2°C Scenario

Risks		Impact quantification	Timeline	Potential result
Transition	**Policy and Legal**	>25% Increased investment in sustainability initiatives	10-15 years	Policy changes mandating corporate emissions reductions are likely in this scenario. While the our industry is not a major contributors to global emissions, we still may be subject to absolute carbon reduction targets due to the large scale of our company. Absolute targets may pose greater immediate threats to our acquisition strategy than our current intensity based targets. While decoupling carbon emissions with growth is realistic, large investments in benchmarking and improving fleet efficiency and energy efficiency would be a necessary precursor.
	Technology	Timeline on anticipated spend on low-carbon technologies may be accelerated	3-7 years	Advances in technology which result in wider access to low carbon technologies would lower the capital expenditure barriers to incorporating renewables and fleet efficiency projects in our business. We invest in sustainable technologies when they are market ready, so rapid advances in research and technology may accelerate our expenditure timeline.
	Market	<5% impact on business	1-10 years	Policies which mandate emissions reductions may increase consumer awareness of climate issues. As a result, consumers may preferentially select products with life cycle analyses and environmental product declarations. We have yet to robustly incorporate this information across our own product catalog, so are vulnerable to rapid shifts in demand.
	Reputation	No discernable impact	5-10 years	Much of our reputation is linked to the product brands that we offer rather than our overall company brand. Our vendors are responsible for producing more sustainable products, and we will continue to offer products that reflect customer demand.
Physical	**Acute**	5% increase in capital investment at facilities in vulnerable regions	3-5 years	Even at current frequency and intensity, extreme weather events are impacting local operations. The Camp Fire and Hurricane Michael resulted in extended branch closures in California and Southern Carolina. Increased capital expenditure on resiliency may be necessary to promote business continuity.
	Chronic	<1% impact on business	3-5 years	In an active mitigation scenario, the magnitude of expected sea level rise and temperature increase should not significantly affect our business. We are not water dependent nor centered in climate-stressed regions. However, we may see decreased productivity of outdoor labor at pipeyards.

Opportunities		Impact quantification	Timeline	Potential result
Markets	**Access to New Investment Markets**	5% increased access to capital	1-5 years	In the past few years, we have seen an increase in investor strategies linked to ESG performance including screening, best-in-class evaluation, and sustainable themed investing. An active mitigation scenario would include increased investment based on ESG criteria and Ferguson's history of being listed on the FTSE4Good and accounting for Greenhouse Gas emissions gives us a competitive advantage in this sector which could lead to increased access to capital.
Products and Services	**Increased Revenue Opportunities**	3% impact on business	1-4 years	In an active mitigation scenario, new regulations or policies may incentivize consumers to choose sustainable products such as high-efficiency lighting, low-flow plumbing products, and smart thermostats. Ferguson Facilities Supply may see an increased demand for more sustainable products like compostable tableware and can liners.

4°C Scenario

Risks		Impact quantification	Timeline	Potential result
Transition	**Policy and Legal**	<1% on business	1-5 years	We are already monitoring and preparing for regulations on greenhouse gas emissions for freight vehicles, restrictions on sulfur concentration in ocean carrier fuel, and energy efficiency ordinances for large commercial buildings. In this business as usual scenario, other policy initiatives that attempt to constrain actions that contribute to the adverse effects of climate change are unlikely and thus we do not anticipate material impacts to our business.
	Technology	No discerable impact on operational spend since renewables make up <1% of our current electricity expenditure.	5-10 years	Slow rate of improvement in low-carbon technologies will make it more expensive for us to incorporate renewable energy sources in to our portfolio. We will continue pursuing energy efficiency opportunities where available. However, unfavorable market conditions will slow our adoption of climate favorable technologies.
	Market	<5% impact on business	5-10 years	Market risks in this limited mitigation scenario would take longer to materialize than in the active mitigation scenario. Rather than being driven by policy changes, increasing water stress across the world may decrease demand for products not third-party certified as energy efficient (Energy Star) or water efficient (WaterSense).
	Reputation	No discernable impact	10+ years	As water stress increases and begins to impact more communities, more consumers may incorporate corporate responsibility initiatives in their purchasing decisions. As a large wholesale plumbing distributor, we will be judged on our promotion of responsible water usage. Companies without a robust history of promoting sustainability may suffer reputational damages.
Physical	**Acute**	5% increase in capital investment at key facilities	3-5 years	Extreme weather events occur more frequently and at a more damaging scale in this scenario. Businesses may experience losses in productivity or working days due to severe weather events. While our contingency plans protect against a loss in revenue due to such events, we may need to increase spending on resiliency beyond what is needed in the active mitigation scenario.
	Chronic	3%-5% impact on business	11-20 years	Increase global average surface temperatures will lower overall productivity. Our operations rely on labor at distribution centers which are susceptible to extreme temperatures. Sea level rise can disrupt our complex, global supply chain by altering shipping routes or threatening ports we rely on.

Opportunities		Impact quantification	Timeline	Potential result
Markets	**Access to New Markets**	6% increase in revenue	1-20 years	In a limited mitigation scenario, climate change would place severe stress on aging US water infrastructure. This severe stress would accelerate the timescale on when infrastructure needs to be replaced, and as a large Waterworks company, Ferguson Waterworks is in a position to anticipate this growth in demand for infrastructure designed for future climate conditions and lead in this developing market. Ferguson Waterworks operates across the water, sanitary sewer, and stormwater management industries and has experience working with public and private water sewer authorities, utility contractors, public works/line contractors, and heavy highway contractors.
Products and Services	**Increased Revenue Opportunities**	4% impact on business	6-10 years	In a limited mitigation scenario, faced with greater heat stress, consumers may look to more efficient HVAC solutions, and other technologies that would help them live more comfortably in a changing climate. Therefore, we would expect increased revenue opportunities in our plumbing, lighting and HVAC categories.