to achieve and maintain a high level of product quality as a result of our suppliers' or manufacturers' mistakes or inefficiencies; inability to renew leases on favorable terms or at all as well as any remaining obligations under a lease if we close a facility; changes in, interpretations of, or compliance with tax laws in the United States, the United Kingdom, Switzerland or Canada; our indebtedness and changes in our credit ratings and outlook; fluctuations in foreign currency and product prices (e.g., commodity-priced materials, inflation/deflation); funding risks related to our defined benefit pension plans; legal proceedings as well as failure to comply with domestic and foreign laws and regulations or the occurrence of unforeseen developments such as litigation; risks associated with the relocation of our primary listing to the United States and any volatility in our share price and shareholder base in connection therewith; the costs and risk exposure relating to ESG matters; adverse impacts caused by the COVID-19 pandemic (or related variants); and other risks and uncertainties set forth in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on September 27, 2022 under the heading "Risk Factors," and in other filings we make with the SEC in the future.

Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with our legal or regulatory obligations, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Other cautionary notes

The United Nations Sustainable Development Goals (UNSDGs) are aspirational in nature. The analysis involved in determining whether and how certain initiatives align with the UNSDGs is inherently subjective and dependent on a number of factors. There can be no assurance that reasonable parties will agree on a decision as to whether certain projects or investments align with a particular SDG. Further, statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards (including Ferguson's internal standards and policies).

Similarly, there can be no assurance that the Company's ESG policies and procedures as described in this Report will continue; such policies and procedures could change, even materially. The Company is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives, policies, and procedures based on cost, timing, or other considerations.

Additionally, terms such as "ESG," "impact" and "sustainability" can be subjective in nature, and there is no representation or guarantee that these terms, as used in the report, will reflect the beliefs or values, policies, principles, frameworks or preferred practices of any particular investor or other third-party or reflect market trends. The ESG, climate or impact goals, commitments, incentives and initiatives outlined in this report are purely voluntary, are not binding on the Company's business or investment decisions and/or management and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes. The Company has established, and may in the future establish, certain ESG, climate or impact goals, commitments, incentives and initiatives, including but not limited to those relating to greenhouse gas emissions reductions.

Certain information contained herein has been obtained from third parties, and in certain cases have not been updated through the date hereof. While these third-party sources are believed to be reliable, the Company makes no representation or warranty, express or implied, with respect to the accuracy, fairness, reasonableness or completeness of any of the information contained herein, and expressly disclaims any responsibility or liability therefor.

External assurance

Ferguson engaged ERM Certification and Verification Services Inc. ('ERM CVS') to conduct a third-party limited assurance of specific metrics for the period August 1st, 2021 - July 31st, 2022 which are presented in the FY 2021/2022 ESG Report. ERM CVS assessed whether these metrics are fairly presented in accordance with the reporting criteria, in this case, Ferguson's "Basis of Reporting". For more information, please see the "External Assurance Statement" which details the scope, activities and conclusions of their engagement. Both of these documents are available on the Ferguson plc website, www.fergusonplc.com.

