Governance

Governance overview

> *I would like to take this opportunity to thank our shareholders for their continuing support and look forward to welcoming those shareholders able to attend our 2016 AGM.*
>
> **Gareth Davis**
> Chairman

Dear Shareholder

I am pleased to present the Company's Corporate Governance Report for the financial year ended 31 July 2016. Your Board recognises that a sound governance framework, both in the boardroom and throughout the Group, is fundamental to the long-term success of the business.

We remain committed to full compliance with the UK Corporate Governance Code and to achieving high standards of corporate governance across the Group. Your Board sets the overall strategic direction of the Wolseley Group, and the Group's core values, policies and procedures create an environment in which our businesses can act with integrity and effectiveness, while driving for profitable growth. Our commitment to all our stakeholders and our people is of paramount importance throughout all our businesses.

This report explains how the Board operates and how our governance structure contributes to the achievement of the Group's long-term strategic objectives. This section, together with the reports from the Audit, Nominations and Remuneration Committees beginning on pages 50, 54 and 58 respectively, provide a description of how the Group has applied the main principles and complied with the relevant provisions of the 2014 UK Corporate Governance Code (the "Code").

We have used the core principles of the Code as the framework within which we explain our governance practices – please see the boxes below, which direct you to further detail.

The Company has a premium listing on the London Stock Exchange, and is therefore subject to the Listing Rules of the UK Listing Authority. Although the Company (being Jersey incorporated) is not subject to the UK Companies Act, the Board retains its standards of governance and corporate responsibility as if it were subject to the Act. It continues to provide shareholder safeguards which are similar to those that apply to a UK registered company and complies with relevant institutional shareholder guidelines.

I would like to take this opportunity to thank our shareholders for their continuing support and look forward to welcoming those shareholders able to attend our 2016 AGM.

Gareth Davis
Chairman

Core principles – how they are applied

Leadership
Continued close focus on strategy and its execution.
See pages 42 to 46

Effectiveness
A strong, open and effective Board.
See pages 47 and 48

Accountability
Close scrutiny of risks and controls.
See pages 49 to 57

Remuneration
Prudent oversight of executive remuneration.
See pages 58 to 72

Relations with shareholders
Open engagement with shareholders.
See page 49

Statement of Compliance with the UK Corporate Governance Code

Throughout the financial year ended 31 July 2016, the Company has been in compliance with the Code provisions set out in the 2014 UK Corporate Governance Code (the "Code"). The Company's auditors, Deloitte LLP, are required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for their review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance. No such report has been made. A copy of the Code can be found on the Financial Reporting Council website www.frc.org.uk.

Board of Directors

The primary role of the Board is to provide effective and entrepreneurial leadership necessary to enable the Group's business objectives to be met and to review the overall strategic development of the Group as a whole.

Gareth Davis, Chairman

Biographies for the members of your Board as at the date of this report are as follows.

Each member served throughout the financial year ended 31 July 2016.

Gareth Davis
Chairman

Year of Appointment
2011 (appointed as Chairman)
2003 (appointed to the Board as a Non Executive Director)

Key strengths and experience
Extensive international board and general management experience, having served on various company boards for many years. Mr Davis spent 38 years in the tobacco industry and was Chief Executive of Imperial Tobacco Group plc from its incorporation in 1996 until May 2010.

Other principal appointments
Chairman of William Hill PLC and DS Smith Plc.

John Martin
Group Chief Executive

Year of Appointment
Appointed as Group Chief Executive on 1 September 2016
Appointed as Chief Financial Officer in April 2010

Key strengths and experience
Extensive operational and financial management experience of running large international businesses. Mr Martin has strong leadership capabilities and significant experience in strategic development and driving improvements in operational performance. He joined the Company as Chief Financial Officer and assumed management responsibility for Wolseley's Canadian business between 2013 and 2016. Previously he was a partner at Alchemy Partners, the private equity group, and prior to that was Chief Financial Officer of Travelex Group, the international payments business and Hays Plc.

Other principal appointments
None.

Frank Roach
Chief Executive Officer, USA

Year of Appointment
2005

Key strengths and experience
Strong business and operational leadership; management of subsidiaries and joint ventures. Business development and wide ranging sales experience. Mr Roach is Chief Executive Officer of Ferguson Enterprises, Inc. responsible for all of the Group's businesses based in the USA. He joined Ferguson in 1976 and has held a number of business roles. In 2005, Mr Roach was appointed as Senior Vice President of the Wolseley North America management team, playing a key part in further developing and expanding the Group's North American businesses, and joined the Board in 2005.

Other principal appointments
None.

Pilar López
Independent Non Executive Director

Year of Appointment
2013

Key strengths and experience
Strong financial and international experience within global businesses. Ms López was Global Simplification Director for Telefónica S.A from 2014 and Chief Financial Officer for Telefónica Europe (2007 to 2014). She was also Supervisory Board member of Telefónica Czech Republic AS and Vice Chair of Telefónica Deutschland Holding AG. She joined Telefónica in 1999, working in a number of finance and strategy positions across the European and Latin American businesses. Prior to this she worked in a variety of roles at J. P. Morgan, in Madrid, London and New York where she became a Vice President.

Other principal appointments
Country Manager for Microsoft Spain.

Alan Murray
Independent Non Executive Director

Year of Appointment
2013

Key strengths and experience
Considerable international operational experience and extensive executive management experience within global businesses. Mr Murray was previously a Non Executive Director of International Power plc (2007 to 2011). Prior to that, he spent 19 years at Hanson plc and was Group Chief Executive between 2002 and 2007. From 2007 until 2008, he was a member of the Management Board of HeidelbergCement AG. Mr Murray is a qualified chartered management accountant.

Other principal appointments
Non Executive Director of Owens-Illinois, Inc., and member of the Supervisory Board of HeidelbergCement AG.

Darren Shapland
Independent Non Executive Director

Year of Appointment
2014

Key strengths and experience
Considerable commercial, operational, financial management and broad public company experience in major retail businesses. Until September 2016 Mr Shapland was Chairman of Poundland Group plc. He was a Non Executive Director of Ladbrokes plc and was Chairman of its Audit Committee until 2015. Between 2012 and 2013, he was Chief Executive Officer of Carpetright plc. From 2005 to 2010, Mr Shapland was Chief Financial Officer of J Sainsbury plc and from 2010 to 2011, Group Development Director. He was also Chairman of Sainsbury's Bank. Prior to that, Mr Shapland held a variety of senior finance and operational positions at Carpetright plc, Superdrug Stores plc, the Burton Group and Arcadia.

Other principal appointments
Chairman of Maplin Electronics Limited, Notonthehighstreet.com and Topps Tiles Plc.

Tessa Bamford
Independent Non Executive Director

Year of Appointment
2011

Key strengths and experience
Extensive boardroom and City experience.
Ms Bamford has broad business experience having held senior advisory roles in both the UK and USA across a range of sectors. She was formerly a founder and Director of Cantos Communications, the online corporate communications service provider (2001 to 2011). Previously, she was a Director of J Henry Schroder & Co, where she worked for 12 years in a number of roles between 1986 and 1998. Prior to that, Ms Bamford worked in corporate finance for Barclays de Zoete Wedd.

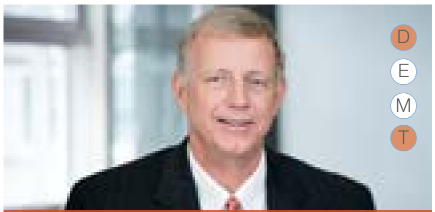
Other principal appointments
Consultant at Spencer Stuart. Non Executive Director of Barratt Developments plc.

John Daly
Independent Non Executive Director

Year of Appointment
2014

Key strengths and experience
Considerable international business and executive management experience in a variety of senior leadership roles within major international public companies. Mr Daly undertook various executive leadership positions during a 20-year career at British American Tobacco Plc ("BAT"), running large international businesses. Mr Daly recently stepped down as a Non Executive Director of Reynolds American Inc., a BAT associate company in the USA. Prior to his time with BAT, Mr Daly was Managing Director of Rothmans International's Japan and South Korea businesses.

Other principal appointments
Non Executive Director of Britvic plc and G4S plc.



David Keltner
Interim Group Chief Financial Officer

Year of Appointment
Appointed as a member of the Executive Committee in September 2016 but not a member of the Board

Key strengths and experience
A wealth of financial and risk management experience as well as in-depth knowledge and understanding of Wolseley. Mr Keltner was appointed as Interim Group Chief Financial Officer with effect from 1 September 2016 whilst the Company undertakes the selection process to appoint a permanent Chief Financial Officer ("CFO"). Mr Keltner is not a Director of the Company but will attend all Board meetings. From December 2006 until January 2009, Mr Keltner was CFO of Wolseley North America before becoming the CFO of Ferguson Enterprises Inc, the Group's largest operating subsidiary. At Ferguson he held direct responsibility for Finance, Acquisitions, Tax, Financial Services, Risk Management and Field Finance. He joined Wolseley in 1993 from the Company's acquisition of Stock Building Supply, a US building materials business, where he held an operational role. Previously he was a Vice President in the corporate banking division at NationsBank.

Jacky Simmonds
Independent Non Executive Director

Year of Appointment
2014

Key strengths and experience
Extensive executive remuneration and human resources experience within large international businesses. Ms Simmonds was Group HR Director of TUI Travel plc from 2010 until the end of May 2015. She was also a member of the Supervisory Board of TUI Deutschland, GmbH and a Director of PEAK Adventure Travel Group Limited. She was previously a divisional HR Director of First Choice Holidays PLC until the business was merged with Tui AG in 2007 to form TUI Travel PLC. From 2007 to 2010, she was HR Director for TUI UK.

Other principal appointments
Group People Director of easyJet plc.

Key to Board Committee Membership
- A Audit
- D Disclosure
- E Executive
- N Nominations
- M Major Announcements
- R Remuneration
- T Treasury
- S Senior Independent Director
- Committee Chair

Other Board members
Ian Meakins was Group Chief Executive, Chair of the Executive Committee and a member of the Disclosure, Major Announcements and Treasury Committees throughout the financial year ended 31 July 2016 and until his retirement on 31 August 2016.

Board and Committee meetings 2015/16 attendance (eligibility)

		Committees		
Board members	**Board**	Audit	Rem	Nom
Chairman				
Gareth Davis[1]	6 (6)			3 (3)
Executive Directors				
Ian Meakins[2]	6 (6)			
John Martin[3]	6 (6)			
Frank Roach	6 (6)			
Non Executive Directors				
Tessa Bamford	6 (6)	4 (4)	6 (6)	3 (3)
John Daly[4]	6 (6)	4 (4)	5 (6)	3 (3)
Pilar López	6 (6)	4 (4)	6 (6)	3 (3)
Alan Murray[5]	6 (6)	4 (4)	6 (6)	3 (3)
Darren Shapland[6]	6 (6)	4 (4)	6 (6)	3 (3)
Jacky Simmonds[7]	6 (6)	4 (4)	6 (6)	3 (3)

The Major Announcements Committee meets as required and was not required to meet during the year. Richard Shoylekov, Group General Counsel and Mark Fearon, Group Director of Communications and Investor Relations are additional members of that Committee.
1 Chair of the Nominations Committee.
2 Group Chief Executive until he retired from the Board on 31 August 2016.
3 Group Chief Financial Officer until 31 August 2016. Appointed as Group Chief Executive with effect from 1 September 2016.
4 Mr Daly was unable to attend one meeting of the Remuneration Committee due to a scheduling conflict.
5 Senior Independent Director.
6 Chair of the Audit Committee.
7 Chair of the Remuneration Committee.

Wolseley's governance structure

The Board believes that good governance comes from having an effective Board which provides strong leadership to the Company and engages well with both management and stakeholders. The clear division of responsibilities within Wolseley's governance structure ensures constructive relationships and enables the Board to work collaboratively.

The table below describes Wolseley's governance structure, an overview of the key Committees of the Board and other administrative committees and the roles and responsibilities of the Chairman, Group Chief Executive and Senior Independent Director.

Shareholders

Board and Committees of the Board

Committees of the Board support the Board in the fulfilment of its duties. These take strategic decisions of a substantive nature.

The Board

- Collectively responsible for the long-term success of the Company
- Accountable to shareholders and responsible for the proper conduct of the business
- Setting the overall strategic direction of the Company
- Oversight of effective management of the Wolseley Group ensuring the appropriate leadership and resources are in place to meet its objectives
- Reviewing the performance of the Board and its Committees and ensuring effective succession planning
- Ensuring effective financial reporting
- Approval of key strategic projects in the best interests of the Group
- Maintaining a sound system of risk and internal controls

To read more **see page 45**

Audit Committee

Oversees, monitors and makes recommendations as appropriate in relation to the Company's financial statements, accounting processes, audit (internal and external), risk and internal controls and matters relating to fraud and whistleblowing

To read more **see page 50**

Remuneration Committee

Reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Executive Committee

Takes into account the business strategy of the Group and how the Remuneration policy reflects and supports that strategy

To read more **see page 58**

Nominations Committee

Regularly reviews the structure, size and composition of the Board and its Committees

Identifies and nominates suitable candidates to be appointed to the Board (subject to Board approval) and considers succession generally

To read more **see page 54**

Major Announcements Committee

Meets as required in exceptional circumstances to consider disclosure obligations in relation to material information where the matter is unexpected and non-routine

Other Committees

Implement strategic decisions and executive or administrative matters

Executive Committee

Addresses operational business issues

Responsible for implementing Group strategy and policies, day-to-day management and monitoring business performance

Chaired by the Group Chief Executive, Committee membership comprises:
Chief Executive Officer, USA
Interim Group Chief Financial Officer
Group Chief Information Officer
Managing Director, UK
Interim Chief Executive Officer, Nordic region
CEO, Canada and Central Europe
Group HR Director
Group General Counsel.
Biographical details for each member can be found on **www.wolseley.com**

Treasury Committee

Considers treasury policy including financial structures and investments, tax and treasury strategy, policies and certain transactions of the Group

Reviews performance and compliance of the tax and treasury function

Makes recommendations to the Board in matters such as overall financing and strategy, and currency exposure

Committee membership details can be found on **www.wolseley.com**

Disclosure Committee

Meets as required to deal with all matters relating to public announcements of the Company and the Company's obligations under the Listing and Disclosure and Transparency Rules of the UK Listing Authority and EU Market Abuse Regulation

Assists in the design, implementation and periodic evaluation of the Company's disclosure controls and procedures

Committee membership details can be found on **www.wolseley.com**

Individual roles of the Board

Chairman – Gareth Davis

Overall leadership and governance of the Board (including induction, development and performance evaluation)

Provides the Directors with insight of the views of the Company's major shareholders

Promotes a culture of challenge and debate at Board and Committee meetings

Group Chief Executive – John Martin

Effective leadership of the Company, implementing objectives and strategy agreed by the Board

Management and development of the Group's operations and business models

Maintaining good relationships and communications with shareholders

Working closely with the Chief Financial Officer to ensure prudent financial controls

Developing and implementing policies integral to improving the business, including in relation to health and safety and sustainability

Senior Independent Director – Alan Murray

Available to investors and shareholders, where communications through the Chairman or Executive Directors may not seem appropriate

A sounding board for the Chairman and an intermediary for the other Directors when necessary

Chairs the Board in the absence of the Chairman

Holds informal discussions with the Non Executive Directors, with and without the presence of the Chairman

How the Board operates

Board decision-making

The Board has a strong culture of open debate. All Directors are actively encouraged to challenge existing assumptions and to raise challenging questions. Certain strategic decisions and authorities of the Company are reserved as matters for the Board with other matters, responsibilities and authorities delegated to its Committees as detailed in the Wolseley governance structure opposite. A formal schedule of matters reserved for the Board is reviewed annually in July, a summary of which can be found at **www.wolseley.com** together with the terms of reference of each of the Audit, Remuneration and Nominations Committees.

Board and Committee Meetings

The Company is registered in Jersey and is tax resident in Switzerland. During the year, all meetings of the Board, Committees of the Board and all other meetings requiring decisions of a strategic or substantive nature were held outside the UK.

Each Director is required to attend all meetings of the Board and Committees of which they are a member. In addition, senior management from across the Group and advisers attend some of the meetings for the discussion of specific items in greater depth.

The Board met regularly during the year, with Board and Committee meetings scheduled over one or two-day periods. Details of Director attendance at Board and Committee meetings during the year may be found on page 43.

In order to provide the Board with greater visibility of the Group's operations, to provide further opportunities to meet senior management and to gain a deeper understanding of local market dynamics, the Board aims to visit at least one of the Group's business unit locations each year.

Board visit to the USA

In July 2016, the Board and Committee meetings were held in Virginia, USA. This provided an opportunity for the Board to visit Ferguson's recently opened National Sales Center and its new showroom facility in Newport News, Virginia. During these visits, the Board met senior executives to discuss business strategy and operational performance. The visits also enabled the Board to meet and talk to our staff based at these locations. At the National Sales Center the Board saw how the business had centralised some of its previously branch-based sales activities to support higher levels of customer service and greater efficiency in branch operations. The showroom in Newport News is an operational showroom and a "beta" facility in which new product ranging, and product and customer service strategies, are developed and tested before being rolled out to Ferguson's nationwide showroom network. The Board met with staff at the showroom to gain a deeper understanding of how this channel is an important offering for both trade customers and consumers.

The Board's priorities for 2016/17

The Board's priorities for the year will be to:

Support the new Group Chief Executive and the Interim Group Financial Officer in their new roles

Regularly review and monitor the Group's progress against its strategy, including the strategic priorities set out on pages 4 and 5

Ensure there is excellent execution of major operational initiatives

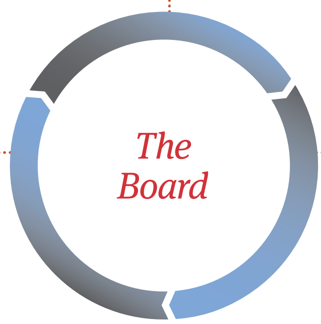
Continue to focus on Board and senior executive succession plans, and on talent development in the regions

What has the Board done during the year?

The Board has a rolling agenda programme which ensures that items relating to strategy, finance, operations, health and safety, corporate governance and compliance are covered in its meetings. Standing agenda items are discussed at each Board meeting and other items are included on the agenda at relevant times throughout the year.

Key areas of Board activity during the year are detailed below.

Strategy
Standing agenda items:
Review of strategic initiatives
Periodic items:
Board Strategy day
Budget



Governance
Standing agenda items:
Board Committee reports
Group Legal and Company Secretariat report
Periodic items:
Succession planning and talent review
Board effectiveness
Corporate Governance review
Health and safety
Insurance review
Property, pensions and tax reviews
Risk management, Sustainability and Product Integrity
Investor feedback

Performance
Standing agenda items:
Group Chief Executive report
Chief Financial Officer report
Periodic items:
Financial results
Mergers and Acquisitions
Regional business reviews
Post-investment reviews

An overview of the Board's 2015/16 objectives and how the Board has achieved these objectives is set out below:

2015/16 objectives	Achievements
Strategy	For more information on our strategy see pages 4 and 5
Annual strategy review.	• Annual Board strategy day held • Individual business strategies reviewed during the year.
Regularly review and monitor the Group's progress against its strategic objectives, with particular focus on driving growth organically through the development of new business models and selective bolt-on acquisitions.	• Rolling agenda for reviewing major strategic programmes • Detailed reviews undertaken of progress made with initiatives such as customer service, e-commerce and sales management, in addition to receiving business-specific updates from the Group's major businesses and post-investment reviews of completed acquisitions • Board visit to USA. For more details see page 45 • The Board reviewed acquisition opportunities and 16 were completed during the year. For further details of acquisitions see the Group Chief Executive's overview on page 5 and note 29 to the consolidated financial statements.
People	For more information on succession planning see page 54
Regular review including maintaining the appropriate balance and depth of skills both at Board and Executive Committee level and within the management teams in all regions.	• Board succession planning reviewed in detail by the Board and the Nominations Committee • Detailed reports received by the Board on people strategy and succession planning generally in December 2015 and May 2016. • The Board had the opportunity to meet with US executives on the visit to the Group's businesses in the USA, details of which can be found on page 45.

Effectiveness

Evaluating the performance of the Board and the Directors

The Board undertakes a formal review of its performance and that of its Committees each year, with an external evaluation every three years. Following the external evaluation conducted in 2015, in accordance with the Code, the next externally-facilitated effectiveness review will be conducted during the year ending 31 July 2018. Progress against the actions identified following the external review undertaken in 2015, is outlined below:

Action point	Responsibility	Outcome
Performance reporting to have greater range of financial and non-financial data and key performance indicators	Finance	The Board receives the appropriate mix of financial and non-financial data on a regular and consistent basis.
Continued focus on succession planning for the Board and senior management and talent development generally in the business	Board and Nominations Committee	During the year, the Board and the Nominations Committee reviewed succession planning in detail (see page 54). In addition, the Board received detailed reports on people strategy and succession planning generally in December 2015 and May 2016.
Continued focus on detailed review of progress made within the Group's strategy and specific strategic initiatives	Board	Throughout the year, the Board continued to oversee the execution of our strategy and to monitor progress against the 2015/16 objectives. The Board: • received updates on strategic initiatives at each Board meeting; • received business-specific updates from the Group's major businesses; • reviewed acquisition opportunities on an ongoing basis (more details on page 5); and • held the Board and Committee meetings in the USA in July 2016, taking the opportunity to learn more about our businesses in the USA (more details on page 45).

Board composition

As at the date of this report, the Board consists of nine members including the Chairman, two Executive Directors and six Non Executive Directors, each of whom served throughout the financial year ended 31 July 2016. In addition, Mr Meakins served throughout the year ended 31 July 2016 as Group Chief Executive and until his retirement on 31 August 2016.

The biographies of the Directors (on pages 42 and 43) demonstrate the strong and diverse experience possessed by the members of the Board. The Non Executive Directors play an essential role bringing a range of skills and expertise and challenging the Board to help develop Group strategy. Each of the Non Executive Directors and the Chairman are considered by the Board to be independent and free of any relationship which could materially interfere with the exercise of their independent judgement. The Code suggests that length of tenure is a factor to consider when determining the independence of the Non Executive Directors. Each of our Non Executive Directors have served for five years or less. The Board is satisfied they each continue to demonstrate independence of thought and expertise in meetings, and to support the senior management in an objective manner.

The composition of the Board is kept under review by the Nominations Committee to ensure an appropriate balance of skills, experience, independence and knowledge are maintained. There were no new Director appointments during the year.

Information and support

The Group Company Secretary is Secretary to the Board and its Committees. In advance of each set of meetings, papers and relevant information are delivered so that each Director is provided with the necessary resources to fulfil their duties. The information is published via a secure web portal, allowing remote access by Directors. Meeting support is provided by the Company Secretariat department.

All Directors have access to a "reading room" through a web portal which provides access to a library of relevant information about the Company, the Group and Board procedures.

The Board has an established procedure for Directors, if necessary, to take independent professional advice at the Company's expense in furtherance of their duties. This is in addition to the direct access that every Director has to the Group Company Secretary for his advice and services.

Development of the Board

Upon appointment, all new Directors follow a comprehensive induction programme. As part of this programme, the Company Secretariat department and other Group functions provide new Directors with induction briefings. New Directors also visit a variety of businesses in order to familiarise themselves with the Group's operations. All Directors are provided opportunities for further development and training following their induction and, during the year, the Chairman discusses a development plan with each Director. In addition to regular updates on governance, legal and regulatory matters, the Board also receives detailed briefings from advisers on a variety of topics that are relevant to the Group and its strategy. The annual formal review of governance provides the Directors with an opportunity to assess their effectiveness and that of the Board as a whole.

Board and Committee effectiveness review

This year, the Board effectiveness review was facilitated internally using an online survey. The survey included questions addressing the activities and concerns of the Board and the Audit, Remuneration and Nominations Committees. They encouraged comment and qualitative evaluation of the effectiveness of the Board and each Committee, the individual members and the support received from management and advisers. The results of the surveys provided discussion of areas for further improvement by the Board and the Committees.

All Directors, from the time of appointment, are aware of the time commitment expected in order to discharge their responsibilities effectively. The Chairman maintains frequent contact with all Directors and constantly monitors whether they are able to devote sufficient time to their respective roles, and he is satisfied that each Director has been able to do so. The Chairman also has regular meetings, outside of Board and Committee meetings, with the CEO and other executives to keep up to date with material developments in the business. During the financial year, each Director attended all scheduled Board meetings.

During the year, the Non Executive Directors, led by the Senior Independent Director, undertook the performance evaluation of the Chairman. The evaluation also took account of the views of the Executive Directors. The Chairman is considered to have performed strongly and to be highly effective in his role.

The Board continues to consider each of the Directors to be effective and to demonstrate commitment to his or her role and the Chairman's performance was highly rated.

Why you should vote to re-elect your Board

The Board contains a broad range of experience and skills from a variety of industries and advisory roles, which fully complement each other. In accordance with the Code, all Directors will stand for re-election at the 2016 Annual General Meeting ("AGM"). Biographies for the Directors can be found on pages 42 and 43 and in the Notice of AGM.

Key findings and improvement actions

The key findings of the internal evaluation overall were positive. The review concluded that the Board was very effective and worked well together enabling the individual Directors to discharge their respective roles effectively. The composition of the Board was rated highly and it was noted that there was strong engagement by the Non Executive Directors with management, involving constructive challenge and support. The amount of time spent on strategic oversight and the ways in which the Board developed and monitored the Group's strategy were seen as appropriate. Performance of the Board Committees was considered to be strong and the structure, whereby each of the Non Executive Directors serves on each of the Audit, Nominations and Remuneration Committees, was regarded as being effective at supporting transparent decision-making.

Areas identified in order to improve overall effectiveness, are summarised below:

Action
Keep under review the range of skills and experience required at Board-level as the Group's strategy is implemented and its businesses develop in the future
Continue to focus on succession planning at Board and Executive level
Develop further opportunities for Board members to continue to deepen their understanding of and engagement with the Group's businesses

Accountability and relations with shareholders

Accountability

The Board is committed to presenting a clear assessment of the Company's position and prospects through the information provided in this report, through interim financial statements and other reports as required.

The Board's approach to risk management

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control systems. The effectiveness of these systems is also reviewed through the work of the Audit Committee described on page 53. There is a Group-wide risk management programme in place which supports the Board in assessing and managing the principal risks to strategy. During the year, the Board and its Committees carried out a robust assessment of these risks.

The principal risks which the Board has focused on this year are set out in the Principal risks and their management section of this report on pages 34 to 39.

Remuneration

Further details relating to the level and components of remuneration, together with the Company's policies on such matters, are provided in the Remuneration Report on pages 58 to 72.

Relations with shareholders

Engagement

The Board is fully committed to engaging with all shareholders. During the year, active dialogue was maintained with our shareholders through planned communications and annual investor programmes. The Group Director of Communications and Investor Relations (who reports to the Chief Financial Officer and Group Chief Executive) has day-to-day responsibility for all investor relations matters and for contact with all shareholders, financial analysts and the media. In interactions with shareholders, the Company ensures:

- a professional approach;
- provision of accurate data;
- timely disclosure of information to the market; and
- accessibility to both current and potential shareholders.

Communications programme

Regular dialogue with institutional shareholders and financial analysts based in Europe and North America is maintained through:

- meetings and conversations involving the Group Chief Executive and Chief Financial Officer;
- release of updates on the financial performance of the Group incorporating revenue, profitability by region, net debt and appropriate commentary on key business trends; and
- the Chairman regularly engaging with larger institutional shareholders to discuss matters including the Board, strategy, remuneration and corporate governance.

We engage with private shareholders in the following ways:

- periodic meetings are held with the UK Shareholders' Association;
- the Company responds to communications from individual shareholders;
- all documents presented at investor events are available on **www.wolseley.com**; and
- there is a Shareholder information section on **www.wolseley.com** and on pages 126 to 128 of this report.

Investor relations programme

The allocation of time spent in the UK, continental Europe and North America reflects the distribution of our shareholders.

- Shareholder meetings – during the year ended 31 July 2016, there were a total of 239 meetings. Ian Meakins and John Martin (together with the Investor Relations team) attended 109 meetings, Gareth Davis (together with the Investor Relations team) attended seven meetings, Frank Roach (together with members of the US senior management team) attended four meetings and the Investor Relations team met with institutions through a further 119 meetings, conferences and calls.
- The Chairman often meets with the larger institutional shareholders and also ensures that the Board as a whole maintains an appropriate dialogue with shareholders.
- The Group Director of Communications and Investor Relations regularly provides the Board with details of feedback received from institutional shareholders and any key issues raised.

Analyst and Investor Day, USA – 12 November 2015

The Group held an Analyst and Investor Day at the Company's new ship hub in Secaucus, New Jersey. The event was hosted by Ian Meakins and focused on our US business, Ferguson. During the day, there were a series of management meetings on Ferguson's strategy, performance and opportunities for growth. A tour of the facility took place in addition to visiting a local branch. A webcast on the presentation can be found on **www.wolseley.com**.

Plans for engagement in 2016/17

A similar investor relations programme will be run during the 2016/17 financial year.

AGM

The AGM is held in Switzerland with an audio-visual link to London so that shareholders in London are able to participate and can question the Board during the meeting. All Directors attended the 2015 AGM with the exception of John Daly. On his appointment, Mr Daly had a pre-existing business commitment which he was unable to re-schedule. During the AGM, the Board answered a wide range of questions from shareholders.

Details of the 2016 AGM are contained in the Notice of AGM and are available on **www.wolseley.com**.

Audit Committee

Including the report from the Audit Committee for the financial year ended 31 July 2016

Darren Shapland
Audit Committee Chairman

Dear Shareholder

I am pleased to present the report of the Audit Committee for 2015/16. As at 26 September 2016, the Committee was made up of six Non Executive Directors as set out in the table on page 43. There were no changes to Committee membership during the year. The Board considers that several members of the Committee, including me, have recent and relevant financial experience and that each member of the Committee is independent within the definition set out in the Code. The key strengths and experience of each member of the Committee are summarised on pages 42 and 43. Members of the Committee between them possess significant international, commercial, retail, financial and human resource skills and expertise which can be applied and are relevant to an international specialist distribution company.

This report provides an insight into the activities of the Committee during the year to demonstrate how the Committee has continued to play a key oversight role for the Board.

The Committee has principally focused on maintaining the quality and integrity of our financial reporting, and monitoring and ensuring the appropriateness of the Company's risk management systems and internal control environment. We have also overseen the smooth transition to our new external auditors, Deloitte LLP ("Deloitte"), and ensured that our governance standards are maintained. Further details of the Committee's activities during the financial year ended 31 July 2016 are set out below.

I shall be available at the 2016 AGM, to respond to any questions shareholders may raise on this report or any of the Committee's activities.

Meetings

The Committee met four times during the year as part of its standard schedule of meetings. Meetings coincide with key dates in the Company's financial reporting cycle and usually take place the day before a Board meeting to maximise efficiency of communication with the Board. Attendance at these meetings is set out on page 43. In addition to the members of the Committee, the Chairman, the Group Chief Executive, the Chief Financial Officer and the Head of Internal Audit, together with senior representatives of the Company's external auditors, attended and received papers for each meeting. Other senior executives were also invited to certain meetings to present and discuss specific items. In particular, the Finance Directors or other senior finance managers of the Group's major regions periodically attended Committee meetings to provide the Committee with detailed updates relating to their region. The Committee periodically meets separately with the external auditors and the Head of Internal Audit without the presence of Executive Directors. The Committee also meets periodically with the Chief Financial Officer.

Committee effectiveness review

The annual review of effectiveness of the Committee was carried out in April 2016. The review concluded that the Committee continued to be effective and well run, that the work of the internal and external auditors was well co-ordinated and that their work was effectively reviewed and assessed by the Committee. Ways in which the Committee could continue to deal with an ever increasing governance and compliance environment and workload in an efficient way were identified. The report also highlighted areas for improvement and these have been incorporated into our priorities for 2016/17 as set out on page 53.

Principal matters considered by the Committee during 2015/16

The Committee has a rolling programme of agenda items to ensure that relevant matters are properly considered. The list below summarises the key items considered by the Committee during the year. The Board receives copies of the minutes of each meeting of the Committee and key issues covered are also reported to the subsequent meeting of the Board.

Control Environment

- Internal audit report
- Annual plan for internal audit
- Fraud and whistleblowing reports
- Risk management report
- Anti-bribery and corruption compliance programme
- Internal controls review
- External audit plan

Financial Results

- Full Year results and associated announcements
- Auditor's Full Year report to the Committee
- Half Year results and associated announcements
- Auditor's Half Year report to the Committee
- Review of the Annual Report

Governance

- Effectiveness review of previous external auditor
- Consideration of non-audit engagements
- Effectiveness review of internal audit
- Updates on accounting and corporate governance developments
- Terms of reference review
- Review of effectiveness of the Committee
- Review of external auditor's fees and engagement letter

Review Items

- Audit tender transition
- Updates from regional Finance Directors

What the Committee has done during the year

An overview of the Committee's 2015/16 objectives and how the Committee has achieved these objectives is set out below:

2015/16 objectives	Achievements
Ensure there is an efficient and effective transition of the external audit from PricewaterhouseCoopers LLP ("PwC") to Deloitte.	• Effective and efficient transition from PwC to Deloitte.
Continue to review and monitor the approach to risk management and the level of risk driven through changes to the operating model, industry changes and technological developments.	• Reviews undertaken in March and September of key risks and their management • The Group's principal risks and the adequacy of the mitigating controls in place were considered in detail • Feedback provided to management as part of this review process and any material changes highlighted.
Continue to monitor and review cyber security and planned major changes to IT systems.	• Updates received in January and July on the Group's IT controls • IT controls reviewed and updated and new, more robust, controls introduced as part of the Group's ongoing continuous improvement programme • Updates received in January and July on the Group's information security programme under which the Company would continue to develop and implement new processes to address, in an appropriate manner, the continued threats to information security as they develop.
Continue to focus on finance systems transformation.	• Updates received on progress made to upgrade finance systems • Projects included implementation of new software solutions, reviewing the efficiency of processes and finance operating models and developing internal reporting capabilities • Good progress made with many of the projects completed or on track and where some projects had been delayed due to technical reasons, revised plans were developed to ensure that the projects would be completed in an appropriate timescale.

Financial reporting and significant financial judgements

The Committee considered the issues summarised below as significant in the context of the 2015/16 financial statements. These were discussed and reviewed with management and the external auditors and the Committee challenged judgements and sought clarification where necessary. The Committee received a report from the external auditors on the work they had performed to arrive at their conclusions and discussed in detail all material findings contained within the report.

- The Committee reviewed the carrying value of goodwill and other intangible assets for impairment, including a detailed review of the assumptions underlying the value in use calculations for businesses identified as cash generating units. The Committee agreed with management's assessment that an impairment charge had arisen relating to the UK business due to continued challenging market conditions and significantly reduced expectations of profitability. The key assumptions underlying the calculations are primarily the achievability of the long-term business plan, country specific discount rates, anticipated revenue growth in the short-term and long-term growth assumptions.
- The Committee reviewed the recognition of supplier rebates which are significant to the Group and are an area of inherent risk due to the number of arrangements and complexity of certain arrangements. In addition, the majority of the supplier rebate arrangements cover a calendar year and therefore do not end at the same time as the Group's accounting year-end. This review covered the processes and controls in place during the year and the level of adherence to the Group's accounting policies and procedures. Judgements were made to forecast the expected level of volumes purchased to determine the appropriate rate at which rebate is earned as this varies dependent upon the volume or value purchased. As a result of the review process, the Committee concluded that the level of rebate income and rebate receivable as at 31 July 2016 was properly reflected in the consolidated financial statements.
- The Committee considered the level of provisions for obsolete and slow moving inventory as at 31 July 2016. This is predominantly a system-generated calculation, comparing inventory on hand against expected future sales using historic experience as the basis for provisioning, along with the results of physical stock-counts. The Committee ensured the policy was consistently applied across the Group in the current and previous financial periods and sought the views of the auditors before concluding that provisions for obsolete and slow moving inventory are fairly stated in the consolidated financial statements.

Fair, balanced and understandable assessment

At the request of the Board, the Committee assessed whether the content of the 2015/16 Annual Report, taken as a whole, is fair, balanced and understandable. In order to make this declaration, a formal process is followed to ensure the Committee has access to all relevant information including a paper from management detailing the approach taken in the preparation of the Annual Report and Financial Statements and identifying areas where it has met the requirements of the Code. The Committee and all Board members receive drafts of the Annual Report and Financial Statements in sufficient time to allow challenge of the disclosures where necessary. The Committee advised the Board it was satisfied that, taken as a whole, the 2015/16 Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.
The Directors' responsibilities statement can be found on page 57.

External audit

Auditor appointment

Deloitte's appointment as the Company's new external auditor following the external audit tender process in June 2015 was approved by the shareholders at the 2015 Annual General Meeting. In the tender process Deloitte proposed a thorough transition plan which included a detailed assessment of the control environment in each region and made proposals to increase the use of analytical techniques as part of the audit plan. The plans have been successfully implemented and Deloitte have provided feedback to the Audit Committee. I would like to thank our previous external auditor, PwC, and Deloitte for their assistance in achieving an efficient and effective handover. Deloitte will be required to rotate the audit partner responsible for the Group audit after five years and, as a result, the current lead audit partner will be required to change after the 2020 year-end.

The Committee reviews the external auditor appointment and the need to tender the audit. The Company confirms that it complied with the provisions of the Code and the Competition and Markets Authority Order for the financial year under review. For the financial year ending 31 July 2017, the Committee has recommended to the Board that Deloitte be reappointed as the external auditor and the Directors will be proposing the reappointment of Deloitte at the 2016 Annual General Meeting.

The Committee confirms that the Company complied with the provisions of the Statutory Audit Services Order 2014 during the financial year ended 31 July 2016.

External audit processes

During the year, the Group audit partner, together with other relevant and appropriate Deloitte partners, attended all the Audit Committee meetings. They provided the Committee with information and advice including detailed reports on the financial statements and internal controls.

In January 2016, the Committee reviewed and approved the terms, areas of responsibility and scope of the 2015/16 audit as set out in the external auditors' engagement letter. During the year, Deloitte provided external audit services for regulatory and statutory reporting. Deloitte are expected to report to the Committee any material departures from Group accounting policies and procedures that are identified during the course of their audit work. No material items were found or reported in the financial year.

Deloitte's 2015/16 external audit plan was approved in March 2016 and has been successfully completed at the date of this report.

Effectiveness of the audit process

Following the issue of the Company's Annual Report, the Committee conducts an annual review of the effectiveness of the external audit. A survey of all the Group's finance teams is conducted. Each team is asked to rate the performance of the external auditor against a range of measures, including relating to the adequacy of planning, the sufficiency of resource, the thoroughness of review and testing, the adequacy and application of knowledge of the Group, the usefulness of feedback and the quality of reporting. This year the review was carried out in relation to PwC's last external audit of the Group for the year ended 31 July 2015 and the Committee was satisfied that PwC provided an effective audit service. A review of the effectiveness of the audit for the year ended 31 July 2016 will be conducted.

Auditor independence and objectivity

The Company has policies and procedures in place to ensure that the independence and objectivity of the external auditor are not impaired. These include restrictions on the types of services which the external auditor can provide, in line with the Audit Practices Board Ethical Standards on Auditing. Details of the services that the external auditors cannot be engaged to perform are provided on **www.wolseley.com**.

When considering the award of non-audit work to the external auditor, an assessment is made to consider if it is more effective for the work to be carried out by the external auditor who has existing knowledge of the Company and all appointments are made on a case-by-case basis. The prior consent of the Chairman of the Committee is required before the Company's external auditor is appointed to undertake non-audit work.
The external auditor will not be appointed to provide non-audit services where the Committee considers it might impair their independence or objectivity in carrying out the audit. At each meeting the Committee reviews any new non-audit engagement of the Company's external auditor and reviews the level of fees for all non-audit work. Since its appointment as the Company's external auditor, Deloitte has not undertaken any new non-audit work. Deloitte was permitted to conclude a small number of minor non-audit engagements where it had already been engaged prior to its appointment as external auditor. The minor non-audit engagements related to expatriate tax and human resources and are now complete.

Deloitte also provides specific assurance to the Committee on the arrangements and safeguards it has in place to maintain its independence and objectivity, including an internal process to pre-approve provision of non-audit services and the use of separate teams where non-audit services are being provided to the Group. The Committee continues to be satisfied with the independence and objectivity of Deloitte.

Audit and non-audit fees

Fees for non-audit work performed by Deloitte as a percentage of audit fees for the year ended 31 July 2016 were 7 per cent (2015: the equivalent ratio was 50 per cent for non-audit work performed by PwC). Further disclosure of the non-audit fees during the year ended 31 July 2016, can be found in note 3 to the consolidated financial statements on page 82.

Internal audit

The scope of activity of internal audit is monitored and reviewed at each Committee meeting. An annual plan was agreed by the Committee in July 2016 which covers the activities to July 2017. During the year, the Head of Internal Audit attended all Committee meetings and provided the Committee with a detailed report on internal audit activities which the Committee reviewed and discussed in detail. The Committee considered the matters raised and the adequacy of management's response to them, including the time taken to resolve any such matters.

In July 2016, the Committee conducted a review of the effectiveness of the Group's internal audit function, including its terms of reference, audit plans, general performance and relationship with the external auditors. This review was facilitated by an independent external consultant and undertaken using guidance issued by the Chartered Institute of Internal Auditors ("Institute"). The report concluded that the internal audit function was meeting the Institute's core standards, was considered to be a fit for purpose department with strong sponsorship from the Board and the Committee. The review also identified some opportunities to improve how the function operates including how it documents and provides assurance over IT risks and controls and how to enhance the structure and management of the North American audit team. Steps have already been taken to implement these and the other recommendations arising from the review.

Risk

Risk management

Risk management reports prepared by the Group Head of Risk and Compliance were submitted to the Committee in March and September 2016. These reports summarise submissions from all areas of the business which the Executive Committee and senior management have reviewed. They identify the significant risks to the Group, the controls in place and highlight the tolerance levels that the Executive Committee and, ultimately, the Board are prepared to accept. The Audit Committee reviewed the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting.

Viability Statement

The Committee also reviewed management's work in conducting a robust assessment of those risks which would threaten the future performance or liquidity of the Company, including its resilience to the threats of viability posed by certain of those risks in severe but plausible scenarios. This assessment included the stress testing of cash flow projections to evaluate the impact of an unlikely, but realistic, worst-case scenario. The Company's Viability Statement can be found on page 35.

Internal controls

During the year, the Committee monitored and reviewed the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls, as well as the Company's statements on internal controls, before they were agreed by the Board for this Annual Report.

The Group's internal control systems are designed to manage rather than eliminate business risk. Such systems are necessary to safeguard shareholders' investment and the Company's assets and depend on regular evaluation of the extent of the risks to which the Company is exposed. The Committee receives regular reports throughout the year to assure itself that the Company's systems comply with the requirements of the Code. The Committee can confirm that the Company's systems and their effectiveness have been in place for the full financial year and up to the date on which the financial statements were approved, and are regularly reviewed by the Committee on behalf of the Board. The Committee is of the view that the Company has a well-designed system of internal control. These systems can only provide reasonable, but not absolute, assurance that risks are managed to an acceptable level.

In relation to the financial reporting process, at the business level, line management are required to implement base financial and other controls in line with a clear set of detailed policies relating to financial reporting and other accounting matters and act in accordance with the Group Code of Conduct. At Group level, the Group finance function oversees through setting the policies, requiring a self-certification from the businesses and a bi-annual assessment of implementation by the businesses. At a further level, assurance functions (Internal and External Audits) test various aspects of the processes and report to the Committee.

The Chairman of the Committee reports any matters arising from the Committee's review to the Board following each meeting. This update covers the way in which the risk management and internal control processes are applied and any significant failings or weaknesses in, or exceptions to, these processes. There were no significant failings or weaknesses identified. These processes have been in place throughout the year ended 31 July 2016 and have continued to the date of this report.

Further information on the Company's risk management systems is set out in the section on Principal risks and their management on pages 34 to 39.

Whistleblowing and fraud

The Group's whistleblowing policy, which supports the Group-wide Code of Conduct, is monitored by the Committee. A copy of the Group's Code of Conduct is available on **www.wolseley.com**. The Committee received reports at each Committee meeting providing details of matters reported through the Group's international confidential telephone reporting lines and secure website reporting facility, which are operated on its behalf by an independent third party. All matters reported are investigated by the relevant operating company and, where appropriate, reported to the Committee, together with details of any corrective action taken. The Committee also received reports at Committee meetings providing details of fraud losses on a half yearly basis.

Audit Committee priorities for 2016/17

2016/17 priorities
The effective and efficient transition of responsibilities to the Company's Interim Group Chief Financial Officer
Continue to review and monitor the approach to risk management and the level of risk driven through changes to the operating model, industry changes and technological developments
Continue to monitor and review the Group's approach to information security
Continue to monitor finance systems transformation
Monitor and ensure that the external auditors and internal audit continue to co-ordinate their activities effectively and that the internal audit effectiveness review action points are completed

As at the date of this report, the Committee has already begun to implement a number of these action points.

Darren Shapland
on behalf of the Audit Committee

Nominations Committee

Gareth Davis
Nominations Committee Chairman

Dear Shareholder

Succession

Last year I highlighted the importance the Committee placed on giving full consideration to succession planning at Board level and for senior leadership positions. One of the most important decisions a Board, supported by the Nominations Committee, has to make is the appointment of a new Chief Executive. During the year, we announced Ian Meakins' retirement and the appointment of John Martin as our new Group Chief Executive ("CEO").

As part of the Committee's succession planning process for the role of CEO, we considered external candidates in addition to John Martin, who was then our Chief Financial Officer ("CFO"). The criteria for the selection of a successor to Ian Meakins as CEO included: an ability to foster the development of our people and the diversity of our workforce; continuity, development and effective implementation of the Company's strategy; an understanding and commitment to the culture and values of the Company; and strong and effective leadership of a large, international, publicly quoted company.

After a careful and thorough review, the Committee agreed that John Martin was the most appropriate successor as CEO and recommended his appointment to the Board. John joined the Company in 2010 as CFO and worked closely with Ian Meakins, since then developing and implementing the Group's strategy. He also had management responsibility for Wolseley Canada from August 2013 until July 2016. John has significant operational and management experience and an exemplary track record in running large international businesses.

We also undertook a process to identify a successor for the role of CFO. We considered both internal and external candidates as part of a rigorous process involving interviews and assessments. The criteria for the selection process included strategic development abilities, functional capabilities, relevant sector and international experience and the ability to work effectively in and build high performing teams. In May 2016, we announced that the previously announced appointee would not take up the position of the Company's CFO and that David Keltner would be appointed as Interim Group CFO. David has been the CFO of our US business, Ferguson, since 2009 and before that was CFO for Wolseley North America from 2006. He has deep and broad finance experience, and an excellent operational knowledge of the Group's businesses in the USA and Canada. The process to identify and appoint a permanent CFO is well underway and we will give thorough consideration to both internal and external candidates during the process.

External search advisers JCA Group and Russell Reynolds Associates assisted the Nominations Committee during the year with the CEO and CFO succession processes. JCA Group and Russell Reynolds Associates have no other connections to the Company.

During the year, the Committee also considered the composition, skills and experience of, and the succession plans for, the Group's senior leaders, and approved the implementation of succession plans for senior executives. Succession for the Board and senior executives will continue to be a crucial area of focus of the Committee in the coming year and beyond to ensure that, as the Group develops, the business has the appropriate mix of skills and experience at Board and senior levels. In addition to the work of the Committee, the Board conducts a detailed review of the succession and talent review each year and this review informs and assists the Committee when carrying out its work.

Diversity

We remain supportive of the voluntary approach as an effective way to encourage companies to improve gender diversity in boardrooms. For the last three years we have met the gender diversity recommendations set out in Lord Davies' report, "Women on Boards", and, again, this year 30 per cent of your Board are women. Following Lord Davies' final update on his report, the Department of Business, Innovation and Skills has set up a further independent review panel to increase female representation at executive level in FTSE 350 companies. We take gender diversity seriously, having met the diversity recommendations well ahead of the deadline set out in Lord Davies' report, and we look forward to reviewing the recommendations of the new panel once they are published.

One of the core values of Wolseley is that we value our people. We aim to recruit, retain and develop a high quality, diverse workforce. To achieve our objectives we will always appoint or hire the best candidates available from the widest range of knowledge, skills and experience. The diversity of our people – whether in terms of gender, race and ethnicity, religious or political beliefs, marital status, sexual orientation, age, disability, culture, background or any other measure – strengthens our diversity of thought, which is vital to the growth and success of our business. We are committed to providing our employees with an inclusive work environment in which diversity is valued, discrimination in any form is not tolerated, and in which all our people feel empowered to reach their full potential. Details of our current gender diversity statistics are set out on page 28.

Effectiveness

The annual review of the effectiveness of the Committee was carried out in April 2016. The review concluded that the Committee was well run. The review also highlighted areas for continued improvement and we have incorporated these into our priorities for 2016/17 as set out in the table below.

At the 2016 AGM, I shall be available to respond to any questions shareholders may raise on this report or any of the Committee's activities.

Nominations Committee priorities for 2016/17

2016/17 priorities
Continue to monitor Board and senior leadership succession
Regularly review long-term talent development

Gareth Davis

Gareth Davis
on behalf of the Nominations Committee

Directors' Report – other disclosures

Articles of Association

The Company's Articles of Association may be amended by a special resolution of the shareholders.

Appointment and removal of Directors

The Board may exercise all powers of the Company, subject to the limitations of the law and the Company's Articles of Association. The Directors may from time to time appoint one or more Directors and the Board may appoint any person it considers appropriate to be a Director. Under the Articles of Association any such Director shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for election. In addition, the Articles require that at each AGM at least one-third of the current Directors must retire as Directors by rotation. All those Directors who have been in office for three years or more since their last appointment shall retire at that AGM. Any Director may at any AGM retire from office and stand for re-election. However, in accordance with the provisions of the Code, the Board has agreed that all continuing Directors will stand for annual election at the 2016 AGM.

Authority to allot shares

At the 2015 AGM, authority was given to the Directors to allot new ordinary shares up to a nominal value of £18,496,980. The Directors intend to propose at the 2016 AGM to seek authority to allot and grant rights to subscribe for or to convert securities into shares up to an aggregate nominal amount representing approximately two-thirds of the Company's issued share capital (excluding Treasury shares), calculated at the latest practicable date prior to publication of the Notice of AGM, but of that amount only one-third of the Company's issued share capital (excluding Treasury shares), calculated at the latest practicable date prior to publication of the Notice of AGM, may be allotted pursuant to a fully pre-emptive rights issue. If approved, this authority will expire at the conclusion of the 2017 AGM.

Subject to the terms of the authority noted above, the Directors will also recommend that they be empowered to allot equity securities for cash or to sell or transfer shares out of Treasury other than pro rata to existing shareholders, until the 2016 AGM. This authority shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of no more than approximately 5 per cent of the issued ordinary share capital calculated at the latest practicable date prior to publication of the Notice of AGM as well as an additional 5 per cent, which may only be used for an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue (in accordance with the Pre-Emption Group's Statement of Principles).

Authority to purchase shares

On 29 September 2015, the Company announced a £300 million share repurchase programme (the "2015 Buyback Programme") as a method of returning surplus capital to shareholders. The 2015 Buyback Programme was completed during the year. From 29 September 2015 to 19 May 2016, 7,862,836 ordinary shares of $10\frac{53}{66}$ pence were purchased for a consideration of £300 million, representing 2.95 per cent of the issued share capital of the Company as at 29 September 2015. All shares purchased were held in Treasury and some were subsequently transferred from Treasury to satisfy awards under the Company's share plans. Additional details concerning the 2015 Buyback Programme can be found in note 26 to the consolidated financial statements. As at 31 July 2016, the Company held 14,259,276 ordinary shares of $10\frac{53}{66}$ pence in Treasury.

In certain circumstances, it may be advantageous for the Company to purchase its own ordinary shares and the Company seeks authority on an annual basis to renew the Directors' limited authority to purchase the Company's ordinary shares in the market pursuant to Article 57 of the Companies (Jersey) Law 1991. It is intended that a special resolution will be proposed at the 2016 AGM to grant authority for the Company to purchase up to approximately 10 per cent of the Company's issued share capital, calculated at the latest practicable date prior to the publication of the Notice of AGM. The special resolution will set the minimum and maximum prices which may be paid. The Directors have no present intention of exercising this authority to purchase the Company's shares but will keep the matter under review. The Directors will use this authority to purchase shares only after careful consideration, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The authority will enable the Directors to continue to be able to respond promptly should circumstances arise in which they consider that such a purchase would result in an increase in earnings per share and would be in the best interests of the Company. In accordance with the Company's Articles of Association, the Company is allowed to hold shares purchased by it as Treasury shares that may be cancelled, sold for cash or used for the purpose of employee share schemes. The authorities to be sought by each of the resolutions noted above are intended to apply equally to shares to be held by the Company as Treasury shares and to the sale of Treasury shares. The Directors consider it desirable for these general authorities to be available to provide flexibility in the management of the Company's capital resources.

Capitalised interest

The Group does not have capitalised interest of any significance on its balance sheet.

Change of control (significant agreements)

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control following a takeover except for the US$800 million US Private Placement Bonds issued on 1 September 2015, the £800 million multi-currency revolving credit facility agreement dated 3 June 2015, the amended US$600 million receivables facility agreement originally entered into on 31 July 2013 and the US$438 million US private placement Bonds issued on 16 November 2005 which could become repayable following a relevant change of control. There are no agreements between the Company and any Director that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid, except that provisions of the Company's share schemes may cause options and awards granted under such schemes to vest in those circumstances. All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable for a limited period of time upon a change of control following a takeover, reconstruction or winding up of the Company (not being an internal reorganisation), subject at that time to rules concerning the satisfaction of any performance conditions.

Conflicts of interest

Processes and procedures are in place which require the Directors to identify and declare actual or potential conflicts of interest, whether matter-specific or situational. These notifications are made by a Director prior to or at a Board meeting, or in writing. All Directors have a continuing duty to update any changes. The Board may authorise potential conflicts which can be limited in scope, in accordance with the Company's Articles of Association. These authorisations are regularly reviewed. During the year, all conflict management procedures were adhered to and operated efficiently.

CREST

The Company's ordinary shares are in CREST, the settlement system for stocks and shares.

Disclosures required by Listing Rule 9.8.4R

The relevant disclosures concerning capitalised interest; the allotments of equity securities for cash; contracts of significance and dividend waiver can be found on pages 55, 55 and 71 of this Annual Report respectively. The remaining disclosures required by the above Listing Rule are not applicable to the Company.

Employees

The Group actively encourages employee involvement in driving our current and future success and places particular importance on keeping employees regularly informed about the Group's activities and financial performance and on matters affecting them individually and the business generally. This can be through informal bulletins, in-house publications and briefings, as well as via the Group's intranet sites.

A European Works Council ("EWC") has been operating since 1996 to provide a forum for informing and consulting employees in Europe on such matters as significant developments in the Group's operations, management's plans and organisational changes within the Group. There are currently 13 EWC representatives, of which eight are employee representatives and five are management representatives. Employee representatives are appointed from each European country in which Wolseley operates.

All employees are offered a range of benefits depending on their local environment including through participation in the Company's all-employee sharesave plans where applicable.

Employment policies

Our employment policies aim to attract the very best people and we believe that a diverse and inclusive culture is a key factor in being a successful business. For more information on this, see pages 12 and 28.

The Group also has policies in place relating to the continuation of employment of, and appropriate retraining for, employees who become disabled, for giving full and fair consideration to applications for employment by disabled persons, having regard to their particular attributes and abilities, and for the training, career development and promotion of disabled employees.

Indemnities and insurance

The Company indemnifies the Directors in respect of liabilities incurred as a result of their office in accordance with its Articles of Association and to the maximum extent permitted by Jersey law. Qualifying third-party indemnity provisions (to the maximum extent permitted by English law) were granted to all Directors in office by Wolseley plc (now known as Wolseley Limited) and these remain in force as at the date of this report. When Wolseley plc (registered in Jersey) became the new holding company, additional third-party indemnity provisions were granted by the Company, and it has granted indemnities in accordance with Jersey law to all Directors and the Company Secretary appointed since November 2010.

There is appropriate insurance coverage in respect of legal action against the Directors and officers. Neither the Company's indemnities nor insurance would provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly.

Independent Auditors and audit information

In respect of the consolidated financial statements for the financial year ended 31 July 2016, the Directors in office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which Deloitte LLP ("Deloitte") are unaware and each Director has taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that Deloitte are aware of that information.

Deloitte is willing to act as auditors of the Company, and resolutions concerning their appointment and the determination of their remuneration will be proposed at the 2016 Annual General Meeting.

Political donations

No political donations or contributions to political parties under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure be incurred.

Restrictions on transfer of shares

There are no restrictions on the voting rights attached to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

Share capital and voting rights

Details of the authorised and issued share capital, together with any movements in the issued share capital during the year, are shown in note 26 to the consolidated financial statements on page 99.

Subject to the provisions of the Companies (Jersey) Law 1991 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights and restrictions as the Company may by ordinary resolution determine or as the Board shall determine. Copies of the Company's Articles of Association can be obtained from Companies Registry, Jersey, or by writing to the Group Company Secretary.

The Company also has a Level 1 American Depositary Receipt ("ADR") programme in the USA for which Deutsche Bank Trust Company Americas acts as Depositary. The American Depositary Shares ("ADS") which are evidenced by ADRs are traded on the USA over-the-counter market, where each ADS represents one-tenth of a Wolseley plc ordinary share.

Shareholder notifications

Notifications received by the Company pursuant to the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules are published on a Regulatory Information Service and on the Company's website. As at 31 July 2016 and at the date of this report, the following information has been received in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital.

Name of holder	Percentage of issued voting share capital[1]
FIL Limited	4.96%
AXA S.A.	4.60%
Legal & General Group Plc	3.05%

1 Since the disclosure date, the shareholders' interests in the Company may have changed.

Further disclosures

Further disclosures required under the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure and Transparency Rules can be found on the following pages of this Annual Report and are incorporated into the Directors' Report by reference:

	Page
Details of the Company's proposed final dividend payment for the year ended 31 July 2016	32
Disclosures relating to exposure to price, credit, liquidity and cash flow risks	106 to 113
Disclosures relating to financial risk management objectives and policies, including our policy for hedging	106 to 113
Going concern statement	33
Viability statement	35
Disclosures concerning greenhouse gas emissions	29
The management report for the year	1 to 57
Information concerning post-balance sheet events	105
Future developments within the Group	1 to 39
Details of the Group's profit for the year ended 31 July 2016	30
Shares issued during the year	99 and 112

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Wolseley plc as at the date of this Annual Report are as follows[1]:

Gareth Davis, Chairman*
John Martin, Group Chief Executive
Frank Roach, Chief Executive Officer, USA
Alan Murray, Senior Independent Director*
Tessa Bamford*
John Daly*
Pilar López*
Darren Shapland*
Jacky Simmonds*

* Non Executive Director.
1 Ian Meakins stepped down as Group Chief Executive on 31 August 2016.

Each Director confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' Report, comprising pages 2 to 72 was approved by the Board and signed on its behalf by:

Graham Middlemiss
Group Company Secretary

26 September 2016

Remuneration

For the year ended 31 July 2016

Jacky Simmonds
Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2016.

As detailed in last year's Report, the Committee carried out a full review of executive remuneration during 2014/15 and formulated a revised policy ("Policy") which became effective from the Annual General Meeting ("AGM") in December 2015, having received a 97.8% vote in favour.

The Committee is satisfied that the Policy continues to be appropriate for the coming year and as such no changes are being proposed this year. The full Policy, which will not be subject to a vote at the 2016 AGM, can be found in the About Us section on the Wolseley plc website at **www.wolseley.com**.

I would like to share with you both the corporate performance and relative incentive outcomes for 2015/16, and also our approach for 2016/17, which will continue to be based on the reward principles we identified last year:

- to provide remuneration packages that fairly reward Executive Directors and senior executives for the contribution they make to the business, having regard to the size and complexity of the Group's business operations and the need to attract, retain and motivate executives of the highest quality;
- to have remuneration packages which comprise salary, short-term bonuses, share options, long-term incentive awards, benefits-in-kind and pension provision; and
- to aim to provide a total cash award of base salary and bonus at the median of the market, with the opportunity to earn a higher reward subject to sustained superior financial and individual performance.

Group Chief Executive succession

As announced earlier in 2016, John Martin was appointed as Group Chief Executive with effect from 1 September 2016 in succession to Ian Meakins who retired on 31 August 2016. John has extensive operational and financial management experience running large international businesses and has, of course, been Chief Financial Officer since April 2010. His appointment on a salary of £860,000 is set at the same level as his predecessor, and will next be reviewed in August 2017. This is in line with the Policy. In the meantime we continue our search for John's replacement as Chief Financial Officer.

The Committee agreed to exercise its discretion to treat Ian Meakins as a "good leaver" for his unvested ESOP and LTIP awards, in view of his leaving Wolseley through retirement. He will receive no bonus for 2016/17 and no severance payments. His long-term incentive awards will be time pro-rated on the basis of full years worked during the relevant performance period for each award. Therefore, the awards granted to him in 2014/15 and 2015/16 will be subject to a reduction of one-third and two-thirds respectively. Further details of the termination arrangements are set out on page 66 of the Annual Report on Remuneration, and these are also in line with the Policy.

Performance in 2015/16

During the year, the Company faced challenging conditions in a number of its markets with commodity deflation and subdued market activity. However, our experienced management team has been proactive in recognising this and is undertaking restructuring in the UK. The remuneration received for the year ended 31 July 2016 recognises this mixed performance.

The Company continues to place emphasis on maintaining a strong cash flow as this enables us to reward shareholders with sustainable and progressive dividends. The interim dividend paid to shareholders in April 2016 was 10 per cent higher than last year and the 2016 proposed final dividend of 66.72 pence per share is 10.3 per cent higher than last year.

Despite strong cash flow, weaker than budgeted overall profit performance impacted the bonus payments to the Executive Directors for the year, which averaged 62.6 per cent of their maximum levels.

In the three years ended 31 July 2016, Total Shareholder Return ("TSR") growth enjoyed by shareholders was 9.23 per cent reflecting the impact upon the share price from a number of external factors, as well as the weakening of the markets we operate in. As a result, the Company achieved a TSR ranking of 37th against our FTSE 100 comparator group and therefore 46.7 per cent of the performance shares awarded under the 2012 LTIP in 2013/14 will vest in November 2016.

In the three years ended 31 July 2016, trading profit growth was strong. This contributed to an increase in headline Earnings per Share ("EPS") of 41.5 per cent to 247.7 pence, which exceeded RPI growth over the period by 36.6 per cent. As a result, ESOP awards granted in 2013 will vest in full in November 2016.

Looking ahead to the year ending 31 July 2017

The remuneration arrangements which were approved in December last year will continue to apply for this financial year and it is intended that 2016 awards under the 2015 LTIP will be made to Executive Directors in October/November 2016. The weighting of the performance measures for the first share awards under the 2015 LTIP (TSR, EPS and Operating Cash Flow) will continue to be applied in equal proportions of one-third as they were in 2015/16.

In line with our Policy, the Committee undertook an annual review of the Executive Directors' base salaries. For the year ahead, these will be increased by no more than the average base salary increases for all Wolseley employees in the jurisdiction in which the Executive Director is based – for the Group Chief Executive, with his appointment having taken effect on 1 September, his salary will not be reviewed until 1 August 2017. For the Chief Executive Officer, USA, this means an increase of 2.0 per cent.

As a Committee we continue to monitor developments in corporate governance and remuneration and, where we consider it appropriate to do so, based on the best interests of Wolseley and its shareholders, we would propose to adopt them.

On behalf of the Committee I thank you for your continued support and trust that you find the Directors' Remuneration Report informative. I very much hope that we will receive your support at the 2016 AGM and I will be available at the meeting to respond to your questions on any aspect of this Report.

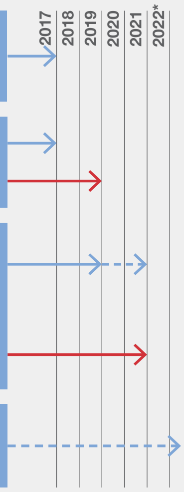
Jacky Simmonds

Jacky Simmonds
Chair of the Remuneration Committee

At a glance

Wolseley's Remuneration Policy

Link to strategy		Key features of policy	How we implement policy
Support recruitment and retention of high-calibre individuals.	Base salary	Set at mid-market level against a comparator group. Any increases made are broadly in line with wider workforce.	New Group CEO salary set at the same level as predecessor. 2% salary increase for CEO, USA in line with salary increases in the region.
Linking pay to Wolseley's strategic financial and operational priorities.	Annual bonus	Maximum bonus opportunity allowed is 150% base salary. Malus and clawback provisions apply.	80% of bonus targets based on financial performance (20% cash-to-cash days; 30% trading profit; 30% gross profit) and 20% based on personal strategic objectives.
Incentivising long-term sustainable business growth.	LTIP	Maximum award level allowed is 350% base salary. Awards granted annually as nil cost options or conditional shares. Minimum three-year performance period. Malus and clawback provisions apply for five years after the grant date. Shares or awards must be retained for two years post vesting.	Award levels for 2016/17 set at 275% and 300% of base salary for the CEO, USA and Group CEO respectively. Three key performance measures: TSR relative to FTSE 100 comparator group; EPS growth; and operating cash flow ("OpCF"). Each element is equally weighted.
Alignment with shareholder interests.	Shareholding guidelines	Five years from appointment or promotion date to meet shareholding target. Shareholding targets set as a multiple of base salary.	All Directors have met their shareholding guideline targets.



Performance period Holding period Malus/Clawback period

* Please note that the years used by way of example only relate to awards made in the 2016/17 financial year.

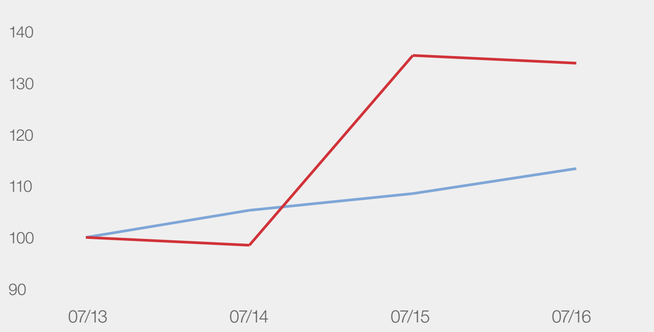
2015/16 performance summary

Group ongoing gross profit*	Group ongoing trading profit*
£3,849.5m +5.0%	£858.5m +1.4%

Group cash-to-cash days*	Headline EPS 247.7p
49.5 days 0.7 days improvement	EPS growth over UK inflation (3 years) +36.6%

* Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

Wolseley 3-year TSR performance vs the FTSE 100



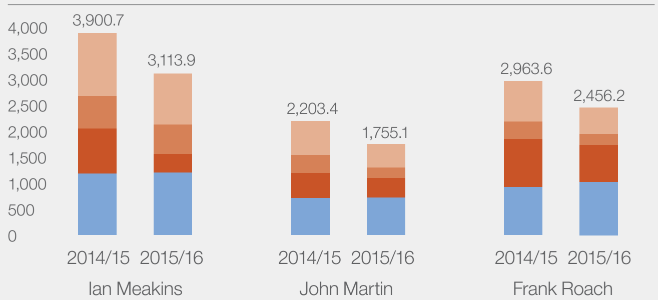
Rewarding 2015/16 performance

In line with the reward principles and the Policy, Executive Directors were fairly rewarded for performance in the year. In challenging conditions, Executive Directors' remuneration consisted of:

- base salary paid which had only been increased by the average employee salary increase;
- annual bonus awards which achieved between 55 and 68 per cent of the maximum opportunity;
- LTIP awards vesting at 46.7 per cent of the awards after longer-term performance measured against its FTSE 100 comparator group; and
- ESOP awards vesting at 100 per cent of the awards after longer-term performance measured against headline EPS growth.

The "single figure" of total remuneration is set out on page 64. The graph opposite shows Executive Directors' total remuneration made up of fixed pay and variable pay. On average

Rewarding performance



59.8 per cent of executive remuneration is performance-related variable pay with an average of 22.6 per cent coming from annual bonus and 37.2 per cent in long-term incentives.

Annual report on remuneration

Information

For the purposes of this Annual report on remuneration:

(1) any payments made in US dollars have been converted to sterling. The calculations are made based on the average exchange rate for the year ended 31 July 2016 of $1.4603:£1 (for the year ended 31 July 2015 of $1.5599:£1); and

(2) any estimated share values are determined using a share price of 3,896 pence, being the average closing mid-market quotation for Wolseley plc shares for the three-month period ended 31 July 2016.

Remuneration Policy

The Policy was approved by shareholders at the AGM on 1 December 2015 and can be found on our website at **www.wolseley.com**. The Policy took effect from this date and may operate for up to three years.

The Policy remains unchanged and all remuneration and loss of office payments will only be made if they are consistent with the Policy. For convenience we include Policy Extracts on pages 70 and 71. These extracts from the Policy relate to Executive Directors to provide the context within which individual remuneration decisions have been made during the year.

Implementation of Policy for the year ending 31 July 2017

Executive Directors

Changes to the Board in 2016/17

Ian Meakins, Group Chief Executive, retired from the Board on 31 August 2016. In line with his contractual arrangements, Mr Meakins received salary, pension and benefits up to 31 August 2016 at the same level as 2015/16. He does not participate in either the Annual Bonus or Long Term Incentive Plan for 2016/17. Details relating to his unvested ESOP and LTIP awards and discretion applied by the Committee can be found on page 66.

Base salary

The Remuneration Committee agreed to an increase to the base salary level of the Chief Executive Officer, USA with effect from 1 August 2016, as set out below. Current base salary levels, and those which applied during the year ended 31 July 2016, are as follows:

	Annualised base salary		
	2016/17 (£000)	2015/16 (£000)	% increase[3]
J Martin (Group CEO)[1]	**859.8**	859.8	0.0%
F Roach (CEO, USA)[2]	**764.4**	749.4	2.0%

1 John Martin will receive one month's salary as Group CFO from 1–31 August 2016 at an annualised level of £531,000 and 11 months' salary as Group CEO from 1 September 2016 – 31 July 2017. Ian Meakins will receive one month's salary as Group CEO from 1–31 August 2016.

2 The total to be received by Frank Roach in 2016/17 will be paid in US dollars as $1,116,279. The total received by Frank Roach in 2015/16 was paid in US dollars as $1,094,391.

3 For context, the average salary increase for UK-based employees was 1.0 per cent, whilst for USA-based employees it was 2.0 per cent. The 0.0 per cent increase shown for John Martin is as compared to Ian Meakins salary as Group CEO for 2015/16.

Pension and benefits

UK-based Executive Directors receive a salary supplement in lieu of membership of the Group pension scheme, being 25 per cent of base salary for John Martin. USA-based Executive Director, Frank Roach, participates in the Ferguson defined contribution pension arrangement and receives a Company contribution of 23 per cent of base salary. Frank Roach's current year pension benefits include a 401k plan and Ferguson Executive Retirement Plan ("FERP") arrangements. These plans have normal retirement ages of 62 and 55 respectively. Bonus payments are not included in the calculation of the Company pension contributions. Benefits provided to Executive Directors are detailed in the Remuneration table on page 64.

Annual bonus

The threshold, target and maximum bonus opportunities for each of the Executive Directors are set out in the table below:

	Threshold	Target	Maximum
			As % of salary
J Martin (Group CEO)[1]	80%	100%	120%
F Roach (CEO, USA)	80%	110%	140%

1 Award levels for John Martin as Group CEO are unchanged from the award made to his predecessor in 2015/16.

Performance targets are set as 80 per cent of bonus opportunity on financial performance (20 per cent is based on cash-to-cash days, 30 per cent on trading profit and 30 per cent on gross profit) and 20 per cent of bonus opportunity on personal strategic objectives. Specific individual objectives were set at the beginning of the 2016/17 financial year.

For the 2016/17 financial year, the threshold for bonus payments in relation to ongoing trading profit will be set at or above the outturn trading profit for the 2015/16 financial year on a constant currency basis.

The Board considers that the performance targets for 2016/17 are commercially sensitive and they are not included for this reason. The Committee intends to disclose the targets and performance against them in the Annual report on remuneration next year depending on considerations of commercial sensitivity at that time.

Long-term incentives

LTIP awards will be made during the 2016/17 financial year at the levels set out in the table below:

	LTIP (award value as % of salary)
J Martin (Group CEO)	300%[1]
F Roach (CEO, USA)	275%

1 Award levels for John Martin as Group CEO are unchanged from the award made to his predecessor in 2015/16.

The extent to which the LTIP awards (proposed to be granted in October/November 2016) will vest will be dependent on the following performance targets each with a weighting of one-third of award opportunity: comparative TSR; EPS growth; and cash flow from operating activities ("OpCF").

Comparative TSR

The TSR element of the award will vest as set out in the table below (comprising one-third of the total award opportunity):

Wolseley's TSR position in comparator group[1]	Percentage of award subject to TSR which will vest
Upper quartile	100%
Between median and upper quartile[2]	25%–100%
At median	25%
Below median	0%

1 Full constituent members of the FTSE 100 Index at the beginning of the performance period, with no additions or exclusions.

2 Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

The TSR measure is considered appropriate as it ensures that the interests of the Executive Directors are closely aligned with those of the Company's shareholders over the long term and incentivises outperformance of the Company relative to its peers. The TSR performance condition supports the achievement of profit growth, cash generation, maximising shareholder value and relative outperformance of its peer group.

EPS growth

The EPS[1] element of the award will vest as set out in the table below (comprising one-third of the total award opportunity):

Total margin of EPS growth over UK inflation after three years ("RPI")	Percentage of award subject to EPS which will vest[2]
30% and above	100%
Between 9% and 30%	25%–100%
9%	25%
Below 9%	0%

1 Headline EPS as presented in the audited Wolseley plc Annual Report and Accounts (subject to such adjustments as the Committee deems appropriate to ensure it reflects underlying business performance).

2 Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

For EPS growth targets, the Committee sets the EPS growth range having due regard to the Group's budget and strategic business plan every year as well as market expectations, the Group's trading environment and the consensus of analysts' forecast trading profit.

The EPS measure is considered appropriate as it requires substantial improvement in the Group's financial performance and is a key metric used by investors to assess the Group's performance.

Operating cash flow ("OpCF")

The OpCF element of the award will vest as set out in the table below (comprising one-third of the total award opportunity):

Operating cash flow[1,3]	Percentage of award subject to operating cash flow which will vest[2]
£2.9 billion	100%
Between £2.5 billion and £2.9 billion	25%–100%
£2.5 billion	25%
Below £2.5 billion	0%

1 Cash generated from operations (before interest and tax) as presented in the audited annual Group cash flow statement in the Wolseley plc Annual Report and Accounts (subject to such adjustments as the Committee deems appropriate to ensure it reflects underlying business performance).

2 Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

3 The cumulative three-year figure for OpCF as taken from the Wolseley plc Annual Report and Accounts for the last three years equals £2.63 billion.

For OpCF generation, the Committee sets the cumulative OpCF target having due regard to the Group's budget and strategic plan every year as well as market expectations and the Group's trading environment.

The OpCF measure is considered appropriate as it encourages long-term generation of cash to fund investment and returns to shareholders.

Non Executive Directors and Chairman

The Company's policy on Non Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees.

A summary of current fees is as follows:

	2016/17 (£000)	2015/16 (£000)
Chairman's fee	375.4	368.0
Non Executive Director base fee[1]	65.3	64.0
Additional fees[1]:		
Senior Independent Director	12.8	12.5
Chairman of Audit Committee	18.9	18.5
Chairman of Remuneration Committee	15.9	15.5

1 All increases to Non Executive Director/Chairman fees were broadly in line with Executive increases to base salary.

Report for the year ended 31 July 2016

Remuneration Committee

The Committee met regularly during the year. There were six meetings in total and details of attendance are shown in the table on page 43.

The activities of the Committee are governed by their terms of reference which were reviewed in May 2016 and can be found on the Wolseley plc website at **www.wolseley.com**.

During the year, the members of the Remuneration Committee were Jacky Simmonds (Chair), Tessa Bamford, John Daly, Pilar López, Alan Murray and Darren Shapland.

The annual review of the effectiveness of the Committee was conducted during the year and considered at the May 2016 meeting. The review concluded that the Committee was working effectively and minor recommendations to improve effectiveness were acted upon.

Allocation of time spent during the year

During 2015/16, the Committee considered at its meetings, amongst other issues as required, the items detailed below.

Governance

- Approval of Directors' Remuneration Report 2014/15
- Annual governance and compliance review
- Directors' Remuneration Report 2015/16

Salary and fees review

- Review of executive pay
- Remuneration proposals for Executive Directors and Executive Committee
- Review of Chairman's fees
- Approval of the remuneration package of a senior executive, below Board level, who was changing roles

Annual bonus

- Assessment of performance against 2014/15 targets and objectives for 2015/16 targets
- Review of bonus structure for financial year 2016/17

Discretionary share plans and all-employee plans

- Agree discretionary share plan awards for 2015/16
- Confirmation of vesting of discretionary share plan awards granted in 2012
- Agree process for 2015/16 grants under all-employee Sharesave plans

Annual reviews

- Remuneration advisers
- Share headroom in accordance with Investment Association guidelines
- Effectiveness of the Committee
- Directors' shareholding guidelines
- Committee's terms of reference

Advisers to the Committee

During the year, the Committee received advice and/or services from various parties. Details are set out below.

New Bridge Street (a trading name of Aon Hewitt Limited and part of Aon plc) ("NBS") is the Committee's independent remuneration consultant. NBS is a member of the Remuneration Consultants' Group and voluntarily operates under the code of conduct in relation to remuneration consultants in the UK. The Committee has established arrangements to ensure that the advice received from NBS is independent of the advice provided to the Company. NBS is appointed by the Committee and its performance is reviewed on an annual basis. The Committee reviewed the performance of, and advice provided by, NBS in December 2015. The Committee was satisfied with its performance and that advice received was objective and independent. NBS also provided remuneration consultancy services to the Company during the year. Fees are charged predominantly on a "time spent" basis and the total fees paid to NBS for the advice provided to the Committee during the year was £121,560. Fees paid to NBS for other pay-related services to the Company during the year were £45,325.

Alithos Limited ("Alithos") provided information to the Committee for the testing of the TSR performance conditions for the LTIP awards and also provided the TSR performance graphs for the Directors' Remuneration Report. They received total fixed fees of £10,500. Fees were charged as a fixed annual rate. Alithos was appointed by the Company for both services as it was considered to have the relevant expertise and experience. Alithos did not provide any other advice or services during the year and so the Committee considers Alithos to be objective and independent.

Freshfields Bruckhaus Deringer LLP ("Freshfields") provided legal advice to the Committee during the year in connection with the retirement of Ian Meakins and the consequential board changes. Fees are charged predominantly on a "time spent" basis and the total fees paid to Freshfields for the advice provided to the Committee during the year was £15,400. Freshfields was appointed by the Company and provided other services to the Company during the year. The Committee is satisfied that the services provided to it by Freshfields are of a technical nature and did not create any conflict of interest and therefore the advice received from them was objective and independent. If a conflict of interest were to arise, the Committee would appoint separate legal advisers from those used by the Company.

The Committee also seeks internal support from the Group HR Director and the Group Chief Executive together with other senior Group employees as necessary. As a part of his transition to the role of Group Chief Executive, John Martin was invited to attend some meetings during the year. Those who attend by invitation do not participate in discussions that relate to the details of their own remuneration.

Statement of shareholder voting

The following table shows the results of the full details of the voting outcomes for the remuneration-related resolutions at the AGM on 1 December 2015:

	Votes for	For %	Votes against	Against %	Total	Votes withheld (abstentions)
Remuneration Report	194,030,811	97.63	4,713,141	2.37	198,743,952	2,213,677
Remuneration Policy	195,566,771	97.79	4,428,909	2.21	199,995,680	961,949
Replacement LTIP	192,093,616	96.03	7,938,527	3.97	200,032,143	925,486

Board appointments and service agreements/letters of appointment

All Executive Directors are appointed to the Board from the relevant effective date of appointment set out in their service agreements. Appointment dates for all of the Non Executive Directors are set out in their letters of appointment. Further details are shown in the table below.

Board appointments

Director[1]	Date of service agreement/ letter of appointment	Effective date of appointment	Expiry of current term
Chairman			
G Davis	29 May 2003	1 July 2003	
		20 January 2011 (as Chairman)	20 January 2017
Executive Directors[2]			
J Martin[3]	25 January 2010	1 April 2010	–
F Roach[4]	27 February 2006	16 December 2005	–
Non Executive Directors			
T Bamford	22 March 2011	22 March 2011	22 March 2017
J Daly	21 May 2014	21 May 2014	21 May 2017
P López	18 December 2012	1 January 2013	1 January 2019
A Murray	11 December 2012	1 January 2013	1 January 2019
D Shapland	3 April 2014	1 May 2014	1 May 2017
J Simmonds	21 May 2014	21 May 2014	21 May 2017

1 Details of all Directors can be found on pages 42 and 43. It remains the Board's policy that Non Executive Directors are appointed for an initial term of three years, which is then reviewed and, if appropriate, extended for a further three-year period. All Directors are proposed for re-election annually in accordance with the UK Corporate Governance Code ("the Code").

2 During the year Ian Meakins served as Group CEO and a Director. Mr Meakins retired on 31 August 2016 and as such is not being proposed for re-election at the AGM.

3 Since the end of the financial year John Martin has signed a new service agreement to reflect his promotion from Group CFO to Group CEO. The new service agreement was dated 31 August 2016 and the effective date of appointment was 1 September 2016.

4 Frank Roach has been employed within the Group since 1976. The date of his service agreement is that of his latest agreement.

Service agreements

With the exception of John Martin's appointment as Group CEO, all Executive Directors' service agreements were entered into before 27 June 2012 and have not been renewed or modified on or after that date. Remuneration payments or payments for loss of office are consistent with the Policy.

Availability of documents

Copies of service agreements and letters of appointment are available for review upon request at the Company's registered office in Jersey. They are also available at the Corporate Head Office in Switzerland and the Group Services Office in the UK, and will be available for inspection at the 2016 AGM.

Remuneration table (showing single total figure of pay for year) (Audited)

The table below sets out in a single figure the total amount of remuneration, including each element, earned by each of the Executive Directors for the year ended 31 July 2016.

	Year	Salary (£000)	Taxable benefits[1] (£000)	Bonuses (£000)	Value of LTI vesting[2,3,4] (£000)	Pension benefits[5] (£000)	Total remuneration[3] (£000)
Executive Directors							
I Meakins	**2015/16**	**859.8**	**65.3**	**567.9**	**1,345.8**	**275.1**	**3,113.9**
	2014/15	847.1	62.6	876.7	1,843.2	271.1	3,900.7
J Martin	**2015/16**	**531.0**	**53.7**	**378.8**	**658.9**	**132.7**	**1,755.1**
	2014/15	524.7	54.4	490.9	1,002.2	131.2	2,203.4
F Roach	**2015/16**	**749.4[6]**	**106.5**	**712.5**	**719.6**	**168.2**	**2,456.2**
	2014/15	684.5	77.8	927.1	1,116.8	157.4	2,963.6
Total	**2015/16**	**2,140.2**	**225.5**	**1,659.2**	**2,724.3**	**576.0**	**7,325.2**
	2014/15	2,056.3	194.8	2,294.7	3,962.2	559.7	9,067.7

1 These are pre-tax figures. Benefits comprise private health insurance, car benefit (car allowance, car, driver), tax and financial advice and tax equalisation arrangements. During the year Frank Roach received an award under the Employee Share Purchase Plan. He participated on the same terms as all US-based employees, receiving a 15% discount to the share price. A value of £538.20 has been included in respect of this participation.

2 The ESOP and LTIP grants were made in November 2013. The ESOP awards will vest at 100 per cent in November 2016 and the LTIP awards will vest at 46.7 per cent in November 2016.

3 The figure for total remuneration includes share price appreciation for the value of LTI vesting and the value of dividend equivalents on vested LTIP awards. As the ESOP and LTIP grants made in November 2013 will not vest until November 2016, the values of long-term incentive awards vesting in the graph opposite include share price appreciation determined using the share price of 3,896 pence noted on page 60 under the heading "Information".

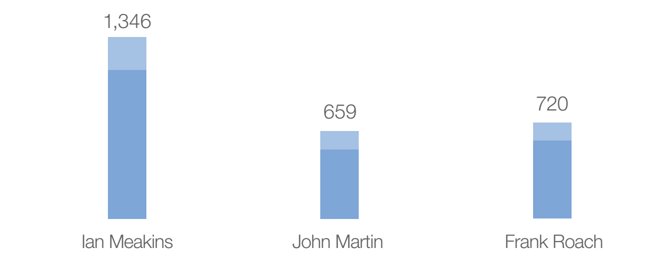
4 Value shown for 2015/16 represents estimated value of share awards granted in 2013 that are expected to vest in November 2016. The estimate assumes 100 per cent vesting of ESOP awards and 46.7 per cent vesting of LTIP awards using the three-month average share price for the period ended 31 July 2016 of 3,896 pence. Value shown for 2014/15 represents the actual vesting of the ESOP and LTIP awards which vested in December 2015 and January 2016, using the share prices of 3,651 pence (18 December 2015), 3,587 pence (4 January 2016) and 3,295 pence (18 January 2016).

5 Frank Roach participates in the defined contribution arrangements of Ferguson Enterprises, Inc. ("Ferguson") receiving contributions of 23 per cent of base salary from Ferguson. The cost of employer's contributions during the year was £168,200 ($245,571). For the year ended 31 July 2015, the cost was £157,427 ($245,571). During the year ended 31 July 2016, Ian Meakins and John Martin received salary supplements in lieu of Group pension scheme membership.

6 Frank Roach's base salary comprised £731,150 ($1,067,698) paid during the year ended 31 July 2016 and an additional £19,832 ($28,961) paid in September 2016.

Value of LTI vesting (2016)

£000 ● LTIP original value ● ESOP share price gain ● LTIP share price gain[7]



7 The estimated value of the LTIP vesting in November 2016 is lower than the value at the original grant date and is consequently not shown on the above chart.

The table below sets out in a single figure the total amount of remuneration received by each of the Chairman and the Non Executive Directors who served during the year ended 31 July 2016.

Chairman and Non Executive Directors	**Fees (£000) 2015/16**	Fees (£000) 2014/15
G Davis	**368.0**	360.5
Non Executive Directors (current as at the date of this report)		
T Bamford	**64.0**	63.0
J Daly	**64.0**	63.0
P López	**64.0**	63.0
A Murray	**76.5**	75.0
D Shapland	**82.5**	75.3
J Simmonds	**79.5**	78.0
Total remuneration	**798.5**	777.8

Additional disclosures in respect of the Remuneration table (Audited)

Annual bonus

The annual bonuses awarded to Executive Directors for the year ended 31 July 2016 are shown in the Remuneration table on page 64 and the bonuses are calculated as follows:

Ian Meakins 2015/16

	Proportion of total bonus available		Actual performance achieved[1]	Resulting bonus outturn	
Performance	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £873.7 million – £965.7 million	30.0%	36.0%	£858.5m	0.0%	0.00%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	30.0%	36.0%	£3,849.5m	21.0%	25.20%
Group cash-to-cash days (average) 50.3–49.8 days	20.0%	24.0%	49.5	20.0%	24.00%
Personal objectives[2]	20.0%	24.0%	14⁄20	14.0%	16.80%
Total	**100.0%**	**120.0%**	–	**55.0%**	**66.00%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 Ian Meakins' personal objectives were based on achievement of specific key strategic budget initiatives and profitable top line growth.

John Martin 2015/16

	Proportion of total bonus available		Actual performance achieved[1]	Resulting bonus outturn	
Performance	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £873.7 million – £965.7 million	21.0%	23.1%	£858.5m	0.0%	0.00%
Canada ongoing trading profit £29.4 million – £32.4 million	9.0%	9.9%	£32.4m	8.9%	9.80%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	21.0%	23.1%	£3,849.5m	14.2%	15.62%
Canada ongoing gross profit £170.2 million – £179.0 million	9.0%	9.9%	£179.8m	9.0%	9.90%
Group cash-to-cash days (average) 50.3–49.8 days	14.0%	15.4%	49.5	14.0%	15.40%
Canada cash-to-cash days (average) 66.1–64.1 days	6.0%	6.6%	65.2	4.8%	5.28%
Personal objectives[2]	20.0%	22.0%	14⁄20	14.0%	15.40%
Total	**100.0%**	**110.0%**	–	**64.9%**	**71.40%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 John Martin's personal objectives were based on achievement of Canadian strategic and budget plans including specific e-commerce revenue targets, Group finance system development and Hyperion Financial Management implementation at Group level.

Frank Roach 2015/16

	Proportion of total bonus available		Actual performance achieved[1]	Resulting bonus outturn	
Performance	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £873.7 million – £965.7 million	6.0%	8.4%	£858.5m	0.0%	0.00%
USA ongoing trading profit £702.2 million – £816.0 million	24.0%	33.6%	£722.9m	15.6%	21.84%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	6.0%	8.4%	£3,849.5m	3.7%	5.18%
USA ongoing gross profit £2,565.7 million – £2,751.9 million	24.0%	33.6%	£2,619.4m	16.7%	23.38%
Group cash-to-cash days (average) 50.3–49.8 days	4.0%	5.6%	49.5	4.0%	5.60%
USA cash-to-cash days (average) 59.8–58.8 days	16.0%	22.4%	59.1	13.9%	19.46%
Personal objectives[2]	20.0%	28.0%	14⁄20	14.0%	19.60%
Total	**100.0%**	**140.0%**	–	**67.9%**	**95.06%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 Frank Roach's personal objectives were based on achievement of profitable revenue growth and market share gains, and the execution of key strategic budget initiatives.

The specific targets set for personal objectives are considered to be commercially sensitive as they relate to internal operational and strategic measures which could be used by competitors to gain an advantage if disclosed. The Committee will consider disclosing the information if these sensitivities fall away in future periods.

When considering the objectives for the Executive Directors and other members of the Executive Committee, the Remuneration Committee takes into account whether specific attention should be given to environmental, social and governance matters. Directors take such matters into account when considering any investment proposal or operational matters and management is expected to meet performance targets which include compliance with any environmental, social or governance-related standards that have been set. The overall performance of the businesses and of management is reviewed at the end of the year when considering the award of bonuses and whether operational and personal objectives have been met.

Long-term incentives

Long-term incentives awarded to Executive Directors under the ESOP and LTIP in November 2013 will vest in November 2016. The vesting of both awards is subject to the performance conditions shown in the tables that follow.

Exercise of discretion by the Committee due to Executive Director changes

Under the rules of the ESOP and LTIP, when an employee ceases to be employed by the Group unvested awards will lapse unless the participant is treated as a "good leaver". In the case of retirement, the Remuneration Committee has the discretion under the rules to treat a participant as a "good leaver" by determining that the employee left "for any other reason at the discretion of the Committee".

For "good leavers", the rules provide that awards will vest on the original vesting date, subject to satisfaction of performance conditions, and will be pro-rated to the date of cessation of employment. Although the performance conditions for the awards are measured from 1 August in the year in which awards are granted, pro-ration under the rules is calculated using the three-year period commencing on the date of grant. The Remuneration Committee has discretion to base any pro-ration for a "good leaver" to reflect completed financial years during a performance period.

Ian Meakins retired as Group Chief Executive on 31 August 2016. Wolseley's performance over the past seven years includes share price growth of 443 per cent and an increase in trading profit of 205 per cent, the Remuneration Committee agreed to exercise its discretion and:

- to treat him as a "good leaver" for his unvested awards granted under the ESOP and LTIP;
- that the awards should vest on the original vesting dates (subject to satisfaction of the performance conditions); and
- to time pro-rate his awards granted in 2013/14, 2014/15 and 2015/16 on the basis of full financial years worked by Mr Meakins during the relevant performance condition testing period for each award. Therefore, the 2014/15 and 2015/16 awards will be subject to a reduction of one-third and two-thirds respectively.

ESOP

Vested awards

Targets set were based on headline EPS growth over three years. Actual headline EPS was 247.7 pence in 2015/16. Restated headline EPS in 2012/13 was 175.1 pence (178.5 pence prior to restatement), this represents growth of 41.5 per cent. Over the same three-year period RPI growth was 4.9 per cent. The growth above RPI in the period was therefore 36.6 per cent and accordingly all performance targets have been achieved, as set out below:

Performance level	Total margin of EPS growth over UK inflation after three years ("RPI")	
Value of shares under option as a multiple of salary	Performance required	Target achieved
First 50% of salary	9%	Yes
Next 150% of salary	18%	Yes
Next 50% of salary	30%	Yes

Accordingly, the total percentage of executive options vesting is set out below:

	Total number of shares subject to option	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000)[2]
I Meakins[1]	62,633	100%	62,633	364
J Martin	34,913	100%	34,913	203
F Roach	35,329	100%	35,329	205

1 As detailed opposite, Ian Meakins' awards reflect the completed financial years served prior to his retirement, in line with the Committee's exercise of discretion.

2 Value determined using the share price noted on page 60 under the heading "Information" less exercise price of 3,315 pence.

Unvested awards

The ESOP awards granted on 7 November 2014 are the last such awards to have been granted by the Company. Vestings of awards under the ESOP are subject to performance targets based on growth in the Company's headline EPS above UK RPI over a three-year period. The ESOP plan rules set out the EPS performance conditions that apply to awards and are shown in the table below. The Committee has discretion to set more challenging EPS targets than those contained in the ESOP plan rules.

Performance conditions applied to awards granted in 2014/15

Value of shares under option as multiple of salary	Performance conditions detailed in plan rules	Performance conditions applied to awards granted in 2014/15
	Total margin of EPS growth over UK inflation after three years ("RPI")	
First 50% of salary	9%	9%
Next 150% of salary	12%	18%
Next 50% of salary	15%	30%
Greater than 250% of salary	15%–21%	n/a

LTIP

Vested awards

The performance condition which applied to the award made in November 2013 ended on 31 July 2016 and actual performance achieved are detailed below.

	TSR relative to FTSE 100 at date of grant	
Performance level	Performance required	% of total award vesting
Below threshold	Below median	0%
Threshold	Median	25%
Between threshold and stretch	Between median and top decile	25%–100%
Stretch or above	Top decile	100%
Actual achieved	37th	46.7%

Accordingly, the total percentage of shares vesting is set out below:

	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000)[2,3]
I Meakins[1]	50,710	46.7%	23,681	982
J Martin	23,556	46.7%	11,000	456
F Roach	26,561	46.7%	12,403	514

1 As detailed on page 66, Ian Meakins' awards reflect the completed financial years served prior to his retirement, in line with the Committee's exercise of discretion.

2 Value determined using the share price noted on page 60 under the heading "Information".

3 Dividend equivalents have accrued on the 2013 share awards and will be paid out in cash after vesting of the awards. The value above includes the cash payment.

Unvested awards

2012 LTIP

The performance conditions set out in the table above apply for unvested share awards made under the 2012 LTIP. Calculations for TSR are independently carried out and verified before being approved by the Committee. The following table sets out the indicative vesting percentage of each award based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2014/15	2017/18	66.4% (performance at 24 months)

2015 LTIP

The performance conditions for comparative TSR and EPS set out in the tables on page 61 apply for unvested share awards made under the 2015 LTIP. The following table sets out the performance conditions for OpCF which apply for unvested awards under the 2015 LTIP made in 2015/16.

Operating cash flow[1]	Percentage of award subject to operating cash flow which will vest[2]
£2.65 billion	100%
Between £2.25 billion and £2.65 billion	25%–100%
£2.25 billion	25%
Below £2.25 billion	0%

1 Cash generated from operations (before interest and tax) as presented in the audited annual Group cash flow statement in the Wolseley plc Annual Report and Accounts (subject to such adjustments as the Committee deems appropriate to ensure it reflects underlying business performance).

2 Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

Calculations for TSR are independently carried out and verified before being approved by the Committee. Calculations for EPS and OpCF are checked and verified internally.

The following table sets out the indicative vesting percentage of the comparative TSR element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	37.0% (performance at 12 months)

The following table sets out the indicative vesting percentage of the EPS growth element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	59.0% (performance at 12 months)

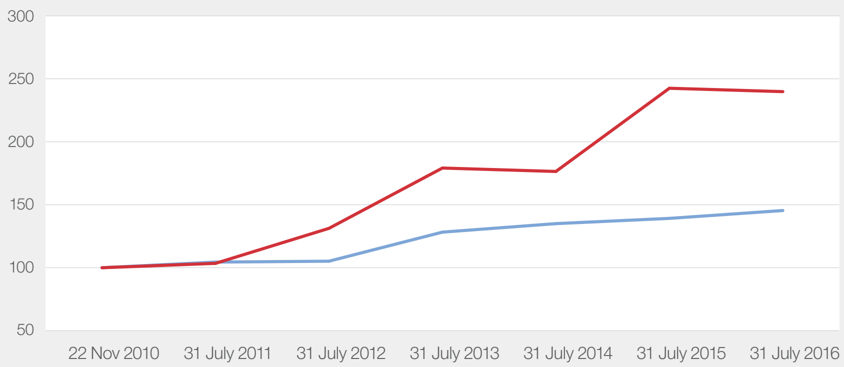
The following table sets out the indicative vesting percentage of the OpCF element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	100% (performance at 12 months)

Wolseley TSR performance and Group CEO remuneration comparison

The graph opposite shows Wolseley's TSR performance against the performance of the FTSE 100 Index from the creation of the new Wolseley plc holding company (created at the time of the redomiciliation to Switzerland) in November 2010 to 31 July 2016. The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley.

The table below shows the total remuneration of the Group Chief Executive[1] for the seven-year period from 1 August 2009 to 31 July 2016.



	Group CEO		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Single figure of total remuneration (£000)[2]	Ian Meakins		1,943	2,011	5,603	5,109	5,890	3,901[3]	3,114
Annual bonus award rates against maximum opportunity	Ian Meakins		96%	98%	85%	84%	97%	86%	55%
Long-term incentive vesting rates against maximum opportunity	Ian Meakins	LTIP	0%	0%	76%	100%	88%	75%	47%
		ESOP	0%	0%	100%	100%	100%	100%	100%

1 The Group Chief Executive during the seven-year period was Ian Meakins.

2 The single figure for all seven years is calculated on the same basis as that used in the Remuneration table on page 64.

3 The single figure for the year ended 31 July 2015 has been adjusted from the value of £4.39 million estimated in that year's report to reflect the actual value of LTI at the dates of vesting in December 2015 and January 2016.

Payments for loss of office and to past Directors (Audited)

No payments for loss of office were made during the financial year. No other payments have been made to past Directors that have not already been included in the Remuneration table set out on page 64.

Change in Group Chief Executive pay for the year compared to that of Wolseley employees

The table below shows the percentage year-on-year change in base salary, benefits and annual bonus between the year ended 31 July 2016 and the previous financial year for the Group Chief Executive compared to the average for UK-based employees[1].

	% change in base salary	% change in benefits	% change in annual bonus[2]
Group Chief Executive	1.5%	9.4%	-35.2%
Average for all UK-based employees	3.5%	-1.6%	-9.4%

1 Although the Group Chief Executive has a global role and responsibilities, UK-based employees were chosen as a suitable comparator group as he is based in the UK (except to attend Board and Committee meetings in Switzerland or other worldwide locations outside of the UK). Also pay structures and changes to pay vary widely across the Group, depending on the local market conditions.

2 The Group Chief Executive's bonus is determined by both his performance and the performance of the whole of the Wolseley Group, whereas employees' bonuses are based on their performance and the performance of the businesses in the countries in which they work. The percentage change in annual bonus for UK-based employees is based on the best available estimates at time of publication.

Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee remuneration costs, dividends and returns of capital for the year ended 31 July 2016 compared to the year ended 31 July 2015.

	Year ended 31 July 2016 £m	Year ended 31 July 2015 £m	Percentage change
Total employee remuneration costs[1]	**2,026**	1,832	+10.6%
Ordinary dividends paid[2]	**238**	222	+7.2%
Share buyback[3]	**300**	250	+20.0%

1 Further details on employee remuneration can be found in note 11 of the consolidated financial statements on page 86.

2 Further details of dividends paid can be found in note 8 of the consolidated financial statements on page 85.

3 Further details of the share buyback programme can be found in note 26(ii) of the consolidated financial statements on page 99.

Directors' shareholdings (Audited)

All Directors are required to hold shares equivalent in value to a minimum percentage of their salary or fees as set out in the table below. The Directors' interests in the Company's shares as at 31 July 2016 are set out below and there has been no change in interests since that date and up to the date of this Report.

	Shares beneficially owned as at 31 July 2016	Shareholding guideline (as a multiple of salary/fees)[1,2]	Vested (unexercised) share awards[3,4]	Unvested share awards		
				LTIP[5]	ESOP[5]	Sharesave[5]
Executive Directors						
I Meakins	134,293	2.5	213,041	153,094	125,625	1,277
J Martin	80,888	2	0	62,374	70,026	957
F Roach	53,211	2	38,014	83,862	69,171	90
Chairman and Non Executive Directors						
G Davis	15,346	1	–	–	–	–
T Bamford	2,048	1	–	–	–	–
J Daly	2,050	1	–	–	–	–
P López	2,602	1	–	–	–	–
A Murray	2,500	1	–	–	–	–
D Shapland	2,000	1	–	–	–	–
J Simmonds	2,000	1	–	–	–	–

1 All Directors have a five-year time period from the date of appointment or promotion to meet the shareholding target. If not met within that timeframe the individual Director would discuss plans with the Committee to ensure that the target is met over an acceptable timeframe. Under the Policy, Executive Directors would defer amounts in excess of target bonus into shares under the Deferred Bonus Plan. Beneficially owned shares count towards the guideline whilst unvested awards of shares or share options do not. Vested share awards do not count towards the guideline until exercised.

2 All Directors met their shareholding guideline targets set for the year. Shareholding guideline targets are first set by reference to the salary or fees of a Director as at 1 August in the financial year following appointment to the Board and calculated using the average share price for the two months ended 31 July of the financial year in which the appointment was made and are re-tested annually until met. Once met, the target is only increased annually in line with base salary or fee increases, if any.

3 There were no vested (unexercised) awards under the Sharesave. There was an award under the LTIP held by Ian Meakins who had 31,905 nil cost options vested but unexercised.

4 Details of share awards exercised in the year are detailed in the table at the bottom of this page.

5 LTIP and ESOP awards are subject to performance conditions but Sharesave awards are not. LTIP awards are awarded in the form of nil cost options to Ian Meakins and John Martin and in the form of conditional share awards to Frank Roach. ESOP awards are awarded to all Executive Directors in the form of market value options. Further details of the LTIP and ESOP awards are set out on pages 66 and 67.

Scheme interests awarded during the financial year (Audited)

Awards under the 2015 LTIP were made on 19 January 2016. Awards are based on a percentage of salary determined by the Committee. The Committee considers annually the size of each grant, determined by individual performance, the ability of each individual to contribute to the achievement of the performance conditions, and market levels of remuneration. The maximum vesting is 100 per cent of the award granted. Details of performance conditions for awards which were granted during the year are set out on pages 61 and 67.

The 2015 LTIP awards are summarised below:

Director	Type of award	Number of shares[1]	Face value[2,3] of award (£000)	Performance criteria period	Threshold performance	Performance conditions
I Meakins	Nil cost options	76,611	2,759.5	1 August 2015 and ending 31 July 2018	25% of award vesting	Growth in EPS above RPI target Comparator TSR target against FTSE 100 Cumulative Operating Cash Flow Growth
J Martin	Nil cost options	37,847	1,274.3			
F Roach	Conditional shares	57,301	1,923.3			

1 For each Executive Director, awards during the financial year were based on a percentage of salary as follows: Ian Meakins (300 per cent); John Martin (240 per cent); and Frank Roach (275 per cent).

2 The share price used to calculate the face value of the LTIP share awards granted on 19 January 2016 was 3,367 pence which was the average share price over a 10-dealing day period immediately preceding the date of grant. The LTIP awards made to Ian Meakins and John Martin were in the form of nil cost options. At vesting, the exercise price per share will be nil. The LTIP award made to Frank Roach was a conditional share award and there is no exercise price. Face value is calculated as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("Regulations") as the maximum number of shares at full vesting multiplied by either the share price at date of grant or the average share price used to determine the number of shares awarded. Dividend equivalents also accrue on the LTIP awards and the amount which may be due to an Executive Director is not included in the calculation of face value.

3 The maximum dilution which may arise through issue of shares to satisfy the entitlement to these LTIP scheme interests would be 0.00064 per cent calculated as at 31 July 2016.

Share awards exercised during the year

Details of the share awards exercised during the year are set out below:

Director	ESOP	LTIP	Total[1,2]
I Meakins	152,679	Nil	152,679
J Martin	40,582	17,125	57,707
F Roach	112,622	21,854	134,476

1 The aggregate gain made on the exercise of options during the year by Ian Meakins, John Martin and Frank Roach was £3.9million, £nil and £2.1million respectively.

2 The aggregate value of assets received or receivable by Ian Meakins, John Martin and Frank Roach under long-term incentive plans during the year was £nil.

Policy Extracts

Wolseley's Remuneration Policy remains unchanged from that approved by shareholders at the AGM on 1 December 2015. For convenience, some extracts from the Policy are included below to provide the context within which individual remuneration decisions have been made during the year. The full Policy can be found on the Wolseley plc website on **www.wolseley.com**.

In these extracts, the following definitions apply:

DBP	Deferred Bonus Plan
OSP	Ordinary Share Plan

Recruitment policy

Executive Directors

As noted earlier, the Committee will consider the need to attract the best talent whilst aiming to pay no more than is appropriate or necessary in the circumstances. In determining each element of pay and the package as a whole upon recruitment, the Committee will take into account all relevant factors including, but not limited to, the skills and experience of the individual, the market rate for an individual of that experience, as well as the importance of securing the best person for the role.

Fixed pay (base salary, benefits, pension)

A newly appointed Executive Director will be offered a base salary, benefits and pension package in line with the Policy. The Committee retains the flexibility to review and decide on a case-by-case basis whether it is appropriate to award increases to allow a newly appointed Executive Director whose base salary has been set below the mid-market level to progress quickly to or around that mid-market level once expertise and performance has been proven. This decision would take into account all relevant factors noted above.

Variable pay (annual bonus and long-term incentive awards)

A newly appointed Executive Director will be offered an annual bonus and long-term incentives in line with the Policy. The maximum level of variable remuneration (annual bonus and 2015 LTIP awards) which may be awarded to new Executive Directors is limited to 500 per cent of base salary excluding any buy out awards, the policy for which is set out below. The Committee retains the flexibility to vary the weighting between annual bonus and 2015 LTIP up to the approved Policy maxima.

Depending on the timing of the appointment, the Committee may set different annual bonus performance criteria for the first year of appointment. Where an appointment is an internal promotion, any variable pay element awarded in respect of the individual's previous role would continue on the original grant terms. In addition, any other ongoing remuneration (including pension) obligations existing prior to the appointment would be able to continue.

Policy on loss of office

All Directors

In the event of termination of a service contract or letter of appointment of a Director, contractual obligations will be honoured in accordance with the service contract and terms of incentive plans or letter of appointment. The Committee will take into consideration the circumstances and reasons for departure, health, length of service, performance and the duty (where applicable) for Directors to mitigate their own loss. Under this Policy the Committee may make any statutory payments it is required to make and/or settle claims brought against the Company in relation to a termination. In addition, the Committee may agree to payment of outplacement counselling costs and disbursements (such as legal costs) if considered to be appropriate and dependent on the circumstances of departure.

It is the Company's policy for the period of notice from the Company to the Executive Directors not to exceed 12 months and for Non Executive Directors to the Company not to exceed six months.

There are no pre-determined contractual provisions for Directors regarding compensation in the event of loss of office except those listed in the table below:

Details of provision	Executive Directors	Chairman and Non Executive Directors
Notice period	• 12 months' notice from the Company. • Six months' notice from the Executive.	Six months' notice by either party.
Termination payment	The Company may terminate an Executive Director's service contract by making a payment in lieu of notice equal to: • 12 months' base salary and benefits; and • 12 months' pension contributions or cash pension supplement.	Fees and expenses accrued up to the termination date only.
	The Company would seek to ensure that any termination payment is mitigated in the event that the Executive Director starts alternative employment within the notice period.	
	In the case of the UK-based Executive Directors, the Company may pay a lump sum in respect of six months and the remaining six months in monthly instalments subject to reductions if the Executive Director commences alternative employment with a base salary/fee of at least £20,000.	
	No payment will be made to Executive Directors in the event of gross misconduct.	
Post-termination covenants	Non-compete and non-solicitation covenants apply for a period of 12 months after the termination date.	Not applicable.

The policy on loss of office and contractual provisions above would be applied to any new Director's service contract or letter of appointment.

Executive Directors

On loss of office, there is no automatic entitlement to a bonus. Executive Directors may receive a bonus in respect of the year of cessation of employment based on, and subject to, performance conditions and pro-rated to reflect the actual period of service in the year of cessation (except pro-ration may not be applied in exceptional circumstances such as death in service or ill-health). The Committee will take into account the reason for the Executive Director's departure and any other relevant factors when considering a bonus payment of a departing Executive Director.

The treatment of leavers under the 2012 LTIP and 2012 ESOP plans as approved under the 2014 Remuneration Policy and the 2015 LTIP (together the "LTI plans"), together with awards under all-employee plans and, if applicable the DBP, would be determined by the relevant leaver provisions in accordance with the plan rules.

Under the LTI plans, any unvested awards will lapse at cessation unless the individual has "good leaver" status (namely for reasons of death, redundancy, injury, disability, ill-health, employing business or company sold out of the Group and any other reason at the discretion of the Committee). The Committee retains the discretion to determine when the awards should vest and performance conditions be tested, for example, at the date of cessation or at the usual vesting date. In the event of a change of control or takeover, all long-term incentive awards will vest subject to performance conditions being met. In relation to the LTI plans, awards would generally be pro-rated to reflect the period of service of the Executive Director; although, if the Committee considers it appropriate, the Committee has the discretion set out in the plan rules not to pro-rate.

Under the all-employee plans, any unvested awards will lapse at cessation unless the individual has a "good leaver" status – for UK Executive Directors this will be specifically as prescribed by HMRC in the SAYE appendix of the relevant plan rules and for Executive Directors in other jurisdictions as set out in the relevant section of the applicable plan rules.

Discretion, flexibility and judgement of the Committee

The Committee operates the annual bonus plan, DBP, LTI plans and all-employee plans, according to their respective rules and in accordance with tax authorities' rules where relevant. To ensure the efficient administration of those plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, changes to accounting rules, rights issues, corporate restructuring events, and special dividends);
- determining "good leaver" status for the purposes of the LTI plans and applying the appropriate treatment; and
- undertaking the annual review of performance measures and weighting between them (within the limits set out in the Policy table), and setting targets for the annual bonus plan and LTI plans from year to year.

If an event occurs which results in the performance conditions and/or targets of the annual bonus plan or LTI plans being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy. The use of the discretions referred to in the Future policy table and above will be explained as appropriate in the Annual report on remuneration and may, as appropriate, be the subject of consultation with major shareholders.

Further information

Detail of Employee Benefit Trusts

The Wolseley plc 2011 Employee Benefit Trust ("Jersey Trust") and Wolseley plc US Trust ("US Trust") (together, "the Trusts") were established in connection with the obligation to satisfy historical and future share awards under the LTI plans and OSP and any other employee incentive schemes ("Share Awards").

The trustees of each of the Trusts have waived their rights to receive dividends on any shares held by them. As at 31 July 2016, the Jersey Trust held 493,746 ordinary shares of $10\frac{53}{66}$ pence and £71,591 in cash; and the US Trust held 1,268,911 ordinary shares of $10\frac{53}{66}$ pence. The number of shares held by the Trusts represented 0.66 per cent of the Company's issued share capital at 31 July 2016.

On 6 November 2015, shares were purchased by both the Jersey Trust and US Trust to ensure that they continue to have sufficient shares to satisfy Share Awards. The Jersey Trust purchased 70,283 ordinary shares of $10\frac{53}{66}$ pence and paid £2.7 million. The US Trust purchased 298,158 ordinary shares of $10\frac{53}{66}$ pence and paid £11.5 million. The Company provided funds to the Trusts to enable them to make the purchases. The number of shares purchased represented 0.14 per cent of the Company's issued share capital at that date.

Detail of all-employee sharesave plans

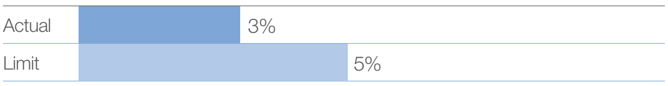
The Company operates two all-employee sharesave plans which Executive Directors can participate in. In the USA and Canada, the Employee Share Purchase Plan ("ESPP") operates as a one-year savings contract plan. In all other business units, employees may participate in the International Sharesave Plan ("ISP") saving for a period of three or five years.

Dilution

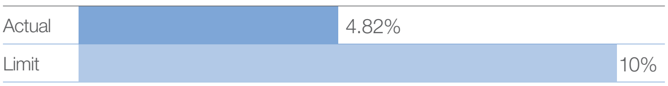
Awards under the LTI plans and all-employee plans may be met by the issue of new shares when options are exercised, by the use of Treasury Shares or by market purchase. Awards under the OSP are met by market purchase of shares or from the Trusts. The Company monitors the number of shares issued under the Plans and any impact on dilution limits.

Compared to the limits set by the Investment Association in respect of new share issues to satisfy options granted for all share plans (10 per cent in any rolling 10-year period) and executive share plans (5 per cent in any rolling 10-year period) as at 31 July 2016 the Company's headroom was 5.18 per cent and 2.00 per cent respectively.

Executive share plans



All share plans



External Directorships

Executive Directors are permitted to take on external Non Executive Directorships. In order to avoid any conflicts of interest, all such appointments are subject to the approval of the Nominations Committee. The Nominations Committee believes that taking up an external non executive appointment helps bring a wider perspective to the Company and also assists in the development of business skills and experience.

During the year, Ian Meakins was a Non Executive Director and Senior Independent Director of Centrica plc and received a fee of £89,375 per annum for his services (2014/15: £85,000). During the year, Mr Meakins was appointed as a Non Executive Director of Rexel SA, taking up this role on 1 July 2016. On appointment the annualised fee for his service was set at €40,000 per annum and the Company allowed Mr Meakins to retain the fees paid to him during the year.

This Report has been approved by the Board and is signed on its behalf by the Chair of the Remuneration Committee.

On behalf of the Board

Jacky Simmonds
Chair of the Remuneration Committee

26 September 2016

This Report, approved by the Board, has been prepared in accordance with the requirements of the Listing Rules of the Financial Conduct Authority and the Remuneration Reporting Regulations. Furthermore, the Board has also applied the principles of good governance relating to Directors' remuneration contained within the UK Corporate Governance Code ("the Code") updated in September 2014. The Remuneration Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.