

UK MODERN SLAVERY ACT Statement for the financial year ending July 31, 2022

This statement is made pursuant to the UK Modern Slavery Act 2015, Section 54 (“MSA”), and describes the steps that Ferguson plc and its subsidiaries (collectively, “Ferguson”) have taken during the fiscal year ending July 31, 2022 to prevent slavery and human trafficking in our global supply chain.

Overview

Ferguson plc (NYSE: FERG; LSE: FERG) is a leading value-added distributor in North America providing expertise, solutions and products from infrastructure, plumbing and appliances to HVAC, fire, fabrication and more. We exist to make our customers’ complex projects simple, successful and sustainable. Ferguson is headquartered in the U.K., with its operations and associates solely focused on North America and managed from Newport News, Virginia.

Ferguson principally operates in North America through over 1,600 branches spread across the United States and Canada. We employ approximately 36,000 associates, of which approximately 91% are US-based, and supply over one million customers, primarily local tradespeople who operate locally, near our branch locations.

Ferguson buys products from approximately 37,000 suppliers. Over 95% of the products sold in the United States are sourced from US-based suppliers. Over 92% of the products sold in Canada are sourced from Canada-based suppliers. Other countries where we principally source from include China, India, Taiwan, Thailand, Vietnam, Italy, Turkey, and South Korea. No supplier is larger than 5% of our total cost of sales.

Key areas of focus in FY’22 included (a) adopting a Human Rights Policy evidencing our commitment to compliance with applicable U.K. and U.S. legal requirements that prohibit forced labor, child labor, or human trafficking related activities; and (b) continuing to enhance our supplier audit capabilities which includes ethical business conduct and anti-slavery components.

Ferguson’s Policies to Combat Modern Slavery

A. Our Workforce

Ferguson holds itself to high standards of business integrity and ethical conduct. Committed to extending the principles of the UN Global Compact and Universal Declaration of Human Rights to our workforce, we have adopted policies to seek to foster a respectful environment where associates have a right to freedom of association and are treated humanely and free from harassment or discrimination in safe and secure workplaces.

These principles are embedded in our [Code of Business Conduct and Ethics](#), which was updated in January 2021, includes Ferguson’s commitment to protecting human rights and ensuring our suppliers adopt fair labor practices. Our associates, including those employed by our Asia-based sourcing subsidiaries, are trained on the Code of Conduct and are encouraged to “speak up” about any situation or condition believed to violate our fundamental employee welfare standards. Moreover, our Internal Reporting and Anti-Retaliation Policy and Ethics Helpline offer a confidential mechanism for associates (as well as other stakeholders in our supply chain) to report (anonymously, if requested) any incidents of unfair treatment – protected from retaliation by management. During this past fiscal year, no reports were received by Ferguson that involved a potential modern slavery or human trafficking incident at any Ferguson location.

Compliance to our policies is monitored via financial controls, internal audit, management oversight, security procedures and via the Ethics Helpline reporting. Corrective action for non-compliance with Ferguson policies depends on the severity of the situation and can range from counseling and training to termination of an associate’s employment.

B. Our Supply Chain

Ferguson also holds our suppliers to high standards of ethical conduct and treatment of workers. Our [Supplier Code of Conduct](#) codifies our commitment to source from ethical suppliers to ensure the products we supply are safe, reliable, and manufactured by companies that share Ferguson’s values of integrity and respect for the human dignity of workers. Our Supplier Code of Conduct specifically requires that any human rights violations or human trafficking is reported to Ferguson, and that suppliers provide fair working conditions, hours and compensation, and prohibit child, forced or prison labor in their operations or supply chains. In July 2022, our Supplier Code of Conduct was updated to direct suppliers to report any suspected violation to the [Ferguson Ethics Helpline](#). Should there be a violation of our Supplier Code of Conduct, the relationship with the supplier may be terminated.

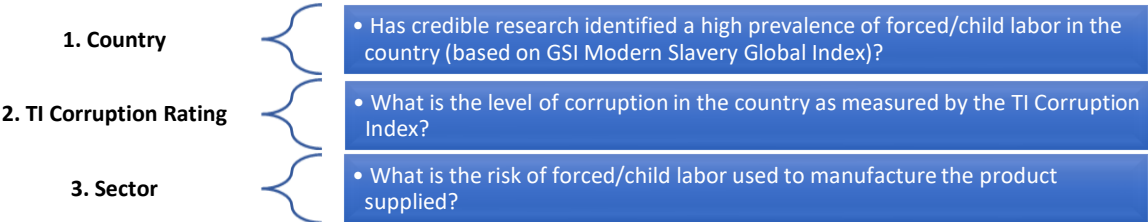
As a matter of general practice, higher risk suppliers (as determined by our Third-Party Risk Matrix described below) (“Higher Risk Suppliers”) are asked to sign our Supplier Code of Conduct or we seek to incorporate the Supplier Code of Conduct clauses into supply contracts with them. By doing this, Ferguson seeks to ensure that our Higher Risk Suppliers are contractually obligated to provide fair working conditions, hours and compensation, and to prohibit child, forced or prison labor in their operations or supply chains. Among other terms, the Supplier Code of Conduct sets forth minimum standards of human rights and working conditions that are subject to on-site inspections and audits. Ferguson carries out periodic audits of Higher Risk Suppliers for compliance to Ferguson’s standards of product quality, safety, labor practices (including human rights: modern slavery / trafficking / forced labor) and security.

Ferguson has achieved notable success during FY’22 to bring Higher Risk Suppliers of its regional operations under contractual human rights commitments. Over 1,500 suppliers have contractually pledged to abstain from use of child, forced, or involuntary labor in their operations (38% increase over FY’21). Approximately nineteen percent (19%) of these suppliers are in countries with a prevalence of modern slavery according to The Global Slavery Index¹.

Managing the Risks of Modern Slavery in Ferguson’s Global Supply Chain

Ferguson primarily sources manufactured goods from suppliers based in North America, where the risk of forced, involuntary, or child labor in manufacturing activities is relatively small. While we have included our North American suppliers in our modern slavery risk analysis, effective risk management calls for focused attention on our international suppliers. This year, we continued to deploy our risk assessment tool to prioritize our MSA compliance activities.

Using extensive research published by human rights NGOs and the U.S. Department of Labor², the tool employs three criteria:



¹ This statement is exclusive of Wolsley UK, which was sold in January 2021.
² Sources relied upon in Ferguson’s assessment include Country Profiles in The Global Slavery Index; U.S. Department of Labor “List of Goods Produced by Child Labor or Forced Labor”; and Transparency International’s Corruption Perceptions Index.

Suppliers are rated using these criteria, with the level of engagement correlated to the supplier's rating. For example, elements 1 and 2 above rate *countries* based on their risk for modern slavery or corruption and element 3 rates the *product* for risk of forced / child labor. Ferguson does not source any products that are linked to a higher risk for slavery, as determined by the U.S. Department of Labor. Therefore, application of this tool directs engagement to Higher Risk Suppliers located in countries known to be a higher risk for corruption or slavery, such as China or India. High priority engagement generally entails a review of the supplier's employment practices, increased frequency of on-site monitoring and audits, the development of corrective action work plans (if/when needed), and capacity building activities to support the supplier's adoption of specific anti-slavery controls. Prioritization of engagement with Higher Risk Suppliers helps to ensure the effective deployment of resources in our MSA compliance program.

Ongoing Due Diligence and Monitoring of Suppliers

Ferguson's supplier due diligence program consists of three elements. First, corruption and adverse media screening is carried out, which includes checking for any adverse media that might link a Higher Risk Supplier to allegations of modern slavery. Second, site audits of production facilities are performed on all global suppliers and include a review of product quality, safety, ethical labor practices (including human rights: modern slavery / trafficking / forced labor) and security. And third, as set out above, we seek a contractual commitment to our ethical standards from our Higher Risk Suppliers. If a modern slavery incident were to be identified, Ferguson would complete additional due diligence requiring the supplier in question to complete a detailed questionnaire, provide evidence of their anti-slavery program or practices, and develop a corrective action plan to be tracked for completion and impact.

Ferguson screens new and existing Higher Risk Suppliers on an on-going monthly basis using a third-party software program for reports of modern slavery incidents (based on the level of risk, as described above). The monthly screens help to ensure that we capture any new information that might come to light. During FY'22, approximately 2,500 suppliers were screened.

Ferguson also has incorporated ethics and anti-slavery elements in our supplier audit methodologies. Our Ferguson Global quality associates (based in Asia) receive on-going audit training that includes modern slavery issues. In FY'22 we continued to develop the centralized auditing team's capabilities through training and practical experience, which has further illuminated our understanding of our Asia-based suppliers' operations beyond quality considerations. In addition, we are gradually expanding our audit team which includes four third-party firms on our list of our approved international compliance auditors.

Beyond on-site audits of potential new Higher Risk Suppliers, we also visit and re-audit our suppliers periodically based on risks associated with product assurance and our risk assessment tool described above. These additional touchpoints allow us to monitor our suppliers' continued commitment to our Supplier Code of Conduct.

We have a standard operating procedure for our supplier risk assessment processes and provided process communications to all sourcing associates. In addition, the MSA-related elements contained in our supplier audit protocols broadly cover working conditions, presence of child labor, working hours and wages, freedom of association, freedom to leave the worksite, worker retention of personal documents, and the ability of workers to evacuate the building under emergency situations.

In FY'22, this ongoing screening process identified no red flags of modern slavery incidents involving any of the screened suppliers, and none of the FY'22 supplier audits identified any modern slavery or human trafficking risks or incidents.

Effectiveness of Ferguson's Anti-Slavery Measures and Corrective Action Approach

Our risk-based supplier due diligence and engagement is designed to ensure on-going interaction with Higher Risk Suppliers, which should assist us in monitoring their adoption of anti-slavery controls. To date, our due diligence program assessments have not identified any modern slavery or human trafficking risks or incidents. We assess our progress based on increases in audit capacity and results and with the increased adoption of our Supplier Code of Conduct by our Higher Risk Suppliers.

We also continue to monitor best practices as they develop in sectors relevant to our business, consulting with external stakeholders as appropriate to help strengthen our efforts. We are members of ESG & CSR Board and Chief Executives for Corporate Purpose. These groups provide a forum for collaboration on best practices and resources.

If confirmed cases of modern slavery or human trafficking were found within any of our contracted suppliers, we would take immediate action to notify appropriate authorities and work with the supplier to understand the situation. We would work with the supplier to ensure that corrective actions were implemented to help any affected employees and to seek to and prevent further harm. Unwillingness of the supplier to cooperate and implement improvements could result in termination of their contract and selection of an alternate source.

Building Upon Our Progress

Ferguson remains steadfast in our commitment to help combat modern slavery. We will continue to monitor compliance with our internal policies to help us identify and address modern slavery risks in our own business and to engage with our suppliers in an effort to identify and mitigate modern slavery risks in our supply chains. In the coming year, we will continue to require Higher Risk Suppliers to sign our Supplier Code of Conduct or seek to incorporate our Supplier Code of Conduct clauses into their contracts and will provide further modern slavery-related training to our audit teams to help ensure that modern slavery risks in our supply chain can be identified and mitigated effectively.

By working with our suppliers to identify and address any modern slavery risks, they will know that the humane treatment of their workers is just as important as the quality of goods supplied to Ferguson.

This statement is made on behalf of all subsidiaries of Ferguson plc pursuant to section 54(1) of the Modern Slavery Act. It has been approved by the Ferguson plc Board of Directors and signed on its behalf by:


Kevin Murphy
Chief Executive Officer