

Building a better business

Wolseley’s “Better business” framework comprises 13 material issues which actively support our growth, improve employee engagement, address our top risks and compliance requirements or are important to our shareholders, customers and suppliers.

The framework was established following consultation with our stakeholders. We strive to make these issues an integral part of how we do business, which is reflected in this report. Many of the issues are not covered in this section but are instead described within the Key resources and relationships section on pages 12 and 13.

	Our material issues	Our principles
<i>Our people</i>	Talent management and development	We are committed to people development at every level of the organisation.
	Competitive pay and reward	We offer competitive remuneration to our people.
	Employee engagement	We value our people and actively work to improve employee engagement.
	Diversity and inclusion	We understand, respect and value personal and cultural differences.
	Health and safety	We will not compromise the health or safety of any individual.
	Ethical behaviour and human rights	We adhere to strict HR policies and comply with our own Code of Conduct.
<i>Our products</i>	Product quality and integrity	We work with our suppliers to maintain excellent standards of product quality and safety.
	Responsible sourcing	We expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.
	Promoting “eco” products	We are a positive link in the sustainable construction supply chain.
<i>Our operations</i>	Environmental efficiency	We run efficient operations that consume less energy and produce less waste.
	Compliance with the law	We are committed to observing both the spirit and the letter of the law.
	Protecting information	We protect both digital and physical information on behalf of our stakeholders.
<i>Our communities</i>	Active corporate citizen	We voluntarily contribute our time and our financial support to the communities in which we work.

Opportunities	Risks
A multi-skilled and well trained workforce will help us to deliver against our objectives and adapt to changing customer needs.	Changing operating models require us to constantly up-skill our people. A competitive marketplace puts greater emphasis on excellent career development programmes to attract and retain talent.
Well structured remuneration and incentive programmes align employee and company objectives in order to maximise results.	Attracting and retaining the best people is dependent on the strength of remuneration programmes.
Motivated and engaged people deliver excellent customer service, develop strong supplier relationships and maximise operational efficiencies.	Low employee engagement can lead to sub-optimal business results and poor retention of our people.
A diverse workforce brings with it the widest range of knowledge, skills and experience and promotes innovation. An inclusive environment allows our people to feel at ease in the workplace.	In an ever-changing market a lack of diversity can limit business progression.
A robust health and safety programme protects our people, customers and suppliers. It also improves productivity by reducing the number of days lost to injury.	Our principal health and safety risks relate to manual handling, working at height, the use of motorised equipment and vehicle collisions.
A commitment to high ethical standards strengthens our reputation with customers, suppliers and other stakeholders.	The business is exposed to risks of bribery and fraud. Compliance programmes are in place to mitigate these risks. For more detail, see page 39, Government regulations.
Sourcing and supplying safe, quality products improves our margins, enhances customer satisfaction and enables our people in branch to devote more time to service.	Product-related litigation is recognised as one of our principal risks. For more detail on how we are managing the risk, see page 39.
Working with reputable suppliers gives our stakeholders confidence in the integrity of our supply chain and reduces the risk of business interruption or reputational harm.	There is increasing focus on supply chain transparency including labour standards, modern slavery, conflict minerals and avoiding bribery and corruption.
Where the opportunity exists, we can gain market share by supplying sustainable construction products and offering training and advice to our customers.	Poor market conditions and pressure on margins are two of the Group's principal risks (see page 37). As building regulations increasingly focus on sustainable enhancements, eco products represent a growth opportunity.
Better energy and waste management decreases costs and improves operational efficiencies.	Energy costs and increasing "green" taxes can reduce Wolseley's profit margins. We have reduction targets in place to minimise these costs.
Compliance with legal regulations gives us a licence to operate.	The risk of non-compliance with increasing levels of governmental regulations is a priority. For more detail, see page 39.
Robust systems and processes together with an informed workforce reduce the risk of losing sensitive or commercial data.	Information security is one of our principal risks. For more detail, see page 38.
Engagement with the communities in which we operate promotes our business and enhances people skills and engagement.	Wolseley has many locally established competitors. Community engagement can enhance our local reputation and allow us to compete more effectively.

Governance

The overall "Better business" framework is reviewed annually to test the ongoing materiality of the issues identified. The Group's General Counsel is responsible to the Board for the overall programme. Objectives and, where appropriate, quantified targets are set for each material issue. Group-wide KPIs have not been set for all issues as it is not always practical to bring distinct local methods under one unified metric. Improved performance is the primary goal. Business units monitor performance throughout the year and performance reports are submitted to the Executive Committee and the Board at regular intervals.

Better business – Progress in 2016

The following two pages provide an overview of our progress in the year under review. It is referenced when further information on these topics can be found elsewhere in this report. A greater level of detail is available on the Wolseley plc website www.wolseley.com.

Our values



We act with integrity

We conduct all our activities with fairness, honesty and integrity.



We drive for results and improvements

We listen and respond to the needs of our customers, then exceed their expectations. We are not happy with the status quo, and constantly strive to improve.



We value our people

We understand, respect and value personal and cultural differences; we are open and honest in all our dealings with our people.

Key highlights

We achieved our two-year reduction targets for carbon and waste and set new five-year targets

We continued to improve our injury rate, but must improve on lost workdays and collisions

We enhanced our minimum quality control procedures for sourcing from the Far East

We saved suppliers in the USA and UK from travelling 4.3 million miles by back hauling product from their factories



Case study:

Reducing product risks

Ferguson engaged a third party to conduct audits of 60 valve manufacturing plants across the globe over 15 months.

Industrial valves are a high risk product category and the audits provide additional assurance to the business and its customers.

Our people

During 2015/16 we reviewed and refined our approach to talent management, employee engagement and remuneration, and have plans in place to improve our practices further.

For further detail on these three aspects of our people strategy see page 12

Diversity and inclusion

One of the core Group values of Wolseley is that we value our people. We aim to recruit, retain and develop a high quality and diverse workforce. To achieve our objective, we hire the best candidates available from the widest range of knowledge, skills and experience. Our diversity policy statement can be seen on page 54.

	Total men	Total women	% women
Directors (Board)	7	3	30%
Senior leadership ¹	79	13	14%
Total employees ²	31,127	9,383	23%

¹ The Senior leadership group at Wolseley consists of managers drawn from business units and central functions with responsibility for planning, directing or controlling the activities of the Company.

² Total employee numbers of 40,510 are reported above (total men plus total women). The lower number of 38,852 reported on page 6 is the number of Full Time Equivalent employees.

Health and safety

Wolseley had set a 2 per cent reduction target for each of the three health and safety metrics during the year under review.

Injury rate	2.6% improvement (1.47 per 100,000 hours worked)
Lost workday rate	5.6% deterioration (49.51 per 100 employees)
Fleet third party collision rate	0.4% deterioration (15.44 per 100 vehicles)

The increase in lost workdays and collisions is disappointing and all businesses have developed plans to reverse this trend. The Group has set itself the target of achieving a 2 per cent reduction in each metric during the coming year.

For further information see pages 9 and 12

Ethical behaviour and human rights

Our focus in 2015/16 was to continue to ensure that our compliance programmes in relation to fraud, bribery and corruption and anti-trust laws were fully embedded in business practice.

Human rights

Both the United Nations Global Compact and Universal Declaration of Human Rights have been considered in determining the human rights issues that are material to Wolseley. These topics include employee policies (covering topics such as anti-discrimination), health and safety and ethics and conduct. All of these issues are managed through policies and programmes of work and are regularly monitored for compliance.

Business partners and suppliers are expected to conform to Wolseley's Code of Conduct. The Code of Conduct is detailed on the Wolseley plc website www.wolseley.com.

Our products

Product quality and integrity

During 2015/16 we continued to strengthen our controls around product sourcing. Product integrity and product sourcing managers from across the Group met in May to share best practices and to formalise enhanced minimum quality control procedures for sourcing from the Far East. Internal audits of product quality procedures were completed in all major businesses and improvement actions are being addressed.

Responsible sourcing

Each business 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.

Modern Slavery Act

The UK Modern Slavery Act 2015 ("the Act") requires Wolseley plc ("the Group") to make an annual statement outlining the steps the business is taking to identify and prevent modern slavery within our organisation and its supply chain.

Through its various business divisions, the Group sources, distributes and sells products in mature markets in North America and Western Europe. A small percentage of the Group's own label products are sourced from other regions, principally in Asia.

It is recognised that there could be a small risk of human trafficking or slavery in the manufacturing, distribution and logistics activities that are connected with our business. Wolseley has zero tolerance for such activities. The Group is undertaking a number of steps to minimise the risks of slavery occurring in our business or our supply chain.

- Training on combating modern slavery has been delivered in local language to colleagues in the Group's sourcing operations in Asia.
- Background screening of all suppliers of products and services is underway using a third party database. Screening has been completed for all organisations that we have identified as higher risk (e.g. due to geography, activity or contract value).
- Audits and site visits of suppliers in low cost countries are undertaken on their appointment and periodically thereafter. Procedures for on-boarding and evaluating such suppliers have been reviewed this year.
- The Group has maintained a Code of Conduct and a confidential whistleblowing line, applicable to all Wolseley businesses, which allow people to "speak up" in confidence and without the fear of any negative consequences.



Each business 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.

This statement is made on behalf of all subsidiaries of Wolseley plc (www.wolseley.com) and is made pursuant to section 54(1) of the Act and constitutes our Group's slavery and human trafficking statement for the financial year ending 31 July 2016.

Further information on the steps taken by the Group's UK subsidiary can be found at www.wolseley.co.uk.

Promotion of "eco" products

Energy prices and government subsidies have for the most part not supported increased sales of "eco" products during the year. However, our businesses continue to promote these products where there is customer demand.



For further information see page 13

Our operations

Environmental efficiency

Wolseley had set two-year targets ending in the year under review to reduce carbon and waste (both by 5 per cent per £m revenue) and to increase the percentage of waste that is recycled to 29 per cent.

Carbon	14.9% improvement (30.3 tCO ₂ e per £m revenue)
Total waste	5.8% improvement (5.0 tonnes per £m revenue)
% of total waste recycled	23.6% improvement (from 23.3% to 28.9%)

Total revenue of £14,640 million (including discontinued businesses and excluding Soak.com) is used when calculating the relative carbon and waste performance. The lower number of £14,430 million reported on the inside front cover is the revenue for the ongoing business.

All Scope 1 and 2 emissions and selected Scope 3 emissions are reported. Further detail on the data provided can be found in the "Basis of Reporting" document on the Wolseley plc website www.wolseley.com.

	tCO ₂ e/£m revenue			Two-year variance
Carbon emissions	2013/14	2014/15	2015/16	
Scope 1 and 2 emissions	27.3	24.1	23.1	-15.4%
Scope 3 emissions	8.3	6.9	7.2	-13.3%
Total emissions	35.6	31.0	30.3	-14.9%

Our approach to measuring carbon was developed in accordance with the Greenhouse Gas Protocol ("GHG Protocol"). Emissions are calculated using DEFRA carbon factors and are reported as tonnes of CO₂ equivalent (abbreviated as tCO₂e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol.

Each business has set new five-year targets for carbon and waste reduction and for the increase in the percentage of waste that is recycled. At a Group level, our targets for 2021 are a 10 per cent reduction in carbon, a 15 per cent reduction in waste (both per £m revenue) and an increase in the proportion of our recycled waste to 40 per cent.



For further information see page 13

Compliance with the law

Legal and compliance teams across the Group work with the businesses to adhere to all legal and regulatory requirements.

Protecting information

As our channels to market develop so too does the technology that we employ and the data that we hold. We are committed to protecting the security of our systems and information so that customers can transact with us safe in the knowledge that we have the appropriate safeguards in place. The Group operates an IT governance framework, including a full set of dedicated IT policies, aligned to known security and operational risks. A broader Group information security policy determines how we protect all information wherever it exists and in whatever form (electronic or hard-copy).

Our communities

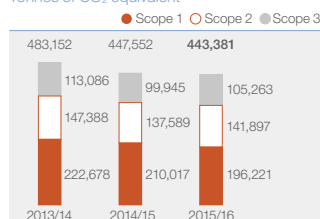
Active corporate citizen

Our businesses seek to be contributing members to the communities in which they operate. The Group supports a number of charitable organisations both at a Group and a business unit level. In 2015/16, Wolseley's businesses contributed to a range of charities, including support for the homeless, scholarships for young apprentices and provision of care for sufferers of cancer and other illnesses.

Our people engaged in numerous community and charity events. Further information and case studies of the events our employees and businesses have supported over the last year can be found at www.wolseley.com.

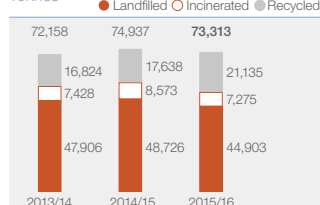
Total carbon emissions

Tonnes of CO₂ equivalent



Total waste

Tonnes



Inaccuracies identified in prior year numbers resulted in immaterial adjustments to the 2013/14 and 2014/15 carbon and waste data.

Due to rounding of the figures in the bar charts there is not a precise correlation with the sub-total and total performance figures.



Case study:

UK races for Cancer Research

Two teams from Wolseley UK successfully completed the Yukon River Quest, raising £150,000 for Cancer Research.

It is the world's longest annual canoe and kayak race at 444 miles and is held in North West Canada.