

ESG REPORT FY 2021

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

 **FERGUSON**



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Together We Build Better



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CEO Letter

At Ferguson, we are guided by the belief that together we build better. Through our consultative approach and service-first culture, we support the building of homes, businesses, communities, large-scale infrastructure and all the plans and systems that ensure success for our customers. But those are steps toward a larger goal. Our more than 31,000 associates across North America wake up every day with a shared mission to make our customers' projects better because they worked with Ferguson.

We have always been partners in building the world for better, and at no time in our history has this been more important. In the last few years, our company has responded to unprecedented challenges and embraced our role as an essential business. We are proud of the momentum we have built in the face of change and uncertainty and how our associates have adapted to meet the needs of our many stakeholders.

We celebrate the challenge of complexity and make it our mission to solve for it across every industry we serve. Whether you're 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 are committed to progressing our environmental, social and governance priorities together, 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 have strong governance in place to ensure we remain focused on driving long-term shareholder value and maintain ethical and compliant business practices at all times. Our solid ratings from organizations like MSCI, Sustainalytics and CDP illustrate the progress that we've made over the last decade. We embrace the opportunity to do our part to influence a greener, healthier, safer, and more sustainable future.

Our associates arrive every day with an unwavering commitment to each other, our customers and our neighbors. Together, 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 have.

Ferguson's success is a testament to our diverse and distinguished history. For nearly 70 years, we've grown our business from a local distributor to a \$23 billion company with more than 1,600 locations across North America. Our handprint touches almost every aspect of our customers' work. And we're honored to play our part. We build relationships. Trust. Confidence. In a world that grows increasingly more complicated, we have the knowledge, expertise, and technology to structure projects for success. We build intelligently, profitably and sustainably.

Together, with our customers, we build to shape the future. We build the world we all want. We build 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.

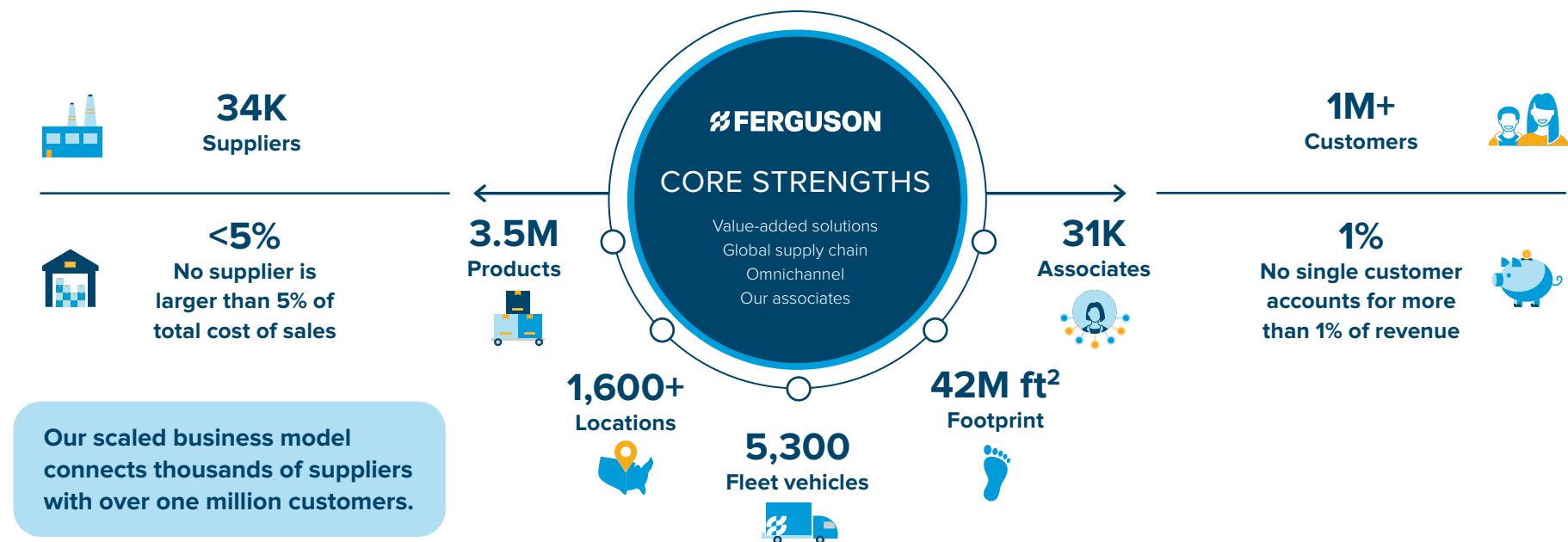
Corporate profile

Ferguson is a \$23 billion 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 over 1,600 branches spread across the U.S. and Canada, Ferguson is a North American business. But we're a local business, first. Most of our customers operate within 20 miles of their nearest Ferguson location and visit their local branch several times a week. 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 carefully built from Ferguson's priority ESG issues identified through our risk management and stakeholder priorities assessments. 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.



B



LOW RISK

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

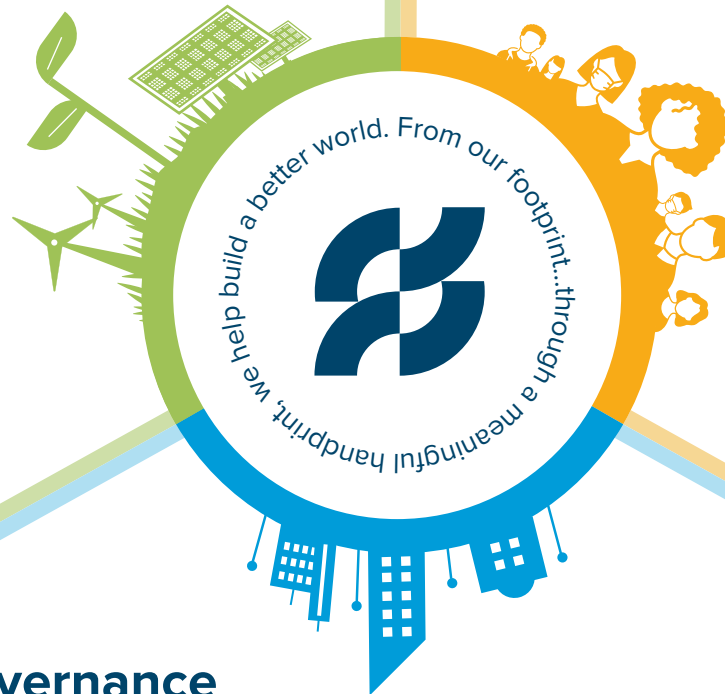
Board Management and Composition

Shareholder Engagement

Shareholder rights
Executive compensation

Regulatory and Risk Oversight

Ethics / business conduct
Enterprise risk management
Information security
Privacy
Compliance with laws
and regulation





Stakeholder Priorities Assessment

In 2021, Ferguson conducted a high-level 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 reaffirm the importance of the ESG topics outlined in our 2021 [Annual Report](#), reinforce the importance of stakeholder feedback and help prioritize our ESG strategy and disclosures going forward.

Approach and process overview

- 1. Identification of topics:** We leveraged a data analytics platform to identify an extensive list of potential topics. The list was then manually refined based on peer and customer analysis and relevant ESG Frameworks, such as the Sustainability Accounting Standards Board (SASB) and the Task Force of Climate-Related Financial Disclosures (TCFD).
- 2. Internal and external stakeholder engagement:** We conducted a series of internal and external interviews with key stakeholders in which they considered and ranked the refined topic list, helping us gain insight into their perspectives on sustainability issues.
- 3. Prioritization and matrix mapping:** We combined the evidence gathered from stakeholder engagement with our prior analyses to prioritize Ferguson's top topics, and mapped them out onto a matrix considering:
 - The importance of each topic to external stakeholders
 - The importance of each topic to Ferguson
- 4. Validation:** We held a workshop with the company's sustainability team where the group reviewed, refined and ultimately affirmed the results.

Adapting to Stakeholder Expectations

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 and the effects of increased climate change. We maintain proactive dialogue with all our stakeholders and work to incorporate their priorities and concerns into our evolving ESG strategy. We also seek opportunities to increase our positive impacts in areas that matter most to our associates, investors and the communities we serve.

Responding to the COVID-19 pandemic

Throughout the COVID-19 pandemic, Ferguson worked alongside our customers to help deliver the products and services needed to continue operating. As an essential business, Ferguson plays a key role in supporting local communities across the nation. We quickly adapted as needed to protect the health and safety of our associates and our customers, with the following priorities guiding our decisions and actions:

- 1** **Protecting the health of our associates.** 
- 2** **Continuing to serve our customers in their critical time of need.** 
- 3** **Protecting the strength of our business.** 



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. 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.

Internally, our Business Resource Groups (BRG) ensure that Ferguson continues to keep inclusion and diversity (I&D) integral to our success as an organization, and our Ferguson Cares Advisory Team BRG helps advance Ferguson's I&D philosophy and drive innovation through greater belonging and diversity. The BRG Advisory Team leverages insights and experiences from our associates to ensure we develop an impactful charitable giving portfolio.

Further details on our BRG initiatives can be found in the I&D section of this report.

Social equity initiatives through Ferguson Cares

At Ferguson, we seek community partners that reflect the evolving interests of our stakeholders. We are focused on allocating resources where they are needed most. We have partnered with several organizations to promote leadership development and gender equality in areas such as education and economic development. Through additional partnerships with the Urban League, UNCF (formerly the United Negro College Fund) and the Virginia Center for Inclusive Communities we are working to build steppingstones to improve social equity.

Providing support for mental health

Although the COVID-19 virus continues to pose a threat to physical health, the ongoing uncertainty of the pandemic has silently impacted mental health as well. To better support the mental wellbeing of associates, we developed and shared a toolkit with our people leaders to help them recognize signs of mental health distress and, when needed, provide appropriate accommodation to their associates. We also provided, through our benefit partners, 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 \$2.5 million to the Children's Hospital of the King's Daughters' Lighting the Way campaign (CHKD) to fund the construction of a 14-story, \$224 million mental health hospital and outpatient center for children. CHKD has been at the forefront of providing children's healthcare and this new, innovative facility will help address specific gaps in mental health care in our region.



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.

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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 work ethic and dedication they embrace, our associates are the heart of our company. They are the key to driving our growth and productivity and help us differentiate Ferguson from our competitors.

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 more than 31,000 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.

We place great emphasis on our associates’ personal development. Ferguson’s diverse and inclusive hiring process ensures 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. Through a variety of outreach efforts and our Associates in Action program, we provide our associates with the opportunity to directly contribute to Ferguson’s success as a company and as a corporate citizen.



PROGRAM HIGHLIGHT

ASSOCIATES IN ACTION PROGRAM

Our associates double their impact in the community through our Associates in Action program. Ferguson makes monetary donations to nonprofits based on our associates’ volunteer time.

Compensation, benefits and associate wellbeing

To help attract and retain the best talent, we design our associates' reward packages to be as competitive as possible. Each year, we 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 the U.S., we have introduced annual bonus plans for our hourly paid associates to start in 2021/2022 (except for our distribution centers, where a bonus plan was already in place), together with the existing bonus plans for 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.



\$2 million

We also support our associates during times of need through the Ferguson Family Fund. Whether it's an unforeseen personal or financial hardship, the fund can help our associates while they get back on their feet. Since the fund's inception, we have granted more than \$2 million to our associates.

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 help 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.

In 2021, we added a Parental Leave Program, enabling birth and non-birth parents to take paid time away from work to care for and bond with children new to their family. Additionally, 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 also provide free counseling sessions for all associates and their family members.

Associate training and development

As Ferguson evolves, we need to develop suitable skillsets within the organization and among our associates. This year, we reviewed our talent management procedures and formalized an inclusion and diversity framework. Additionally, we worked to develop key associate training skills by:

- Continuing to measure engagement during and after the COVID-19 pandemic.
- Developing our senior leaders through our advanced leadership development experience.
- Investing in frontline leaders by offering two flagship development programs.
- Execution of succession planning, role movement and launching our inclusive talent pipeline process.
- Developing 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.
- Responding to associate feedback and aligning talent initiatives with our business strategy.
- Launching an on-demand and microlearning library with content providing associates with the training they need to advance their skills.



Health and Safety

Ferguson’s success is driven by our associates, and our highest priority is creating a safe and healthy work environment for every member of the Ferguson family. Health and safety are among Ferguson’s core values, and they remain at the forefront of our decision-making processes.

Becoming “First in Safety”

Ferguson’s dedication to being “First in Safety” empowers our associates to understand their contributions to a strong health and safety culture. Our high standards for safety, expectations for safe behaviors and global safety rules and enforcement processes enable us to drive continuous improvement in our health and safety performance. Our journey to become “First in Safety” is supported by a deep commitment from our senior leadership, strong safety engagement from all management levels, a strong engagement program for all associates, effective allocation of safety resources and the deployment of dedicated safety professionals in the field.

Ferguson maintains a health and safety policy that sets out the detailed minimum standards and standard operating procedures for all our businesses. We incorporate “safety moments” before all of our meetings. Safety moments are brief, informal discussions that open every meeting and are an important part of our culture. This expectation applies to all locations, including our headquarters.

Worksite safety

At each worksite, 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. We actively engage with our associates, promoting a strong safety culture by empowering them to make safe decisions.

In FY 2021, Ferguson completed the implementation of our field safety organization, which began in 2020. Our improved structure 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, reinforce our safety culture and promote an environment of inclusivity and diversity.

During FY 2021, we conducted approximately 20,000 safety observations across our business. 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 these on a daily basis. New and revamped training programs were launched in FY 2021 including proper use of equipment, new hire inductions (first 90 days), and driver safety.



Guided by our Vice President of Health and Safety, Hannah Sesay, we conducted approximately 20,000 safety observations across our business in FY 2021.



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 2021, the company’s total recordable injury rate (TRIR) and lost time rate (LTR) improved by 10% and 12%, respectively compared to FY 2020 (see Figures 1 and 2). We are proud of the progress we have made in our safety performance and strive to continuously demonstrate further improvement as part of our commitment to being “First in Safety.”

Figure 1. Company total recordable injury rate

Company 2020/2021 Total recordable injury rate: 1.90% – 10% improvement (2019/2020: 2.12)



Figure 2. Company lost time rate

Company 2020/2021 Lost time rate: 0.58% – 12% improvement (2019/2020: 0.66)



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. For the first six months of 2020/2021, TRIR in the U.K. business improved by 9%.

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. For the first six months of 2020/2021, the lost time rate in the U.K. business improved by 8%.

Prior year data has been restated to reflect the sale of our U.K. business.

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. 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.

Inclusion and diversity framework

In FY 2021, Ferguson initiated a strategy that focuses our inclusion and diversity (I&D) efforts around a framework of four main pillars: Attract, Develop, Engage and Retain. We also established our I&D Council, which 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.

“

I&D is not a journey because a journey has an end—it's an evolution.

Erica Barnes, Global Head – Talent and Inclusion



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. Ferguson's culture is one where all associates are treated with dignity, fairness and respect. We develop our associates to help them reach their full potential and champion engagement initiatives so that our associates can feel welcomed and valued.





PROGRAM HIGHLIGHT

FERGUSON SIGNS PARTNERSHIP WITH NORFOLK STATE UNIVERSITY

As part of Ferguson’s commitment to business diversity, technology and talent development, the company signed an agreement with Norfolk State University (NSU) to provide students with business development education, internships, mentorships and other opportunities. Founded in 1935, NSU is a public, historically Black university in Norfolk, Virginia.

“

I am proud to say that this is the first agreement of its kind with Historically Black Colleges and Universities (HBCUs) for Ferguson. We look forward to creating more of these partnerships with other HBCUs in Virginia and across the country to expand our reach for new business ideas and to attract new talent to continue to grow our company.

Cathy Williams, Ferguson’s Business Diversity and Government Administration Manager

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. In FY 2022, our BRGs celebrated their first year of success. 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.

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

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

VALOR, our Veterans BRG, formed in early 2022. The group is working to define its mission and will undoubtedly impact change at Ferguson.



Unconscious bias training

In FY 2021, we began offering specific training and education for both leaders and all associates focused on recognizing and removing unconscious and unintentional bias. In August and November 2020, the Executive Committee participated in multiple highly interactive inclusion and diversity experiences and our Top 600 leaders and people managers completed unconscious bias training. We continue to offer unconscious bias training via an on-demand option to all associates.

We also responded to associate feedback and developed resources and programs to support other diversity and training requirements. For example, we now require behavioral interview training for all our hiring managers and have also introduced a tool that is designed to help eliminate bias in job descriptions to improve our associate recruitment efforts.



MEET SIKA HENRY

Meet Sika Henry, a Corporate Analyst within our Customer Experience and Insights team and a Professional Triathlete. She is a 2019 IRONMAN World Championship finisher and a two-time One City Marathon champion, held in our hometown of Newport News. After recovering from a traumatic bike accident that left her with significant injuries, Sika made history when she became the first African American woman to qualify as a Professional Triathlete in 2021.

“

Ferguson does a fantastic job of hiring effective associates and leaders with great managerial skills and the company has always understood my passion and commitment to the sport. I honestly don't think I would have made history and accomplished my triathlon goals if I weren't a Ferguson associate with the support and flexibility they offer.

As an ambassador for IRONMAN's Race for Change initiative, Sika has been an inspiration to under-represented ethnic minority groups and works to encourage younger female athletes to participate in the sport. Sika has shown all of us at Ferguson what is possible through personal drive, commitment and dedication. We continue to support Sika's accomplishments as she advocates for positive change in the sport.



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 BRG, we have piloted a program for members of Ferguson leadership to provide mentoring to associates seeking to develop knowledge and skills in corporate leadership. EmpowHER is also helping to mentor the next generation of female leaders beyond our organization by partnering with mentorship initiatives at [Old Dominion University](#), alongside local corporate partners.

Additionally, in April 2022 Ferguson launched two People of Color Leadership programs—LIFT and FORWARD. Focusing on the complex challenges and opportunities that diverse talent experience in the workplace, these programs are designed to equip diverse leaders at Ferguson with the tools, capabilities and networks needed to achieve their professional aspirations.



Inclusion and diversity policy

Ferguson is committed to creating an inclusive workplace where all associates can thrive, enabling equality and promoting diversity. 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 value relating to inclusion and to contribute to its progress.

Equal employment opportunity policy

Ferguson provides equal employment opportunity to its applicants and associates as well as growth opportunities to its associates, following all federal and state laws, executive orders and implementing regulations. 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.

Our Environmental Footprint

Carbon reduction

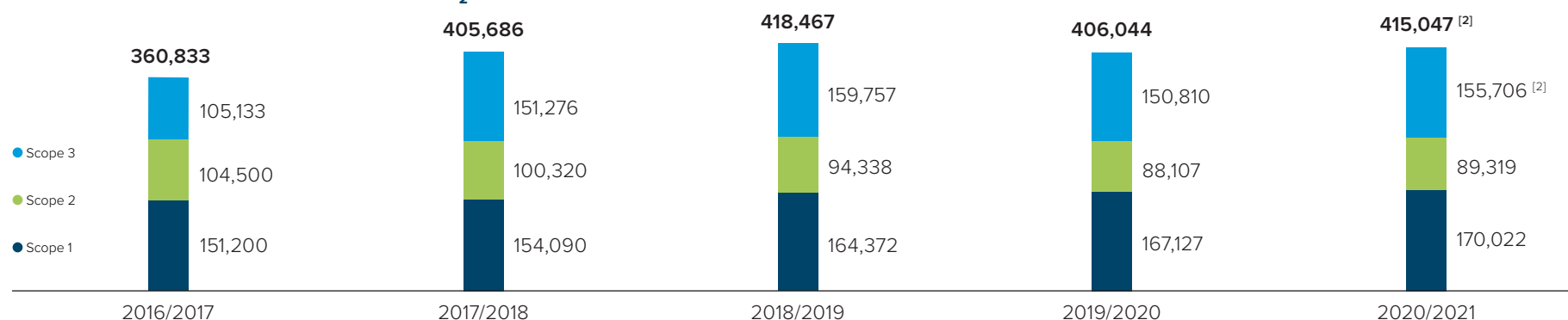
Our carbon emissions per million USD revenue improved by 25.1% compared to the 2015/2016 baseline (18.2 tCO₂e per million USD revenue in 2020/2021 compared to 24.3 tCO₂e per million USD revenue in 2015/2016) as shown in Figure 1. This improvement from 2015/2016 was due to several carbon reduction initiatives that were introduced over the target period, as well as an increase in revenue.

Our reduction in relative Scope 2 emissions was also due to sourcing cleaner sources of conventional electricity grid mixes in countries in which Ferguson operates. Our total Scope 1 emissions increased in 2020/2021 due to increased fuel usage from goods transported. However, to help reduce our direct emissions in the future, we will continue to drive new energy efficiency projects in our U.S. operations to improve our production and manufacturing capabilities and will further integrate sustainability considerations into all new construction projects.

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

Carbon emissions	Baseline 2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	Increase/ (reduction) from 2019/2020	Total emissions reduction since 2015/2016
Scope 1 and 2 emissions	17.6	16.0	14.2	13.2	12.8	11.4 ^[2]	(10.9%)	–
Scope 3 emissions ^[1]	6.7	6.5	8.5	8.2	7.5	6.8 ^[2]	(9.3%)	–
Total emissions	24.3	22.5	22.7	21.4	20.3	18.2 ^[2]	(10.3%)	(25.1%)

Total carbon emissions (Metric tons CO₂e)



¹ As noted in our Basis of Reporting, our Scope 3 currently includes Business Travel and Upstream Outsourced Transportation.

² Verified number by ERM-CVS.



New Headquarters in Newport News, VA

In recognition of our efforts for incorporating sustainability within the built environment, Ferguson Enterprises' HQ in Newport News, VA was awarded runner-up for the Green Globes Project of the Year Award. Based on the building's design, HQ was awarded a Three Green Globes for New Construction for early energy modeling, exterior glass with low solar heat gain coefficient and utilizing thermal storage systems to improve energy performance.

We continue to refine our methodology for estimating Scope 3 emissions, and based on that refinement, we have restated our 2019/2020 emissions. We began using updated emission factors from the U.S. Environmental Protection Agency (EPA) and removed certain fuel economy assumptions from our total emission calculations. Our reported Scope 3 emissions are generated largely by outsourced transportation partners. Our new Transportation Management System has streamlined and consolidated the data collection process. Our U.S. outsourced transportation partners are committed to reducing their carbon emissions and improving their fuel efficiency. While essential business travel has resumed, we continue to see a lower level of associate travel due to COVID-19.

In FY 2021, we partnered with an experienced environmental consultant 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 preliminary findings have influenced our strategy moving forward. Ferguson is working to establish a manageable baseline for measuring further Scope 3 emissions calculations.

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

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. We will complete a significant conversion of our operations to LED lighting and more energy efficient HVAC equipment. 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 electric vehicles, 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 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). 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. As well, we have implemented a greater percentage of electrically powered forklifts within our Distribution Centers.

Our long-term goal remains to look to align 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 TCFD.

Sustainable building management

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

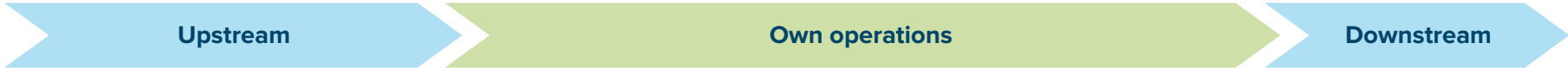
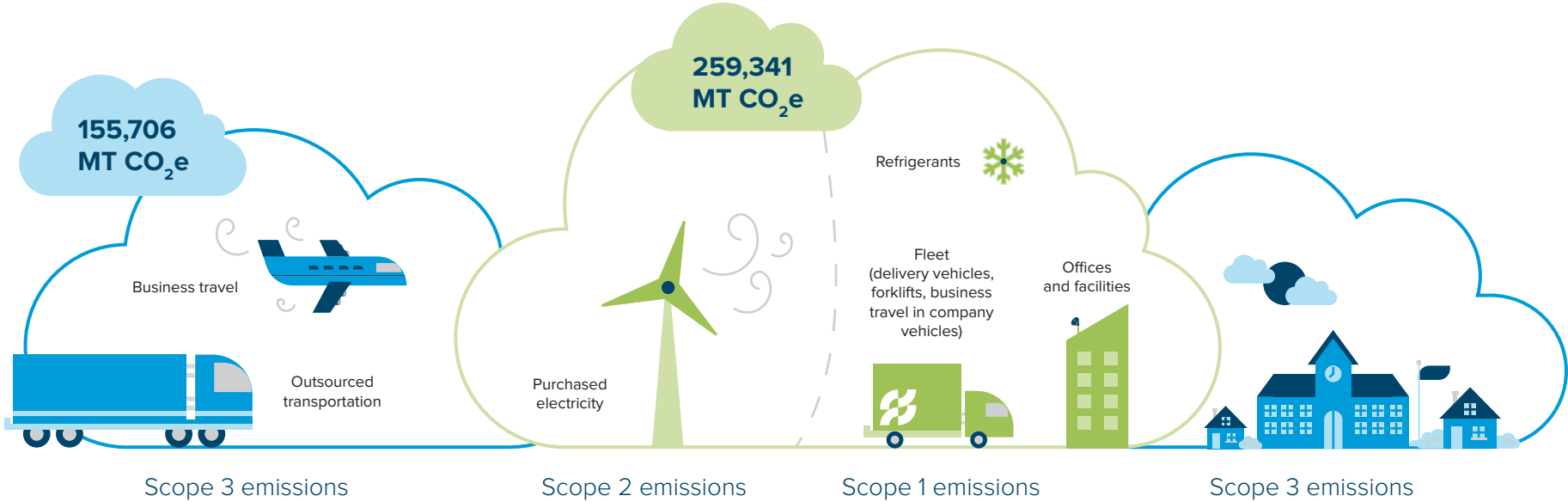
As part of our efforts to accelerate our carbon reduction endeavors, Ferguson is working with a green building consulting firm to revamp green design standards for new Market Distribution Centers (MDCs), as well as energy efficiency optimizations within a diverse range of portfolios. This expertise will 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, the Finance Committee approved the purchase and installation of 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 200 passenger vehicles from the road per year. Additionally, in 2020/2021, we contracted to purchase a solar array for our Chandler, Arizona Distribution Center. We will also pursue LEED Silver certification for Chandler, 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.

Perris, California, Distribution Center



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 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.

A MEANINGFUL HANDPRINT

Our External Impact Opportunities

Through our consultative approach, Ferguson has always facilitated 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 to build a better world across our value chain and the communities we serve. Our handprint embodies Ferguson's commitment to ensure sustainable product innovation and help 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.

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Sustainable Products and Solutions

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

At Ferguson, we aim to simplify the sustainability journey for our customers, helping them redefine project success while advancing their sustainability goals. 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, we recognize an opportunity to guide customers to make more sustainable choices when completing their projects. We recommend sustainable products and solutions to our customers by underscoring the range of benefits they bring. Ultimately, we aim to drive a greater adoption rate of environmentally friendly products throughout our customer markets.

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 at 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.

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 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.



ASSOCIATE SPOTLIGHT

NEWLY APPOINTED DIRECTOR OF ENVIRONMENTAL PRODUCT STRATEGY

As Ferguson's newly appointed Director of Environmental Product Strategy, Stephanie Vega Ziegler plays a key role in identifying innovative products and partners to help Ferguson's sustainable service offerings. Through her work in identifying the environmental impacts of products and selecting more sustainable options within the marketplace, Ferguson seeks encourage greater levels of innovation amongst our supplier base and influence an increasing number of manufacturers to create more sustainable solutions.

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 evolving climate change 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 for 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 water positive impacts



Sustainable product offerings

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.
- Geosynthetics and Stormwater management products and solutions help reduce sediment and debris, protecting water resources from sedimentation and litter and ensuring efficient use of green infrastructure.
- 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.

In FY 2021, over \$2.5 billion of Ferguson's revenue (about 10% of our product sales) 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.

Delivering sustainable solutions

Ferguson's teams of experienced associates deliver intelligent solutions to our customers to help them advance their sustainability goals. Across a wide range of customer segments, our teams enhance our industry-leading technical expertise and support by also offering our customers consultation, advice and project management services. Ferguson Waterworks, specializing in large, planned water infrastructure projects for residential, commercial and municipal customers, is just one of our teams that exemplifies Ferguson's ability to provide solutions that are simple, successful and sustainable.

ASSOCIATE SPOTLIGHT

MEET ERIC TRACY

Joining the Ferguson team through the acquisition of his company EQUARIUS Waterworks in 2015, Eric oversees innovation for Ferguson Waterworks. His dedicated work is helping Ferguson Waterworks build a new business around the water utility automation and Smart City space. He is also a member of the U.S. Water Alliance.



FERGUSON WATERWORKS URBAN GREEN INFRASTRUCTURE CHALLENGE

In September 2021, Ferguson Waterworks [announced the winner](#) of its first Urban Green Infrastructure Challenge. The winner, Cumberland County Soil & Water Conservation District (CCSWCD), is receiving tailored project support, expertise and funding to implement its green infrastructure plan within its community. Ferguson Waterworks is assisting CCSWCD in installing an educational bioretention system, a form of low impact development (LID), to showcase the treatment of on-site stormwater at the district's office location. The office's parking lot, originally an impervious surface with no existing stormwater treatment, is a prime location to introduce the community to innovative, watershed-friendly stormwater infrastructure and management techniques.

Our annual Urban Green Infrastructure Challenge targets municipalities and conservation agencies in the Northeast U.S. that want to improve their water quality, protect downstream natural resources and meet regulatory requirements. To enter, each agency or municipality submits a proposal, a statement of merit and an outlined project plan.

The contest gives Ferguson Waterworks another opportunity to advance its mission of helping customers complete successful green infrastructure projects—ones that are not only appealing to the eye, but also resilient into the future with minimum maintenance.

“

Our goal is simple—support green infrastructure initiatives and programs. We strive to go beyond creating sales opportunities—we provide educational programs, develop creative design approaches and support project specification.

Rob Woodman, National Manager for Urban Green Infrastructure





CASE STUDIES

SHOREFLEX® RESCUES STREAM BANK FROM EROSION

In a residential area of Prince William County, VA, high water volume and velocity from rain events regularly dislodged the rip rap being used to secure a bank of Oak Street Stream. To stabilize and permanently protect the bank from scour and erosion, the county partnered with Ferguson Waterworks to install a ShoreFlex® rolled concrete block mat system, which provided immediate reinforcement and facilitated vegetative growth for long-term erosion resistance. Using the included lifting straps, the Public Works Department was able to set the ShoreFlex® into place before rolling it out and anchoring it to the ground.

Now, the bank of Oak Street Stream and its surrounding habitat is well protected from erosion for generations to come.

UPGRADING AND MODERNIZING THE FAULKEY GULLY MUNICIPAL UTILITY DISTRICT

Faced with aging infrastructure, community dissatisfaction and a host of other challenges, the Faulkey Gully Municipal Utility District was in need of updates to their meter system to improve water efficiency and customer service. Our Ferguson Waterworks team was selected to help plan and install the necessary upgrades to the Houston suburb, which featured new monitoring technology to detect leaks and improve response times. Early benefits resulting from the project included:

Reduced vehicle travel and fuel consumption, and more efficient use of staff time with the introduction of automated meter reading.

Greater cost savings and water supply due to leak detection, data monitoring and rapid response.

To read more about our contribution to this project, please read our [Faulkey Gully Municipal Utility District case study](#).

Supplier Diversity

Maintaining diversity across our supply chain

Ferguson's Supplier Diversity initiatives provide potential business opportunities for minority, woman, service-disabled/veteran 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.

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.



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.

This year we have expanded our scope of investment interest to include environmentally-focused companies who innovate around water, electrification and energy consumption reductions. Environmental and climate pressures are beginning to drive emerging business opportunities. Water especially will be a focus area for us, as water innovation is an integral part of climate innovation.



MetaProp: A leading venture capital firm focused on property and real estate technologies. Ferguson Ventures works with MetaProp to gain early visibility into emerging opportunities and better understand the challenges of property owners.



Pearl Certification: Pearl Certification increases the value of a home by certifying the installation of energy efficient and environmentally friendly products which improve overall operational performance and quality of life for homeowners. Ferguson Ventures is working with Pearl to create home investment plans for consumers that offer environmentally friendly and sustainable products, whose installation can also help the home appraise and sell for more.



Burnt Island Ventures: Established in 2020 with a goal to become the world's best early-stage fund for the water sector, with investments in companies across industry verticals, from consumer efficiency and trenchless excavation to utility software and next-generation membranes. Ferguson Ventures is a limited partner.



Plant Prefab: The first Certified B Corporation™ prefabricated custom home builder dedicated to sustainable design, materials and operations. As the industry seeks to gain efficiencies in the construction process, offsite building manufacturing methods are creating a valuable path forward that reduces construction waste.



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

Access to clean, usable water is an essential human right. Yet more than 2 million Americans do not have access to hot and cold running water, a bathtub, shower or working flush toilet, or even access to water that is safe to drink.¹ Additionally, millions more do not have effective wastewater treatment.

DigDeep is a human rights nonprofit that works to provide U.S. based families with safe-to-use running water and essential plumbing and sanitation solutions. Ferguson became the organization’s first corporate partner to help our neighbors in need through Community Plumbing Challenges, and recently, we have expanded our support to include financial aid to students under the Coalfield Development apprenticeship program, training support for aspiring plumbers at the Navajo Technical University, collaborative efforts to build handwashing stations during the pandemic and support for a U.S.-based Water, Sanitation and Hygiene (WASH) sector.

¹ *DigDeep Right to Water Project, U.S. Water Alliance, (2019) Closing the Water Access Gap in the United States.*



PROGRAM HIGHLIGHTS

SUPPORT OF NEW COMMUNITY PLUMBING CHALLENGE EFFORT IN ALABAMA

Ferguson and the International Water Sanitation and Hygiene Foundation (IWSH) recently [completed](#) a project in Lowndes County, Alabama, in collaboration with the [Black Belt Unincorporated Wastewater Program](#) (BBUWP) and the Alabama Department of Public Health. Product donations by Ferguson provided plumbing repairs and upgrades for five homes in need of proper on-site wastewater treatment systems. Ferguson also supports IWSH's efforts to raise awareness of World Toilet Day, World Plumbing Day and World Water Day.

DELIVERING CLEAN WATER THROUGH THE APPALACHIA WATER PROJECT

In FY 2021, through our partnership with DigDeep, we helped connect more than a 100 homes with running water—some for the first time—through the [Appalachia Water Project](#).

Housing: providing access to shelter and affordable housing

Ferguson Cares works to support projects that expand access to shelter and affordable housing. Through our partnership with Rebuilding Together, Ferguson helps to make essential repairs to homes in local communities and address the long-term recovery of communities struck by natural disasters. Our associates volunteer their time to help rebuild during crises and assist contractors and homeowners by providing products and part recommendations and trusted advice and support. Together, we help others overcome challenges.

Ferguson also maintains a long-term partnership with Habitat for Humanity Peninsula Greater Williamsburg, a nonprofit organization that works to provide affordable homeownership options for low-income families within our hometown. Through Ferguson Cares, we donate all of the plumbing products and fixtures for each new home in our community.

Guided by Director of Social Impact, Melissa Hazelwood, Ferguson partnered with Habitat for Humanity in its hometown to help build the first owner-occupied 3D-printed home in the U.S.



Skilled trades: building a sustainable skilled trades workforce

As part of our commitment to contribute to the UN Sustainable Development Goal of promoting sustained full and productive employment and decent work for all, Ferguson Cares has partnered with several national partners to rebuild the pipeline of skilled trade professionals in the United States.

The mikeroweWORKS Foundation, created in 2008, works to help redefine the definition of professional education and prerequisite job skills. Ferguson continues to support the organization and helps to award Work Ethic Scholarships for skilled plumbing jobs that are in demand. Ferguson has also recently renewed our partnership with ACE Mentor, a free project-based after-school program which also helps to attract students in the Architecture, Construction and Engineering (ACE) industry, as its newest national partner. ACE Mentor maintains a high success rate of applicants entering a skilled trades program or college and continues to award annual scholarships to high-school seniors.

Through prioritization and participation from Ferguson’s Executive team, we maintain active industry partnerships and provide tools to aspiring trades professionals. Ferguson Cares also helps to promote diversity and inclusion within our industry’s workforce. We maintain links with the National Association of Women in Construction (NAWIC) at both the national and local levels and help award scholarships to aspiring female industrial students through our partnership with Mechanical Contractors Association of America’s Women in the Mechanical Industry Initiative (WiMI). Ferguson Cares supports the Plumbing-Heating-Cooling Contractors Association (PHCC) Educational Foundation’s efforts to offer minority or English as a Second Language (ESL) students reduced-cost access to PHCC’s pre-apprentice plumbing course. Students learn the basics of pursuing a career in the plumbing industry, as well as key skills and techniques to help them succeed. Ferguson Cares will continue to support these organizations and will aim to further expand our positive impacts as we move forward.



Tool donation

At Ferguson, giving back is truly part of our culture—not just our business. Our Business Development team donated more than \$500,000 worth of new tools to SkillsUSA state chapters, Rebuilding Together affiliates and Good360. We’re building a future everyone is proud of by living generously at Ferguson. The benefits are far-reaching—for both the giver and recipient and the community at large.



“
When Ferguson concluded a test program of power and hand tools, we concluded with a surplus of new, unopened tools. Therefore, the decision of how to distribute the remaining inventory was easy. We hoped that these tools would provide a solid foundation in developing aspiring trade professionals and fulfill a great need for our nonprofit partners. Supporting our future industry leaders and communities has always been and will continue to be a top priority for Ferguson.

**Jeff Puckette, Business Development
Manager – Residential Trade**

Governance

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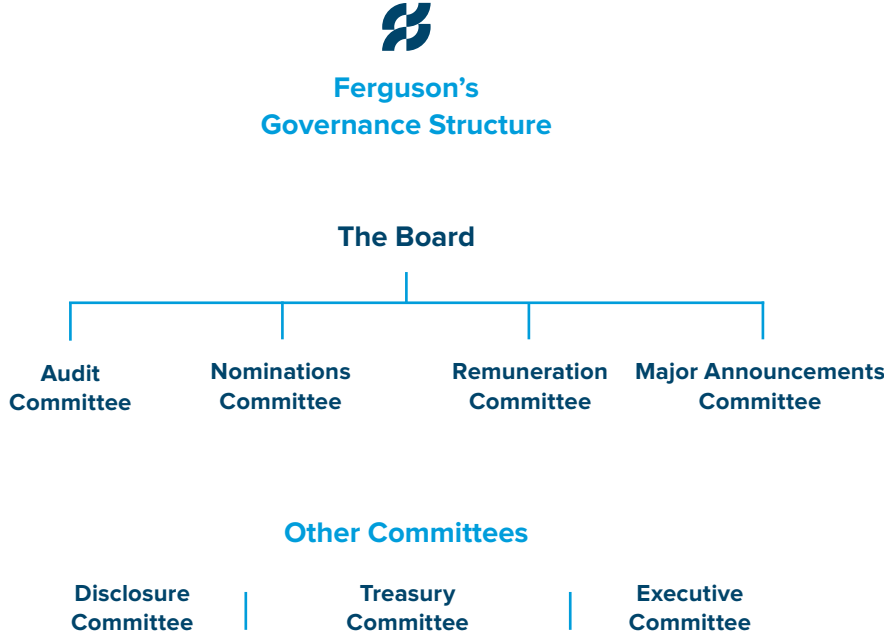
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Corporate Governance

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. In FY 2021, we enhanced our governance processes to reflect our additional U.S. listing of shares on the New York Stock Exchange (NYSE), which included revised disclosure controls and procedures, updating our terms of reference for certain Board Committees and adopting our Corporate Governance Guidelines.

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 in our [Annual Report](#).



BEYOND THE BOARDROOM



Alan Murray, Senior Independent Director, regularly conducts engagement sessions with associates from across Ferguson’s business. These discussions provide the Board with fresh opinions from our associates on topics including safety, customer service, culture, the use of technology, sustainability and our business strategy.

Denise Vaughn,
Vice President of ESG



ESG Governance

ESG responsibilities touch everything we do at Ferguson, and our goal is to be a socially and environmentally responsible organization, with strong ESG governance at the core of how we operate. We recognize our ESG efforts are important to our associates, customers, suppliers and shareholders.

The Board, who oversees Ferguson’s sustainability efforts and ESG strategy, has a vested interest in improving Ferguson’s ESG performance. Both the Board and the Executive Committee have structured their agendas to regularly receive ESG updates.

We engage with subject matter experts throughout the business to ensure sustainability considerations are embedded in our business strategy, consistent with the recommendations of the TCFD. We continue to utilize the guidance and methods provided by SASB, considering all issues relevant to Multiline and Specialty Retailers & Distributors industry standards (www.sasb.org). These priority issues constitute our ESG Framework, which illustrates our approach to sustainability and guides our actions. Ferguson’s most recent Stakeholder Priorities Assessment offered further insight and provided validation of the issues we have incorporated into our ESG Framework.

Our newly appointed Vice President of ESG Denise Vaughn is responsible for the day-to-day management of Ferguson’s ESG priorities, ensuring integration into business strategy and operations, creating shared accountability and demonstrating sound business performance. Denise oversees an ESG team with a combined nearly 30 years of experience with the company. Her team is responsible for completing Ferguson’s [stakeholder priorities assessment](#) and developing Ferguson’s ESG reporting, while working closely with the company’s cross-functional ESG Disclosures Committee.

During FY 2021, the Board played an active role in advancing Ferguson’s ESG strategy by performing several key actions, a summary of which can be found in our [Annual Report](#).



Geoff Drabble
Chairman



Kevin Murphy
Group Chief Executive



Bill Brundage
Group Chief
Financial Officer



Alan Murray
Senior 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



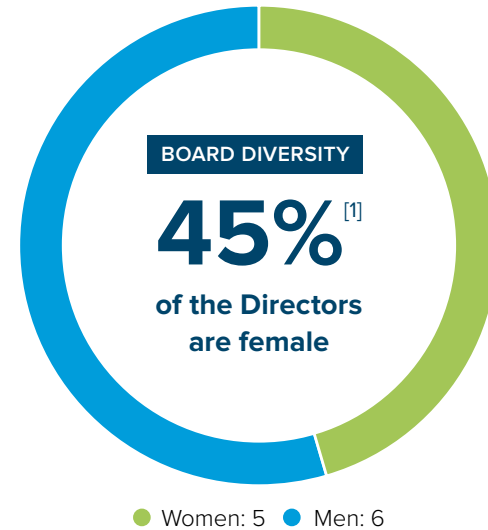
Suzanne Wood
Independent Non
Executive Director



Graham Middlemiss
Company Secretary

Board Management and Composition

As of the date of this report’s publishing, the Board comprises 11 Directors: the Chairman, the Group Chief Executive, the Group 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 [Annual Report](#).



¹ Percentage has been updated from the Annual Report, as a female Director stepped down in December 2021.

Diversity of the Board

Ferguson’s Board maintains a strong commitment to advancing Inclusion & Diversity both at the Board level and throughout our entire company, and it regularly monitors and reviews the progress of Ferguson’s Inclusion and Diversity 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. We want to attract, develop, engage and retain the best associates irrespective of race, color, religion, gender, age, sexual orientation, marital status, disability, or any other characteristic that makes people unique.

In addition, the Board has set measurable objectives in support of its Diversity Policy and achieved several of these targets in FY 2021.

Shareholder Engagement

Executive compensation

Our Remuneration Policy 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. We are committed to continuing to consider the most effective mechanism for doing so and will engage with shareholders on this subject further at the appropriate time. A comprehensive analysis of our remuneration practices, performance and outcomes for FY 2021 can be found in our [Annual Report](#).

Objective ^[1]	Status	Progress to date
To maintain a minimum of 40% female representation on the Board.	Achieved	45% of the Board is female.
To achieve and maintain at least one person from an ethnic minority background on the Board by 2021.	Achieved	There is one ethnic minority female on the Board.
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	During FY 2021 Spencer Stuart was engaged in relation to searches for several key senior management positions. Korn Ferry was engaged in relation to the appointment of three Non-Executive Directors and a senior management position. Both firms were engaged in coordination with the Nominations Committee and are signatories to the Voluntary Code of Conduct.
To achieve a minimum 25% female representation among senior management by 2025. ^[2]	Ongoing	As of the end of FY 2021, 20% of senior management was female. Our recruitment practices factor in under-represented groups and we insist on diverse candidate slates when using executive search firms, where permissible to do so. We have established I&D Councils and BRGs in the U.S. and Canada to promote inclusion and drive our initiatives. In addition, a mentoring program has been piloted and we have created a development program for female associates.

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.

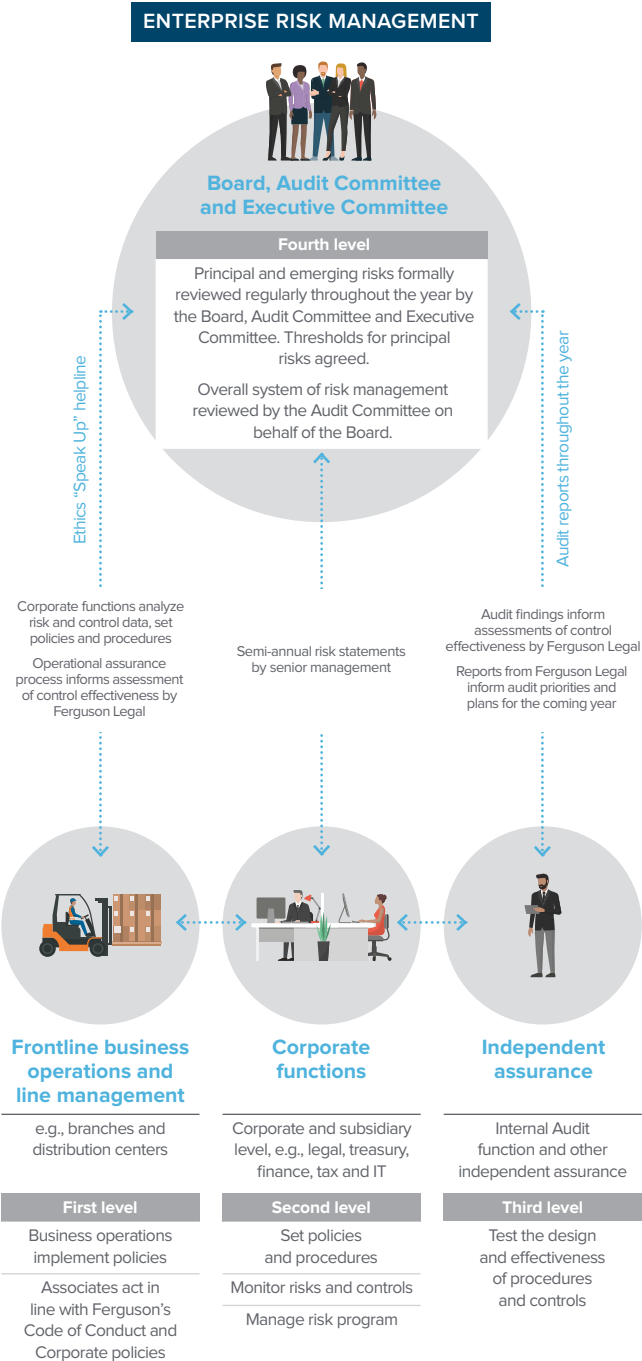
² Defined as the Executive Committee and their direct reports that are included in the company’s report to the annual U.K. Hampton-Alexander Review.

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 terms of reference, the Ferguson [Code of Conduct](#), our [Corporate Governance Guidelines](#) (which were required by the rules of the NYSE, approved by the Board, and became effective on the date of the additional U.S. listing) 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 in seeing that Ferguson continues to comply with its legal obligations.

As a people-focused company, 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 Conduct](#). Our Code of Conduct is a resource dedicated to helping our associates live by our values and understand Ferguson’s commitment to strict compliance. It also provides guidance on ethical situations where there is uncertainty over how to proceed. We require all associates, including new associates, to complete the Code of Conduct training and provide training for relevant associates on anti-bribery/anti-corruption, anti-trust and modern slavery matters. We provide this training through online educational resources as well as face-to-face instruction.



Risk	Updates provided
New competitors and technology	Formal update provided to the Board in January 2021. Related risks considered by the Board in January and July 2021 and by the Executive team.
Market conditions	Monthly performance reviews with CEO and CFO. CEO updated the Board at each Board meeting.
Pressure on margins	
Information technology	Reports on the status of the company's Information Technology strategy and operational risks were provided regularly to the Executive Committee, the Board and the Audit Committee throughout the year.
Health and safety	Performance updates were provided at every Executive Committee and Board meeting during the year.
Regulations	The status of the company's ethics and compliance activities was reported to the Board and Audit Committee throughout the year.
Talent management and retention	The Board, supported by the Nominations and Audit Committees, has received detailed updates throughout the year.

To reinforce our commitments to ethical conduct and good corporate governance, we work to ensure that a strong “speak up” culture exists at every level of our company, in which our associates feel confident in raising concerns and have a touchpoint for ethical dilemmas. This supports ethical decision-making, helps to mitigate the risk of serious incidents and breaches of our Code of Conduct, and drives our purpose by producing better experiences for our customers. Further information on the operation of Ferguson’s ethics helpline can be found in our [Annual Report](#).



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 2021, the Board, Audit Committee and Executive Committee regularly reviewed the company’s principal and emerging risks. Information that informs us of our risks 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 2021, the Audit Committee reviewed the effectiveness of the company’s enterprise risk management program, including the procedures for risk identification, assessment, mitigation, monitoring and reporting, and was satisfied with its effectiveness. A detailed narrative of our enterprise risk management processes, our principal and emerging risks, as well as key features of our internal control and risk management systems and the Audit Committee’s oversight of them, can be found in our [Annual Report](#).

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 is executing a rolling three-year roadmap of investments in processes, resources and 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 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 how they will handle a phishing request 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. These systems were reviewed and then addressed through necessary improvement measures. 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.

As a result of the recent 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

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 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 SEC filings page of our website at [fergusonplc.com](https://www.fergusonplc.com). During FY 2021, we continued 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 determined to eradicate any form of modern slavery in our global supply chain. 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 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, 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. As of the end of FY 2021, over 1,100 of Ferguson's major suppliers have contractually pledged to abstain from use of child, forced or involuntary labor in their operations. Approximately 24% of these suppliers are in countries with a prevalence of modern slavery, according to The Global Slavery Index. 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.



Data and Frameworks



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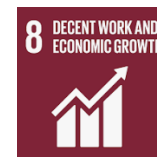
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United Nations Sustainable Development Goals

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
Carbon emissions	
Scope 1 GHG emissions (MT CO ₂ e)	155,706
Scope 2 GHG emissions – location-based (MT CO ₂ e)	89,319
Total calculated Scope 3 GHG emissions (MT CO ₂ e)	170,022
Scope 1 and 2 emission intensity (MT CO ₂ e / million USD of revenue)	11.4
Total energy consumed from all sources (GJ)	3,243,831
Percentage supplied from grid electricity	25%
Associates	
Total associates	31,000
Female associates	24%
Minority associates	32%
Percentage of management positions held by female associates ^[1]	20%
Percentage of management positions held by minority associates ^[1]	15%
Associate engagement	56%
Safety	
Associate Recordable Incident Rate (TRIR)	1.90
Associate Lost Time Incident Rate (LTIR)	0.58

¹ 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	Quantitative	Gigajoules (GJ), Percentage (%)	CG-MR-130a.1	Total energy consumed in FY 2021: 3,243,831 GJ Percentage grid electricity: 25%
Data security				
Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	CG-MR-230a.1	2021 ESG Report – Information and cybersecurity, pg. 46
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: 20%, Male: 80% All Other Associates – Female: 24%, Male: 76% Management ⁽¹⁾ – Racial/Ethnic Minority: 15% All Other Associates – Racial/Ethnic Minority: 32%
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 \$2.5B 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.

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

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	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.
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	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 & Environmental Compliance Steering Committee meets quarterly and includes cross-functional leaders throughout the business to communicate industry trends and educational opportunities for Ferguson associates.
Discussion of strategies to reduce the environmental impact of packaging	Discussion and analysis	n/a	CG-MR-410a.3	Ferguson partners with PackSize to implement new, customized packaging solutions and shipping techniques within our operations. PackSize enables us to right-size our product packaging, helping us minimize the amount of packaging waste that our customers have to recycle downstream. In FY 2021, we added three more PackSize machines to our distribution center network.

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	U.S. Specific Numbers 1) 1,470 retail locations 2) 10 DCs
Total area of 1) retail space and 2) distribution centers	Quantitative	Number	CG-MR-000 B	U.S. Specific Numbers 1) 3,250,000 m ² 2) 604,000 m ² ⁽¹⁾

¹ 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 2021.



Cautionary note on forward-looking statements

Certain information included in this report is forward-looking, including within the meaning of the United States 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 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 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; adverse impacts caused by the COVID-19 pandemic (or related variants) or by any current or future vaccination and/or testing mandates; 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; failure to rapidly identify or effectively respond to consumer wants, expectations or trends; failure of a key IT system or process as well as exposure to fraud or theft resulting from payment-related risks; unsuccessful execution of our operational strategies; failure to attract, retain and motivate key associates; ineffectiveness of or disruption in our international supply chain or our fulfillment network, including delays in inventory, increased delivery costs or lack of availability; fluctuations in foreign currency and fluctuating product prices (deflation/inflation); 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; legal proceedings as well as failure to comply with domestic and foreign laws and regulations or the occurrence of unforeseen developments such as litigation; changes in, interpretations of, or compliance with tax laws in the United States, the United Kingdom, Switzerland or Canada; privacy and protection of sensitive data failures, including failures due to data corruption, cybersecurity incidents or network security breaches; exposure of associates, contractors, customers, suppliers and other individuals to health and safety risks; funding risks related to our defined benefit pension plans; inability to renew leases on favorable terms or at all as well as any obligation under the applicable lease; failure to effectively manage and protect our facilities and inventory; our indebtedness and changes in our credit ratings and outlook; 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; and other risks and uncertainties set forth in our Annual Report and Accounts 2021 under the heading "Principal risks and their management," in our Annual Report on Form 20-F filed with the Securities and Exchange Commission (the SEC) on September 28, 2021 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 update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

