

# Nominations Committee



**Geoff Drabble**  
Nominations Committee Chairman

## Nominations Committee members

Membership	Meetings attended (eligibility)
Geoff Drabble (Chairman)	6 (6)
Tessa Bamford	6 (6)
Cathy Halligan	6 (6)
Alan Murray	6 (6)
Tom Schmitt	6 (6)
Nadia Shouraboura	6 (6)
Jacky Simmonds	6 (6)

### Members who left during the year

Gareth Davis	3 (3)
Darren Shapland	3 (3)

## Nominations Committee overview

- Geoff Drabble succeeded Gareth Davis as Chairman of the Committee on November 21, 2019.
- As at the date of this report, the Committee is made up of six independent Non Executive Directors and the Chairman. Details of membership and attendance are set out in the table above.
- The Committee met six times during the year.
- The Group Chief Executive, Group General Counsel and Group Chief Human Resources Officer and representatives of external search consultants (as required) attended Committee meetings.

An overview of the Committee's areas of responsibility is set out on page 67 and the Committee's Terms of Reference are available at [www.fergusonplc.com](http://www.fergusonplc.com).

## Dear Shareholder

I am pleased to present the report of the Nominations Committee for 2019/20.

### Board changes and succession planning

During the year the Committee remained focused on Board and senior executive succession plans to ensure that we continue to have the right people, with the right balance of skills, to drive Ferguson forward.

It was a busy year with Kevin Murphy moving to his new role of Group Chief Executive (November 2019), Alan Murray taking over the role of Audit Committee Chairman (November 2019) and my transition to the role of Chairman (November 2019), all of which we reported on in our 2019 Annual Report and Accounts. I have talked about Board changes in greater detail on page 6. These appointments followed formal, rigorous and transparent recruitment processes. Further information on our approach to Board composition and succession planning is set out on page 72.

We commenced a selection process for a new Group Chief Financial Officer ("Group CFO") following the announcement in May 2020 that Mike Powell would be stepping down from this role and I am pleased to report the appointment of Bill Brundage as our new Group Chief Financial Officer, effective November 1, 2020. Further information on the Group CFO succession process is included on page 72. I would like to express the Board's thanks to Mike for his significant contribution to the Group, and we wish him well in his future role.

### Committee effectiveness

During the year, we also reviewed the effectiveness of the Committee. The 2020 Board and Committee effectiveness reviews were internally facilitated using an online survey, the results of which were presented and discussed at the July meetings. Overall, the review found that the Committee continues to operate effectively and also identified priority areas of focus for the coming year as we work to enhance our performance. The Committee's priorities for 2020/21 are:

- to conduct an effective succession process leading to the appointment of a new Group CFO;
- to enhance the succession plans for Executive and Non Executive Directors; and
- to monitor and keep under review the composition of Board Committees to ensure that they retain the appropriate balance of skills while also making most effective use of Board members and their experience. Please see page 70 for details of changes made to Board Committees as a result of the 2020 Board and Committee effectiveness reviews.

I hope you find the information on the following pages about the work of the Committee helpful and informative.

**Geoff Drabble**

Nominations Committee Chairman

## Board composition and succession planning

The Committee is delighted that Kevin Murphy has settled into his role as our Group Chief Executive. Kevin was appointed in succession to John Martin as part of Group Chief Executive succession planning that had evolved, taking into account the needs of the business.

The Nominations Committee recognizes the benefits of regularly refreshing the Board more generally and over the last two years the Board has been fortunate to welcome Cathy Halligan and Tom Schmitt as new Non Executive Directors, and Geoff Drabble as our new Chairman. The Board has benefited from Cathy's retail and digital e-commerce experience, Tom's international logistics and supply chain experience and Geoff's extensive experience leading a major UK public company with US operations. The Committee also recognizes that there has been a great deal of recent change on the Board with the Chairman, Group Chief Executive and Audit Committee Chairman all being appointed to those roles during the year, and with the announcement that Mike Powell is leaving us for a new role. It is important to balance refreshing the Board while also maintaining continuity as the Board navigates through those changes and other changes that the Company is and will be going through, such as the proposed additional USA listing and steering the business through the effects of the COVID-19 pandemic. In that context, the extension of the tenures of Tessa Bamford, Nadia Shouraboura and Jacky Simmonds was also an important part of the business of the Committee this year. More details can be found on page 69.

The process to choose a new Group CFO and a smooth induction following appointment are key priorities for the Committee. Korn Ferry was appointed to lead the search. The Committee has reviewed the expertise and experience requirements for the role so that candidates put forward meet the expectations of the Committee and the demands of the role. Key elements of the appointment process include the appointment of qualified recruitment consultants, developing a specification for candidates, selecting a longlist of candidates, selecting a shortlist of candidates and holding interviews and finally recommending preferred candidates to the Board. As the Group CFO appointment process concluded following the year-end, further information will be provided in our annual report next year.

Korn Ferry does not have any other connections with the Company or individual Directors, 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 it remains of the belief that the optimal way of recruiting for these positions is to use targeted recruitment based on the skills and experience required.

### Succession planning and development of a diverse pipeline

In addition to its work on Board composition and succession planning the Committee also considers the composition, skills and experience of, and the succession plans for, the Group's senior executives and the pipeline of talent coming up through the business. The Committee and the Board take great interest in the development of the Group's senior leaders and talent pipeline. Senior leaders regularly attend Board meetings, where they report on their respective areas of responsibility. Other leaders from the business also frequently present or report to the Board and its Committees on specific areas of expertise or major projects. This direct engagement and exposure is extremely valuable to the Committee in identifying and developing the talent pipeline for senior leadership positions.

The Committee is also committed to supporting the Group's growth as a diverse and inclusive organization. The Committee is proud that we continue to meet our stated objectives in terms of Board gender diversity and only engaging executive search firms committed to presenting diverse slates of candidates for consideration. We also recognize that, although we are making progress in terms of diversity in senior leadership positions and in the talent pipeline, we have more work to do in these areas. Further information on our approach to diversity is set out on page 21 and our progress against the objectives set in our Board Diversity Policy is detailed on page 73.

## Inclusion and diversity policy

Good business is about great people and our associates are the driving force behind our Group. They are consistently focused on providing best-in-class customer service and developing our business by making sure that our customers' projects are better because they choose to work with Ferguson. This is the essence of what makes Ferguson a great Group and runs right to the heart of our strategy and it is why recruiting passionate people and providing excellent development opportunities is one of our core values.

We are committed to developing a diverse workforce and an inclusive working environment in all the communities where the Group has a presence. We believe this will support the delivery of our strategic objectives by ensuring that we are able to attract the very best talent in our industry. In addition, we believe that the range of perspectives provided by a diverse and inclusive organization that reflects our communities gives us a competitive advantage. People decisions at Ferguson are based on merit, where the best candidate is hired and promoted within the organization and associates are encouraged to reach their full potential, irrespective of race, color, 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.

During the year, the Committee continued to monitor and review the progress of the Group's inclusion and diversity program. Further information on the Group's approach to diversity and details of our current gender diversity statistics are set out on page 21. Although we still have work to do in improving our pipeline for female talent to senior executive positions, we are pleased to report that at Board-level we continue to satisfy the gender diversity recommendations set out in the Hampton-Alexander Review.

The Committee is also cognizant of the benefit of promoting diversity in its widest sense when undertaking its work. We maintain a formal Board Diversity Policy that reflects 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. Progress against the measurable objectives set by the Board in support of the Board Diversity Policy is described in the table opposite.

We know that diversity is more than gender. Therefore, the Committee and the Board also take into account wider diversity including race, color, religion, age, sexual orientation, marital status and we are committed to making progress in all forms of diversity. During the year the Executive Committee participated in a number of highly interactive inclusion and diversity experiences. Unconscious bias training was conducted with leaders and people managers in the USA, UK and Canada. Additionally, in the USA we established an African American and a Women's Business Resource Group (BRG) to provide support, connection and affiliation across these groups. Our US LGBTQ BRG will be launched in December. Further information on the actions we have taken during the year in relation to inclusion and diversity can be found on page 21.

The Board and the Committee will monitor the Group's progress as it continues to deliver improvements in workforce diversity in the coming year.

Objective <sup>1</sup>	Status	Progress in 2019/20
To achieve a minimum 30 per cent female representation on the Board by 2020.	Achieved since 2017/18	44 per cent of the Board is female.
To achieve a minimum 30 per cent female representation among senior management. <sup>2</sup>	Ongoing	20 per cent of senior management are female (2018/19: 24 per cent). <sup>3</sup> Our recruitment practices factor in under-represented groups and we insist on diverse candidate slates when using executive search firms, where permissible to do so. In addition, we have established Inclusion and Diversity Councils in the USA and UK and BRGs in the USA to promote inclusion and drive our initiatives.
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 since 2018/19	Korn Ferry was engaged during the year to assist the Committee in the search for a new Group Chief Financial Officer. Korn Ferry is a signatory to the Voluntary Code of Conduct. No other executive search firms were used by the Nominations Committee during the year.

- All targets detailed in these objectives are aspirational in nature. Recruitment decisions are based on merit with the best candidate hired or promoted irrespective of race, color, religion, gender, age, sexual orientation, marital status, disability or any other characteristic that makes them unique.
- Defined as the Executive Committee, their direct reports and other senior management included in the Company's report to the annual Hampton-Alexander Review.
- While the percentage of senior management that are female has reduced in 2019/20, the number of female managers has not reduced during the year. The change in percentage is due to a change in the structure of the Executive Committee which meant that additional US leaders joined the Executive Committee during the year.



**Geoff Drabble**

on behalf of the Nominations Committee