

Corporate responsibility

This year has been a period of development for Wolseley's Corporate Responsibility ("CR") Strategy. Approved by the Board in July 2008, the strategy is intended to provide a framework for our operating companies to build on our strengths, apply best practice, learn from each others' experiences and, above all, improve operational effectiveness.

Individually, our operating companies have developed good practices over many years, some of which have been recognised by external awards and industry praise, for example in health and safety and fleet management. Our aim is to harness these good practices and deliver a coordinated approach to CR across the Group.

Economically, this year has been very challenging for our business and, while not deterring our commitment, this has affected the speed and scale of the implementation of some of the objectives under our CR strategy. Nevertheless, good progress has been made by our operating companies and some examples are given later in this report. Further information is also available on our website.

More information regarding the impact of the global economic conditions on our businesses can be found on page 5.

Last year, we introduced a five-year framework for our CR programme. It recognised the ability of our businesses to make progress at different speeds and to set priorities, based on our five "key themes", that were most suited to their business objectives. The progress we have made over the year is explained in more detail overleaf.



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Strategy

The five key themes of Wolseley's CR strategy are:

- Health and safety;
- Environment;
- People;
- Responsible business; and
- Community engagement.





These themes were selected to support Wolseley's business strategy and represent the areas that have the greatest impact for our operations. Ensuring the health and safety of our people and maintaining our physical assets helps us to preserve the integrity of our operations and strengthens customer service.

Measuring our environmental performance will enable us to set targets to improve our impact on climate change as well as reduce costs in our business. Offering competitive rewards and development opportunities will help to improve morale in our workforce, attract and retain high quality employees and ensure that our people can maximise their potential. Conducting business responsibly and with integrity minimises risk and strengthens our reputation. Building closer relationships with the communities in which we operate helps us to promote our business and its objectives and gain a greater understanding of our customers, neighbours and employees. Further information on each of our five key themes can be found later in this report.

The strategy identifies minimum standards with which each of our operating companies should comply and Group goals which we aim to achieve over time. In pursuit of the Group goals, each operating company has the freedom to implement its own initiatives and targets in respect of each of the key themes. This approach recognises that the drivers for progression may vary from business to business, that different objectives may require different resources and time to achieve, and that they will therefore require different solutions. This approach also recognises that some of our businesses might achieve their goals within an earlier time frame than the overall five-year plan.

Key themes		
	Group minimum standard	Group goal
Health and safety	Compliance with legal requirements, monitoring Group and operating company Key Performance Indicators ("KPIs").	Proactive safety culture, recognised industry leader.
Environment	Compliance with legal requirements, establish KPIs, develop improvement programmes.	Carbon neutral operations, informing industry best practice.
People	All employees are competitively rewarded and provided with development opportunities.	Industry-leading staff retention and productivity rates.
Responsible business	Endorsement of the Group Code of Ethics, identify forest source of timber.	Group Code of Ethics and compliance programmes evidence best practice, eliminate risk-timber.
Community engagement	Participating in, or donating to, a number of community projects.	Public recognition of Wolseley's contribution and value.

To help achieve our objectives we have identified a number of priority actions, which are summarised in the tables that follow, together with the progress made to date.

Year 1: 2008 – 2009		
Target and priorities	Progress	
<p>Governance</p> <p>Focus on building on existing CR governance and consolidating implementation processes.</p>	<p>Group CR strategy communicated to businesses. Engagement with key managers. Development of internal CR network to deliver local CR plans.</p>	<p>Achieved </p>
<p>Health and safety</p>	<p>Group health and safety policy introduced in December 2008 with supporting Group-wide common management processes and KPIs.</p>	<p>Achieved </p> <p>See pages 42 – 43 for more details</p>
<p>Environment and Responsible business</p> <p>Ethical sourcing.</p>	<p>Timber: development and coverage of the Group's risk assessment process has continued and improved.</p>	<p>Achieved </p> <p>See pages 47 – 48 for more details</p>
	<p>Other products: a pilot project is underway in Wolseley UK to begin the process of verifying our suppliers' practices against our ethical sourcing standards.</p>	<p>Achieved </p> <p>See page 48 for more details</p>
<p>Responsible business</p> <p>Prevention of fraud and corruption.</p>	<p>Group anti-fraud and anti-corruption policies and training are currently in development, for introduction later in the financial year.</p>	<p>In progress</p> <p>See page 47 for more details</p>

We are pleased to report that our objectives for the first year of the CR strategy have broadly been met. The focus of resources on other Group priorities has resulted in a delay to some activities but not to a significant extent.

Year 2: 2009 – 2010	Year 3: 2010 – 2011	Year 5: 2012 – 2013
Target and priorities	Target and priorities	Target and priorities
<ul style="list-style-type: none"> ▶ Delivery of anti-fraud and anti-corruption policies and training. ▶ Continued development of local CR plans. ▶ Refresh and re-launch Group Code of Ethics and supporting policies. ▶ Develop Group environment and sustainability objectives. 	<ul style="list-style-type: none"> ▶ CR governance and implementation processes are consistent and aligned across the Group. Implement enhancements. ▶ Further focus on Group-wide approach to improvements to priority CR activities. ▶ More detailed and consistent data gathering and reporting. 	<ul style="list-style-type: none"> ▶ Higher standards achieved by all businesses. ▶ Continuous improvement principles integrated into business processes.

CR governance

The Group Company Secretary and General Counsel (see biography on page 51) is responsible for the overall delivery of the Group's CR programme. Within our operating companies, local management have responsibility for developing and implementing CR plans that are integral to their operations and that support the Group CR strategy. Maintaining responsibility for operating company plans in this way helps to promote accountability for our CR goals at the local level and helps to ensure that individual plans are aligned with local objectives, markets and resources.

Progress against the CR programme is monitored at a Group level by regular updates from operating companies to the Group Company Secretary and General Counsel, who then updates the Board annually ensuring objectives and priorities are discussed and agreed.

Risk management

An explanation of the Group's risk management programme is set out on pages 29 to 33. Those risks which might have an impact on the key elements of our CR programme, and consequently on our business, are discussed in more detail in this section.

Prompted by the threat posed by the H1N1 virus (swine flu), the Group reviewed its business continuity plans and tested its preparedness to respond to the potential impact of the virus on our employees, their families and our customers. All employees have been provided with extensive information and advice to help prevent infection, recognise symptoms and plan responses where infection occurs.

Risks associated with climate change, for example flooding, present a threat to some of the Group's physical assets but, overall, the impact is expected to be manageable or limited. These risks are reviewed annually as part of the renewal of the Group's insurance programme.

In the UK, the Carbon Reduction Commitment ("CRC"), to be introduced in 2011, will require Wolseley's UK operations to participate in a government auction process for carbon emissions allowances. Wolseley UK has established a working group to assess the impact of the CRC on its operations and to identify ways to reduce its carbon emissions. These initiatives may include changes to physical infrastructure, for example the types of insulation and heating used in buildings, as well as cultural and behavioural changes to everyday practices and procedures. Carbon reduction initiatives identified by the CRC working group will be shared across the Group to ensure that the maximum benefits can be gained.

It is possible that European legislation will be introduced within the next five years which will stipulate that all timber imported into the European Union must be from a legal source. We are engaging with national governments and the European parliament, as well as national timber trade federations, to provide our input to the development of legislation and government procurement policies. We are actively working with our suppliers to ensure the legal status of the timber we supply and thereby reduce the risk of purchasing products from illegal or unsustainable forest sources. See pages 47 to 48 for more detail.

Health and safety

We will provide a safe and healthy working environment and we will not compromise the health and safety of any individual.

With 51,000 employees, over 4,000 branches and a fleet of over 16,000 vehicles, the safety of our people and property is essential to our operations. Our employees' activities include the manual handling of heavy objects, mechanical lifting, operating machinery and driving between our own sites, as well as to those of our suppliers and customers; these include construction sites that are inherently more hazardous than our branch locations.

Effective management of our health and safety programme helps to minimise the risk of injury to our employees, customers and suppliers and damage to property; reduces costs associated with employee illness, injury and loss of physical assets; reduces the risk of legislative breaches; and protects our reputation. We always aim to identify areas for improvement and, where good practices exist, share them across the Group.

During the year, we introduced a Group health and safety policy. High quality health and safety programmes were already well established in our operating companies. The significant improvement was to define, for the first time, commitments, standards and metrics that could apply consistently to all of our operations. The policy is supported by a Letter of Commitment signed by the Group Chief Executive and by the Continental Division Chief Executives.

Implementation of the policy has been supported with a number of standard tools to help operating companies assess their current health and safety practices, identify areas that require improvement and develop plans and targets. The European and North American divisions worked together closely to align their practices, to ensure that data was collected in a consistent format and to identify efficiency improvements.

Environment

We will run efficient operations that minimise waste and reduce our contribution to climate change. We will promote sustainable development.

The Group has a responsibility to manage the impact of its operations on the environment so that any harm is minimised and positive contribution is maximised. Opportunities to reduce our carbon impact, our use of natural resources and to reduce waste and recycle more materials exist in all our operations and at every stage of our products' life cycle, from the sourcing of materials through their transportation and to their ultimate use and disposal. The increasing cost of energy, water consumption and the disposal of waste add a clear commercial imperative for measuring and understanding our performance in these areas. More information on each of these issues can be found on pages 44 to 45.

A priority for the second year of our CR programme will be to identify the best improvement opportunities for each of our businesses. In Wolseley UK, this will be part of our coordinated response to the requirements of the CRC. This process will contribute to the development of a set of Group-wide sustainability objectives to improve our environmental performance and operational efficiency.

In certain markets, there is increasing demand for sustainable products. To remain competitive, it is important that we understand our customers' needs and are responsive to change as the industry, markets and legislation develop. Wolseley UK's Sustainable Building Center, located next to its headquarters in Leamington Spa, was opened in 2008. In its first year, it has attracted interest from existing and new customers such as architects, homebuilders, property developers and facilities managers and has provided an innovative means of showcasing the variety and quality of Wolseley's sustainable product offering (see www.wolseleysbc.co.uk for more information). A similar facility operates at Wasco in the Netherlands. Brossette in France has also introduced "Cap Energie", this year, a project which includes, among other things, an initiative to further develop our renewables product capabilities. More information can be found in the case study on page 44.

The Company also established an internet-based data site, which facilitated cost-effective communication in different time zones.

In support of our objective to further improve health and safety performance in all of our operations, in 2008 we stated our intention to introduce health and safety performance reporting based on KPIs common to the Group.

Three key measures were introduced during the year to provide consistency in reporting in all of our businesses: medical injury rate, lost workday rate and fleet collision rate. These indicators were selected as the most appropriate measures for our business, based on their direct and indirect moral, legal and financial impact on our operational performance. These measures will help us to better identify areas where strong performance and best practices can be shared across the Group and identify activities that may benefit from additional resources and training. We are now able to benchmark performance within all businesses in the Group and have a firm basis for assessing progress and trends over time.

The results of this analysis can be found below.

	FY 2009
Medical injury rate	
Number of at-work injuries requiring medical treatment per 100 employees.	4.4¹
Lost workday rate	
Number of workdays lost per 100 employees.	44.6¹
Fleet collision rate	
Number of third-party vehicle collisions per 100 vehicles.	18.5²

1 Excludes DT Group (4,655 employees) which was unable to report data this year.

2 Excludes DT Group (1,172 vehicles) which was unable to report data this year.

While it is currently too early to report trends in safety performance at the Group level, a number of our operations have reported significant improvements in their safety performance compared with last year. In the US, Ferguson achieved a 40 per cent reduction in fleet collisions and a 17 per cent reduction in employee medical injuries. Wolseley UK reported an 18 per cent year-on-year reduction in its employee medical injuries and a 30 per cent reduction in its lost workday rate. A number of initiatives have helped to achieve these improvements.

Our employees receive health and safety training appropriate for their role. This includes training on safe driving techniques, the operation of plant and equipment and general health and safety awareness. For example, in the UK monthly safety bulletins and awareness campaigns focus on specific safety topics. In the US, over 5,400 delivery drivers, sales and management employees have completed a web-based driver training course during the year. Both the US and UK businesses also operate internal awards programmes for outstanding health and safety performance and safe driving and have been recognised by external national awards for their achievements in these areas.

We will report further on our health and safety performance and initiatives in next year's report.

Through the maintenance and continuous improvement of our health and safety management practices, we have been successful in reducing the frequency of personal injuries and vehicle accidents. This in turn has led to efficiency improvements in our operations.

Environment continued

Environmental performance

This is the third year in which the Group has reported on its environmental performance. The Group has developed an improved data collection tool this year to evaluate the data reported on page 45. These enhancements have helped us to understand the accuracy and completeness of the data collected by our businesses and will be used to improve our data analysis and reporting in next year's report. This year's data has been reviewed for completeness and quality and analysed by an independent third party.

With the geographically dispersed and decentralised nature of our operations, although the integrity of data gathered has improved significantly, complete and reliable data in all categories has been difficult to obtain from all locations. The scale of the Group's operations has changed significantly over the past year as a result of the global economic environment and the consequential effect on our businesses' markets. In addition, the Company sold Stock Building Supply in May 2009, retaining a minority shareholding in a joint venture with The Gores Group (see page 28 for more detail); environmental data relating

to that business is not included in this report. These events have had a commensurate effect on the Group's environmental impact.

For these reasons, including the overall improvement in the quality of data produced since last year, it is not useful to provide a direct comparison with the Group's environmental performance in previous years, nor does it provide a useful indication of future trends. However, our historical reported environmental performance can be found online at www.wolseley.com/corporate-responsibility.aspx. We expect to improve the scope and integrity of the data that we collect to present a basis for year-on-year comparisons in future reports.

Cap Energie

The Cap Energie project is transforming Brossette, ensuring that the business is able to seize the huge opportunities presented by the shift towards new energy sources for heating.

The French marketplace for heating products is changing, driven by shifting consumer demands and financial incentives from the French government. Analysts are now forecasting that more than 80 per cent of heating systems sold in five years' time will be powered by new energy sources.

Following a review of this new business environment, Brossette has implemented a wide-ranging project known as Cap Energie, which translates roughly as "moving forward with energy".

The main purpose of Cap Energie is to reinforce Brossette's position as one of the key suppliers in the wholesale heating sector while also increasing its profitability. Brossette has traditionally been focused on oil and gas heating. The Cap Energie project aims to move the business rapidly to satisfy new demands; primarily for ground source heat pumps, which make use of renewable energy stored in the ground to provide one of the most energy-efficient ways of heating buildings. Brossette is also concentrating more on solar energy products and other alternatives that are not based on fossil fuels.

There are ten projects in all, five focusing on sales and five on support activities, all to be phased in over a three-year period. Four members of the Brossette management committee are part of a team of ten managers responsible for leading the project. To date, over 300 employees have been trained to provide the specialised knowledge and service needed to ensure that our customers are able to benefit fully from this new offering. Construction of a new training facility in Lyon has been completed and will open in the near future. Four new-format point of sale facilities are already open and a new showroom concept has been developed to showcase Cap Energie products.

Back office operations have also been improved to support these changes. A new distribution centre opened in the east of France at the end of January 2009 and IT systems improvements are currently being evaluated.

Greenhouse gas emissions

The vast majority of the Group's greenhouse gas emissions derive from electricity use at our facilities (46 per cent) and the transportation of our goods (29 per cent). In addition to the increasing costs associated with energy consumption, our markets are likely to experience increasing legislative measures in the future aimed at reducing the climate change impact from commercial operations. To help us to reduce our emissions, our businesses have developed various measures, including environmental management systems, resource efficiency plans, fleet management systems and fleet backhauling programmes. More information on these activities can be found online at www.wolseley.com/corporate-responsibility.aspx.



Emissions of greenhouse gases have been reported in accordance with the Greenhouse Gas Protocol (“GHG Protocol”), which was developed jointly by the World Business Council for Sustainable Development and the World Resources Institute. The standard differentiates between emissions for which businesses are directly responsible (“Scope 1 emissions”) and indirect emissions from the generation of supplied electricity and supplied heat (eg district heating) (“Scope 2 emissions”). Certain other indirect emissions (“Scope 3 emissions”) do not form part of the core carbon footprint as defined by the GHG Protocol. However, given the nature of our operations and the degree of control we exercise over certain activities, we do believe that it is appropriate to report on the emissions from third-party provided transportation as well as from our employees’ business travel. These Scope 3 emissions, together with our Scope 1 and Scope 2 emissions, are included in the data reported below.

Source	FY 2009 Emissions (tCO ₂ e) ¹
Electricity use	393,930
Fuel use: operations	118,270²
Fuel use: transportation of goods	246,518
Business travel: vehicles	87,647
Business travel: air and rail	8,189
Refrigerant leakage	1,594
Total³	856,148
Emissions per £m of revenue	59.3

¹ Greenhouse gas emissions 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. The GWP of CO₂ is 1 (1 tonne CO₂ = 1 tonne CO₂e). For other greenhouse gases in the “basket of six”, including refrigerants, the GWP is relative to CO₂ over a 100-year time horizon (eg one tonne of the refrigerant R407C is equivalent to 1,526 tonnes of CO₂ in terms of the potential climate change impact).

² Includes supplied heat (district heating).

³ Based on a combination of actual and estimated data.

During the coming year, we will further evaluate the activities that contribute to our greenhouse gas emissions, with a view to reducing those emissions. In next year’s report, we will publish targets for the reduction of our emissions in future years.

Waste management

The Group’s businesses generate non-hazardous waste and, to a lesser extent, hazardous waste. Although definitions vary from country-to-country, hazardous waste may include items such as batteries and electronic equipment; non-hazardous waste typically includes materials such as paper, plastic and metal.

Wolseley aims to measure and minimise the waste generated by its business activities. As well as reducing our environmental impact, reducing the waste we produce in our operations also has the beneficial effect of lowering waste removal costs. Our Group waste performance can be seen in the table below.

Final waste destination	FY 2009 Hazardous waste (tonnes)	FY 2009 Non- hazardous waste (tonnes)
Incinerated	1,283	6,599
Landfilled	250	85,003
Recycled	77	22,617
Total¹	1,610	114,219
Waste per £m of revenue	0.1	7.9

¹ Based on a combination of actual and estimated data.

An example of how one Wolseley business is addressing waste management is described in the case study on page 46.

Water use

We have continued to measure water consumption throughout the Group during the year to enable the appropriate goals to be set for greater water efficiency. The majority of our water consumption derives from normal operational and sanitary water use. The Group’s water is almost exclusively supplied by local utility providers.

	FY 2009 (cubic metres)
Total water consumption¹	984,102
Average water consumption per employee	19.4

¹ Based on a combination of actual and estimated data.

Environment continued

War on waste

Wolseley UK is making huge progress in its efforts to minimise its impact on the environment and its waste management programme makes a valuable contribution. The Company has increased its recycling levels by 10 per cent in the past year and now recycles 50 per cent of its waste. Recycling levels at Wolseley UK three years ago were approximately 5 per cent.

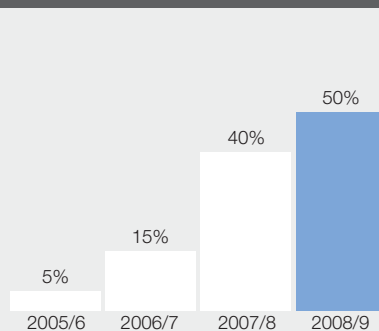
The Company carries out a waste analysis periodically, to gain a better understanding of the waste management practices on Wolseley sites. Initial analysis showed that many of the Company's waste bins were being collected when not completely full. Waste disposal by contractors is charged on a per collection basis, rather than by weight of waste collected; by rationalising its waste services, Wolseley UK reduced scheduled collections by waste contractors by approximately 50 per cent, thereby reducing its waste collection charges. A more recent analysis has demonstrated opportunities to further reduce waste disposal volumes and costs.

The waste analysis also revealed that much of Wolseley UK's waste was made up of recyclable material. The Company has introduced a backhauling programme whereby its branches return their clear plastic, cardboard and wood pallets back to Wolseley UK distribution centres, utilising free space on its commercial fleet once branch deliveries have been off-loaded.

Plastic and cardboard waste, although lightweight, is bulky and takes up space in branch waste bins. Reducing waste in this way allows for more efficient use of the waste bins, increases recycling rates and reduces the frequency of collections required by waste contractors. Where branches are not serviced by a distribution centre, they can backhaul recyclable material via a neighbouring branch, or on-site recycling services are installed.

At Wolseley UK's head office, waste bills have been reduced as a result of a new recycling scheme, raising awareness of the types of material that can be recycled and improving access to recycling bins. Waste costs have dropped from £30,000 per annum in 2007 to £6,000 in 2009. Recycling levels at the head office have risen from approximately 10 per cent in 2006 to around 80 per cent this year. The target is to achieve zero waste to landfill from the site. Four worm farms have been constructed at the head office to reduce the volume of waste food at the site. The worms transform waste food into fertiliser and rich soil that will be used to improve green spaces around the building.

Wolseley UK recycling %



People

It is important that we value our employees and their diversity. We will develop our people, reward them competitively and engage them in our CR activities.

Over the past 18 months, the Group has made significant changes as it has responded to worsening market conditions. Regrettably, cost reductions, including those relating to our employees, are an inevitable necessity in contracting markets. In that time, approximately 17,000 employees have left the Group through redundancy. In all cases, we comply with local employment law as a minimum when making an employee redundant. Where appropriate, we also enhance redundancy terms beyond the local statutory minimum. Other restructuring work has taken place to improve human resources ("HR") processes and offer efficiencies to routine, back office HR activities.

We have taken the difficult decision this year to reduce the intake to our graduate recruitment programmes and suspend programmes in some markets. This decision will be reviewed when market conditions improve.

Training continues to be a priority for the Group. Our European and North American divisions both continued to operate leadership development programmes during the year. A new training programme for branch managers has been implemented in the UK, focusing on managerial competencies and technical skills. Online training modules are available to all employees in the UK and US.

Responsible business



Operating in 27 countries, the Group employs people from a diverse spectrum of nationalities, race, gender and cultural backgrounds. Detailed analysis on employee diversity is not currently collected on a Group basis and is not believed to be an operationally significant priority. However, at Ferguson in the US, a diversity and inclusion programme has operated since 2006 aimed at improving employee engagement, loyalty and productivity, and developing closer alignment between our employees and the customers they serve. Ferguson is beginning to measure the results and trends from this programme, which are helping to inform human resource planning and succession programmes. In 2007, a supplier diversity programme was developed to support the interests of suppliers operated by minority groups. These initiatives have been especially important recently for Ferguson as it has developed its markets in the retail sector. As required by US Federal Law, certain of Ferguson's diversity data is submitted to US government agencies on an annual basis.

As the markets in which we operate begin to recover from very difficult conditions, our People strategy will increasingly focus on re-designed reward and benefit schemes, leadership development programmes and the provision of future career opportunities. These initiatives will be aimed to motivate and retain our employees.

We are committed to working within the laws and regulations of all jurisdictions in which we operate and to comply with our Code of Ethics. We will encourage our suppliers to meet similar standards.

The Group's Code of Ethics sets out a number of fundamental principles which all Group companies and employees are required to follow. The Code sets expectations for fair competition, compliance with laws (including anti-trust laws), avoiding bribery and conducting business with integrity with customers, suppliers and other stakeholders.

In the competitive markets in which we operate, it is vital to ensure that we conduct our business responsibly and continually reinforce with our employees, customers and suppliers the principles by which we operate. With this in mind, a review of the Group Code of Ethics is currently being conducted, intended to refresh its content and reinforce the standards to which the Group adheres. Our intention is to introduce the updated Code by the end of 2009, together with individual new policies and training on the prevention of fraud and corruption. The Group has an established competition law compliance programme and improved training materials have been developed which will be used with employees in the coming year.

Timber sourcing

Sourcing timber from sustainable and well-managed forests is important to Wolseley. Many of our customers, including governments, demand legal and sustainable timber and our sourcing practices in this area help to ensure our reputation for supplying high quality products. We are committed to the elimination of illegally logged timber from our supply chain.

In support of our global timber policy, which sets out Wolseley's commitment to the responsible purchasing of forest products, our timber procurement process includes a global risk assessment system that identifies the legal and sustainable status of the timber products we purchase. The system provides a risk assessment of product information from our suppliers, including details of species and country of origin, and captures supporting documentary evidence. This information is verified for Wolseley by an independent third party.

The system is particularly valuable where timber is sourced from forest areas where credible certification schemes do not currently operate, which may pose a greater risk of non-compliance with our policy. Where high-risk products have been identified, we have worked with our suppliers to improve control processes or identify alternative products. Where there has been no demonstrable improvement, we have ceased purchases and removed the product from sale.

	FY 2009 (cubic metres)	FY 2008 (cubic metres)	FY 2007 (cubic metres)
Total timber purchases¹	2,051,000	2,351,000	2,997,000
Total certified²	77%	76%	65%

¹ This year's timber data does not include data relating to Stock Building Supply (see page 44 for more information). Data above relating to FY 2008 and FY 2007 has been restated to allow consistent comparison.

² Timber sourced from forests certified by recognised sustainable forestry schemes such as FSC, PEFC, SFI, CSA and MTCS.

FSC	Forest Stewardship Council
PEFC	Programme for the Endorsement of Forest Certification schemes
SFI	North American Sustainable Forestry Initiative
CSA	Canadian Standards Association (Sustainable Forest Management Standard)
MTCS	Malaysian Timber Certification Scheme

Responsible business continued

The reduction in the Group's timber purchases this year, compared to previous years, is almost entirely due to the contraction of the markets in which we operate.

Wolseley operates chain of custody schemes in its European businesses that provide independently certified verification of the ownership of products throughout the supply chain. Documentation to support the chain of custody is captured by our risk assessment system. Certification schemes have made the identification of sustainable timber much clearer for our customers.

Wolseley is an active member of the UK Timber Trade Federation ("TTF"), with which it has worked in close collaboration since 2004, helping to introduce the TTF's Responsible Purchasing Policy in 2006. From October 2009, all TTF members must demonstrate as a condition of membership a commitment to a process of due diligence in the supply of timber. Wolseley's timber risk assessment system meets this requirement.

Our aim is to be certain that all our timber is obtained from legal sources and from suppliers operating responsible forest management practices. Where we cannot be certain, we encourage our suppliers to make

efforts to improve their own practices and work towards credible certification. This helps us to ensure that, as well as being compliant with all applicable laws, our timber is sourced from sustainable forests.

Other product sourcing

A pilot project is underway in Wolseley UK to begin the process of verifying our suppliers' practices against our ethical sourcing standards. To achieve this, we will seek assurances from our suppliers regarding a number of social measures, including in relation to labour standards. It is intended that in time, the lessons learned from this UK project can be used to implement similar initiatives in other parts of the Group.



Community engagement

We will be a responsible member of the communities in which we work.

We aim to engage with the local communities where our operations are based, as well as nationally and internationally. We continue to build strong relationships with our neighbours, suppliers and customers in order to maximise our contribution to the communities that they, and we, support. As well as recognising the philanthropic benefits we can offer, our work in this area helps to improve the awareness and reputation of our businesses in their local communities and provides development opportunities for our employees.

It is important to our businesses to build strong relationships with their local communities and to encourage charitable initiatives. Our reputation and the trust we earn from local communities helps us to achieve our business objectives. For example, demonstrating our commitment to being a responsible trading partner helps us to attract and maintain good relationships with our customers and suppliers. It also ensures we remain an attractive, competitive employer.

Our employees and their businesses support many charities and community initiatives relevant to the countries and locations in which they operate. These are wide-ranging and include initiatives closely aligned with our business and its objectives, as well as charities for which our employees have a particular passion.

They include organisations engaged in health, welfare, sports, education, civic and community projects as well as culture and the arts. A number of established relationships have generated successful projects. For example, in the US we have worked for a number of years with Habitat for Humanity and in the UK the Company is a member of Business in the Community.

We have reviewed our approach to charitable giving during the year with the aim of achieving more effective relationships with selected partners. A Group policy on charitable donations will be introduced in the next financial year that will more closely align our charitable giving and our community engagement activity with our employee development programmes as well as with aspects of our operations and product offering. We will focus our efforts on the built environment, homelessness, sustainability and climate change, environmental conservation and remediation, waste management and recycling, water quality and sanitation as well as literacy, numeracy and work-based skills.

Further details of the amount of charitable donations the Group made during the year can be found on page 60.

More information about our CR programme, including further case studies, statistics and examples of our practices, awards and community engagement can be found on the Wolseley plc website at www.wolseley.com/corporate-responsibility.aspx.

Business in the

Community