FERGUSON

2019 REMUNERATION CONSULTATION: ADDITIONAL CONTEXT

- We undertook extensive consultation with major institutional shareholders representing 63% of the Company's share capital throughout 2019, in advance of finalising our proposals and publishing the Directors' Remuneration Report for the financial year ended 31 July 2019.

- Proxy solicitation exercise undertaken after the 2019 AGM to engage with several shareholders identified as having voted against remuneration-related resolutions and who had not engaged with the Company during the earlier consultation process. Shareholders representing about 12% of issued share capital contacted seeking further feedback on the Policy and approach to its implementation in FY20.

- Key points highlighted by these shareholders were:
  - the increased headroom proposed in the policy for annual bonus and LTIP for Executive Directors recruited from, or based in, the USA;
  - the annual bonus payout for on-target performance being high (as a % of maximum), as a result of the bonus structure being less leveraged – and the maximum opportunity lower – than FTSE (and USA) norms;
  - the remuneration arrangements for Kevin Murphy on his promotion to Group CEO (which were set to be around median for FTSE benchmarks, and below that of his predecessor on an on-target basis); and
  - the increase for FY2019/20 in the LTIP opportunity for Group CFO, Mike Powell, to recognise his valued contribution to the Group (which positioned his total package around median for comparable FTSE 100 companies).

- This feedback did not raise any new concerns and had been considered by the Remuneration Committee alongside the broad support indicated by shareholders during the initial consultation on the proposals.

- On 13 May 2020 we published a RNS with an Update Statement

- The Committee remains of the view that the 2019 Remuneration Policy is appropriate to reflect the size and scale of Ferguson. A small number of shareholders expressed concerns about the increased headroom signalling a material change to Executive Director remuneration. However, in line with our remuneration principle of aiming to provide a total cash opportunity around market median (with the opportunity to earn higher reward for sustained superior financial and individual performance), the remuneration on appointment for Kevin Murphy (Group CEO) and Bill Brundage (recently appointed as Group CFO) were set – and remain – within previous Policy headroom limits. In addition, we remain committed (in line with our Policy) to consult major shareholders on any proposed increases to the LTIP award opportunities for the Executive Directors.

- The Committee will keep under review its approach to implementation over the life of the Policy.