

Leadership and effectiveness

Nominations Committee

Senior leadership succession, Board composition and diversity continue to be priorities.



Gareth Davis
Nominations Committee
Chairman

Nominations Committee members

Membership	Year of appointment	Meetings attended
Gareth Davis (Chairman)	2011 ¹	4 (4)
Tessa Bamford	2011	4 (4)
Alan Murray	2013	4 (4)
Darren Shapland	2014	4 (4)
Nadia Shouraboura	2017	4 (4)
Jacky Simmonds	2014	4 (4)
Members who left during the year		
John Daly	2014	3 (3)
Pilar López	2013	4 (4)

1. Year of appointment as Chairman.

2018 focus All

- Senior leadership succession
- Board composition
- Diversity
- Review of Committee effectiveness

Dear Shareholder

Board and senior leadership succession planning is of critical importance. It continues to be a priority for the Board and is something the Nominations Committee keeps under continuous review.

How the Committee operates

As at 1 October 2018, the Committee was made up of myself and five Non Executive Directors as set out in the table above. During the year ended 31 July 2018, John Daly and Pilar López also served as members of the Committee until stepping down as Non Executive Directors on 31 May 2018 and 31 July 2018 respectively, each as a result of their respective increasing business commitments. I would like to thank John and Pilar for their considerable contributions to the Board and the Company whilst they were Directors and wish them well for the future.

The Nominations Committee met on four occasions during the financial year. Attendance at those meetings is set out in the table above and an overview of the Committee's area of responsibility is set out on page 54. The Committee's Terms of Reference are available at www.fergusonplc.com.

Succession planning All

Last year I highlighted continued focus on Board and senior leadership succession as a key priority for the Committee. Ensuring that the business has the appropriate mix of skills and experience at Board and senior leadership levels to match the development of the Group and the markets in which it operates is crucial to ensuring the Company's long-term success. From our first meeting in the year, the future composition of the Board was a principal area of focus for the Committee. Over a series of meetings we undertook a detailed review of the skills and experience of the current Directors and potential additional skills that would benefit the Board and the Company in the future. The Committee took into account factors such as the increasing size of the Group's US business and the potential value of having more Board members with extensive business experience with companies having a US or international presence. Skills and experience in areas such as innovation, distribution, data and technology, customer service, e-commerce and disruption were highlighted as areas in which the Company would benefit from having additional Board experience.

Our succession planning for Non Executive Directors was well advanced when we announced that John Daly and Pilar López were standing down from the Board, which has enabled us to commence a well-informed and structured recruitment process. As at the date of this report, the process is ongoing and we will update shareholders once any appointments are made.

The Committee also reviewed succession plans for other non-Board senior leadership roles during the year. Both I and the Committee are pleased to see that the new Executive Committee members appointed during the year are contributing so well to the success of the Company.

Board composition

As at the date of this Report, the Board comprises the Chairman, three Executive Directors and five Non Executive Directors. The biographies of all members of the Board, which outline the skills and experience they bring to their roles, are set out on pages 52 and 53. The Committee believes that the Board and its Committees continue to have a balance of experience and skills which is appropriate for an international specialist distribution company, which will be further enhanced on conclusion of the recruitment process referred to above.

External search advisor

Korn Ferry, an external search advisor, has been engaged to assist the Nominations Committee with the recruitment of new Non Executive Directors. Korn Ferry has no other connections with the Company except in relation to other senior executive search mandates. The Company does not use open advertising to search for suitable candidates for Director positions, as we believe that the optimal way of recruiting for these positions is to use targeted recruitment based on the skills and experience required.

Diversity

Valuing our people remains one of Ferguson’s core values. We believe that well trained, highly engaged associates deliver better customer service. This is one of the Group’s drivers of profitable growth, set out in the Group Chief Executive’s review on page 16, and you will find further information on how we have sustained our commitment to maintaining a well-trained and highly engaged workforce on pages 24 and 25.

Ferguson is committed to developing a diverse workforce and an inclusive working environment in all of the global communities where the Company has a presence, and the Committee will carry on monitoring and reviewing the Company’s progress as it continues to deliver improvements in workforce diversity. We believe that a diverse and inclusive organisation that reflects our communities provides us with different perspectives that give us our competitive advantage. In order to achieve our objectives, people decisions at Ferguson are based on merit, where the best candidate is hired and promoted within the organisation and associates are encouraged to reach their full potential, irrespective of race, colour, religion, gender, age, sexual orientation, marital status, disability or any other characteristic that makes them unique. To ensure success we are committed to creating an environment free from discrimination and harassment, where all associates are treated with dignity and respect. Details of our current gender diversity statistics are set out on page 42 and further information on diversity is detailed on page 25.

The Board takes diversity seriously and has, for the past five years, met the gender diversity recommendations set out in Lord Davies original report, “Women on Boards”, which were re-affirmed by the Hampton-Alexander Review. The Board has also taken note of the additional recommendations of the Hampton-Alexander Review on the gender diversity of senior leadership and the Parker Review’s recommendations on increasing the ethnic diversity of Boards.

We remain supportive of the voluntary approach as an effective way to encourage companies to improve gender diversity in boardrooms and during the year the Board formalised its approach to Board diversity by adopting a Board Diversity Policy. The Board Diversity Policy reflects the Company’s commitment to providing an inclusive work environment and codifies the Board’s belief that diversity in the boardroom makes business sense as it allows the Board to harness the benefit of differences in skills, experience, background, personality, culture and work style.

The Board Diversity Policy establishes the Nominations Committee as the body responsible for monitoring progress against diversity objectives. The Board endorsed the diversity objectives detailed in the table above during the year. Progress against the objectives is also detailed in the table.

Objective	Status	Progress in 2017/18
To achieve a minimum 30 per cent female representation on the Board by 2020.	Achieved for 2017/18	As of the date of this report 33 per cent of the Board is female (36 per cent in 2016/17).
To achieve a minimum 30 per cent female representation amongst the Executive Committee and their direct reports by 2020.	Ongoing	As at the date of this report 22.2 per cent of the Executive Committee and their direct reports are female (19.7 per cent in 2016/17). During the year, the Group Chief Executive, supported by the Board, joined the 30% Club (for further information see page 51).
To only engage executive search firms that have signed up to the standard voluntary code of conduct for executive search firms (or US equivalent).	Achieved for 2017/18	Korn Ferry has been engaged to conduct a search for new Non Executive Directors. Korn Ferry are signatories to the Voluntary Code of Conduct. No other executive search firms were engaged by the Nominations Committee during the year.

Nominations Committee effectiveness review

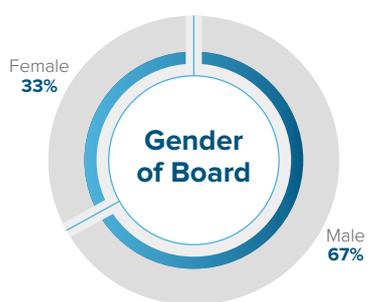
This year, the review of the effectiveness of the Committee was conducted by Lintstock within the framework of the externally-facilitated Board and Committee effectiveness review detailed on page 58. The performance of the Committee was highly rated overall. Committee members were satisfied with the succession planning for Executive and Non Executive Directors. The review also prioritised greater engagement with the succession plans for senior management positions. Monitoring and enhancing processes to improve diversity at all levels continued to be an area of important focus. This is reflected in the Board Diversity Policy and related objectives summarised above.

Nominations Committee priorities for 2018/19 All

- A continuing focus on Board composition and succession, and enhanced engagement on succession plans for senior managers.
- Continuing to monitor diversity and inclusion.

Gareth Davis
on behalf of the Nominations Committee

Gender diversity



Board tenure

