

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Ferguson plc is a leading value added distributor of plumbing and heating products to professional contractors operating in North America. The Group primarily purchases pre-assembled products such as industrial pipes, valves and fittings, plumbing supplies, heating ventilation equipment, and building materials. The products are then delivered to branches or regional distribution centers for onward sale to customers either against order or over the counter, and they may be collected by the customer or delivered to a site. The Group typically contracts with local, as well as international, suppliers for products. Contracts with customers range from individual purchases to supply arrangement for entire plumbing and heating systems. The Group distributes and supplies products to residential and nonresidential markets including , commercial, civil/infrastructure and industrial end markets.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	August 1 2019	July 31 2020	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

- Canada
- United Kingdom of Great Britain and Northern Ireland
- United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

USD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Financial control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	Our Group CEO is the signatory of the Ferguson Sustainability Policy, and ultimately holds responsibility in respect to performance on climate-related issues. An excerpt from the policy states "We commit to the following: • Setting targets, monitoring and reporting performance for carbon emissions and initiating improvement projects for our largest opportunities. • Partnering with our suppliers to prioritize sustainability in their operations and products. • Monitoring market opportunities for environmentally-beneficial products and educating our customers on products that offer sustainability benefits. • Serving as an active corporate citizen and investing in the communities that we serve globally, prioritizing social investment that aligns with our products and services. Transparent and clear reporting on our sustainability goals is important to our customers, associates, shareholders, suppliers and communities. Therefore, we include sustainability data in our Annual Report of Accounts each year and integrate sustainability considerations into the investments we make. Consistent with the recommendations from the Task Force for Climate-Related Financial Disclosures (TCFD), we will also disclose our risks and opportunities related to climate change. We will use technologies and operational practices that improve efficiency and reduce environmental impacts and emissions. We will conserve resources and seek to minimize waste before reusing and recycling materials. Additionally, we will consider the environment when making capital investments and integrate sustainability features whenever possible. " An example of an action that our CEO took to advance Ferguson's commitment to climate-related issues was to publicly support the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).
Chief Financial Officer (CFO)	In FY21, responsibility for sustainability and climate-related issues moved under the Chief Financial Officer. He serves as an Executive Director on our Board, and is a member of the Executive Committee (https://www.fergusonplc.com/en/who-we-are/corporate-governance.html) and Sustainability Leadership Council, a cross functional executive steering committee. For FY20, the Chief Marketing Officer was the corporate officer with the responsibility for sustainability and climate-related issues. He was a member of the Executive Leadership Committee and served on the Sustainability Leadership Council, a cross-functional executive steering committee which oversees organizational performance on sustainability goals and objectives. This group reviews metrics including carbon performance, waste performance, customer inquiries, shareholder inquiries, and receives project updates. Critically, the members of this committee also participate on the Risk Committee and the Financial Review Committee, which approve all capital expenditures. Sustainability risks are evaluated with other corporate risks and incorporated onto the company's Risk Register as appropriate.
Board-level committee	The Board has set targets for Ferguson plc's carbon and waste performance, and receives updates at least twice a year regarding Group performance. These updates include reviewing project implementation and performance, and opportunities to integrate sustainability measures into capital expenditures. An example of an action that the Board took to advance Ferguson's commitment to climate-related issues was to vote in support of the CEO publicly supporting the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	<ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues Other, please specify (Business marketing plans, where relevant) 	<Not Applicable>	<p>The Board has set targets for Ferguson plc's carbon and waste performance, and receives updates at least twice a year regarding Group performance. These updates include reviewing project implementation and performance, and opportunities to integrate sustainability measures into capital expenditures. The Group CEO, Chief Financial Officer and Director of Sustainability have the ability to add additional agenda items for Board consideration as needed. The Board also receives updates on developments in climate-related reporting through the Group Legal and Company Secretary Board Report.</p>

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Sustainability committee	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Other, please specify (Environment/Sustainability Director)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Half-yearly
Other C-Suite Officer, please specify (Chief Financial Officer)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	As important matters arise
Chief Executive Officer (CEO)	<Not Applicable>	Assessing climate-related risks and opportunities	<Not Applicable>	As important matters arise
Risk committee	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Half-yearly
Please select	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

As reported in C1.1a, in FY21, the Sustainability department joined the Finance organization, and the Chief Financial Officer now oversees these efforts. Because Investor Relations and Corporate Communications is also overseen by the Chief Financial Officer, this gives Sustainability an unparalleled reach to our stakeholders. In FY20, sustainability reported into the Chief Marketing Officer (CMO), who is a member of the Executive Committee, which is the highest level non-Board committee. The CMO reports to the CEO, who holds responsibility in respect to performance on climate-related issues. I

Similar to the Board, the Executive Committee receives updates from the Director of Sustainability regarding strategy, performance against targets, risks and opportunities at least twice each fiscal year. For example, in FY20, the Executive Committee reviewed and approved the Director of Sustainability's recommendation that Ferguson publicly support the recommendations of the Task Force on Climate-Related Financial Disclosures. The Executive Committee also reviewed performance versus the sustainability strategic plan. This plan includes strategies for associate engagement, improvement initiatives to reduce waste and carbon emissions (including renewable energy projects and fleet upgrades), and product development strategies. This strategy was intentionally designed to integrate with the corporate Strategic Framework, which guides the business development plan for the organization.

In addition to this leadership, a cross-functional executive steering committee (the Sustainability Leadership Council) has been established, which oversees organizational performance on sustainability goals and objectives. The committee, which meets quarterly, includes the CEO, CFO, COO, CHRO, CLO, CMO, SVP of Blended Branches, SVP of Strategic Development, SVP of Supply Chain, and VP of Communications and Public Relations. This group reviews metrics including carbon performance, waste performance, customer inquiries, shareholder inquiries, and receives project updates. Critically, the members of this committee also participate on the Risk Committee, which reports directly to the Board Audit Committee and the Finance Committee, which approve all capital expenditures. Sustainability risks are evaluated with other corporate risks and incorporated onto the company's Risk Register according to ranking. We report publicly on our Risk Management in both our Annual Report of Accounts and website. Our principal risks include sustainability issues such as Health & Safety and talent management and retention: <http://www.fergusonplc.com/en/investors-and-media/risk-management.html>. In addition to these internal controls, the Sustainability Leadership Council is responsible for reviewing sustainability performance including MSCI, CDP, DJSI, and ISS scoring.

Each primary geographic area of the business has also formed Sustainability Action Teams, which not only provide data for reporting, but also propose projects to improve sustainability performance. Members of the Sustainability Action Teams include the Hazardous Waste Manager for each region, Procurement Managers responsible for energy and waste procurement, Fleet Manager, Outsourced Transportation Manager, Travel Manager, Logistics Manager, Real Estate and Facilities Manager, the Philanthropy Manager and the Diversity and Inclusion Manager. These groups implement projects to meet our business objectives and improve data collection and accuracy. They work closely with our third-party environmental auditors, which conduct our annual data verification and review Ferguson's operations and reporting. Each member has well-defined processes and procedures for data collection, and all findings and corrective actions regarding the sustainability data audit are reviewed in detail by the Sustainability Leadership Council.

Sub-Committees are formed as necessary to pull in the appropriate subject matter experts for their input on climate-related reporting. For example, stakeholders essential to the Task Force for Climate-Related Disclosures are interviewed in both group and individual settings by the Director of Sustainability to ensure that the risks and opportunities specific to Ferguson are captured. Climate-related issues are also monitored by the Director of Security, who leads efforts for disaster response throughout the company, and works directly with the CLO and Director of Sustainability to ensure that business continuity and resiliency strategies are in place.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	No, and we do not plan to introduce them in the next two years	We intend to integrate this performance into standard operations procedures throughout the business.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	3	Each area of the business has a Strategic Plan, and also has Business Risks evaluated with a 3 year time horizon.
Medium-term	3	5	Medium-term is described at 3-5 years at Ferguson plc.
Long-term	5	20	Ferguson's TCFD response has considered risks and opportunities relevant to the business within the next 20 years.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

As outlined on page 158 of our 2020 Annual Report, materiality for Group financial statements is \$55 million which is approximately 5% of profit before tax . Materiality was originally determined on the basis to be 5% of forecast profit before tax, which represents a reduction from the prior year. Our materiality also reflects the uncertainty over the Group's actual profit outturn prior to year-end, given wider macroeconomic factors due to COVID-19. As a result, it equates to 4.4% of the final profit before tax. \$28 million for Company financial statements was determined on the basis of the Company's net assets. This was then capped at the lowest component materiality.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

A specific climate-related risk management process

Frequency of assessment

Annually

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

Situation: Interest in understanding transition opportunity of consumer product preference shifting over the next 10 years towards lower emission residential appliances such as heat pump space heaters, heat pump water heaters, and induction cooktops/ranges, which are all products that Ferguson sells. Also interested in understanding the corresponding transition risk of a shift away from higher emission alternatives which we also sell. Target: Estimate net financial impacts of a transition to these climate-friendly residential products. Action: Partner with product specialists from our Category Management team to understand how material these product lines are to our current business and learn more about internal product sub-categories that are tracked. Work with experts from our Financial Planning and Analysis team to forecast net impact over 10 year transition window. Result: We arrived at a quantified financial impact of transition opportunity from customers upgrading to climate-friendly products that we can share with stakeholders such as marketing and sourcing involved with realizing this opportunity. Climate-related Risks and Opportunities are identified in alignment with the TCFD Recommendations. We consider the transition and physical risks associated with both a 'current policies' scenario and a 2 degree C scenario. Our analysis approach included tools from multiple scenarios including DDPP, RCP 2.6, RCP 8.5, and the NGFS scenarios. Key impact categories are identified by the Sustainability Department and then impacts are explored deeper with subject matter experts within the company (like Fleet, Investor Relations, and Finance). The company-level assessment does include considerations of key assets, primarily key distribution centers and IT systems. In addition, approximately 20-25 of these key sites are subject to individual risk assessments for natural catastrophe and other physical risks each year. An example of mitigation for physical risks, including extreme weather events, is our Business Continuity strategy. Our physical locations are managed on a tiered basis, with Tier I facilities scoring the highest importance. Resiliency strategies regarding these critical locations have been implemented by the Business Continuity team and the Real Estate and Facilities team, including backup generators and emergency contact systems. However, accessibility due to regional difficulties (flooded roads, washed-out bridges, etc) will continue to pose access concerns in getting products to the communities that are trying to rebuild following a natural disaster. These resiliency strategies have already proved effective in areas impacted by severe weather, like when our headquarters in Newport News, Virginia faced a power outage due to storm events and was able to continue operations backup generators. Regarding transition risks, changing technology around customer product certifications and sustainability performance pose a risk to Ferguson if we are unable to quickly provide products that meet customer specifications. However, this transition has also allowed for new product development to grow our product portfolio in line with the more efficient products that consumers are purchasing.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	The Group's operations are affected by various statutes, regulations and standards in the countries and markets in which it operates. The amount of such regulation can vary. While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, data protection, labor and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation and other matters. Violations of certain laws and regulations may result in significant fines and penalties and damage to the Group's reputation. The most significant change in the level of regulation applying to the Group this year is the EU's adoption of the General Data Protection Regulation (GDPR). The Group has adopted procedures and controls required by the legislation to ensure compliance. Anti-bribery and anti-corruption practices in all businesses were reviewed during the year and the findings reported to the Executive Committee and to the Audit Committee. Regulations were identified as the highest severity risk in our 2019 Annual Report and Accounts. One specific risk Ferguson has identified is the rise of commercial building energy efficiency ordinances at major cities. We have multiple locations which are subject to annual energy benchmarking requirements. Some examples include two branches in Austin, TX subject to the Energy Conservation Audit and Disclosure Ordinance; a branch in Atlanta, GA subject to the Atlanta Commercial Buildings Energy Efficiency Ordinance; and a branch in Portland, OR subject to Ordinance No. 187095 regarding Energy Performance Reporting Policy for Commercial Buildings. Compliance with these regulations has given us an occasion to track energy usage at large commercial locations and propose improvements to reduce carbon emissions and operational costs.
Emerging regulation	Relevant, sometimes included	We closely monitor proposed regulations and policy developments regarding climate change, waste reduction and environmental compliance. The Group monitors the law across its markets to ensure the effects of changes are minimized and the Group complies with all applicable laws. The Group aligns company-wide policies and procedures with its key compliance requirements and monitors their implementation. Briefings and training on mandatory topics and compliance requirements including anti-trust, anti-bribery and corruption are undertaken. Regulations were identified as one of the Group's principal risks in the 2020 Annual Report and Accounts. One type of emerging climate-related regulation which we consider in the risk process is greenhouse gas regulation. We have seen regulations emerge at the city and state level such as California signing in to law a commitment to be 100% carbon-free by 2050 and New York's bill to limit greenhouse gas emissions for existing large buildings (https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3761078&GUID=B938F26C-E9B9-4B9F-B981-1BB2BB52A486&Options=&Search=) and expect similar regulations to emerge across the United States over time. These regulations are a short-term financial risk for capital expenditures, but we expect compliance to save on operational spend over time and assist with our attainment of long term sustainability goals. The International Maritime Organization's mandate that all ocean carriers must switch to burning fuel with a sulfur content of less than .5% on Jan 1, 2020 also plays in to our business risk calculations. http://www.imo.org/en/mediacentre/hottopics/pages/sulphur-2020.aspx
Technology	Relevant, always included	New competitors and technology were assigned a high inherent risk level in our Annual Report and Accounts 2020. Wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower-cost transactional business models or new technologies to aggregate demand away from incumbents. The Board is attuned to both the risks and opportunities presented by these changes and is actively engaged with the Group's response. The creation of Ferguson Ventures allows us to partner with start-ups and explores emerging technologies. This dedicated team and increased resources were allocated to the exploration and incubation of new business models and new technologies. Ferguson Ventures has established a partnership with GTP Services, a company that provides software and services for Building Information Modelling (BIM). BIM is a process for creating and managing information on a construction project across the building lifecycle. Additional examples of partnerships, including Plant Prefab (a Certified B Corporation) are detailed here: https://www.fergusonpressroom.com/six-tech-construction-trends-for-2021-and-beyond . The Group develops and invests in new business models, including e-commerce, to respond to changing customer and consumer needs. This will allow the Group to accelerate the time to market for new revenue streams and gain insight on new disruptive technologies and trends. The Group remains vigilant to the threats and opportunities in this space. The development of new business models in our market place is closely evaluated – both for investment potential and threats. Automation is another technology which may increase operational efficiency, but may disrupt our current labor model which relies on associates picking goods at our distribution centers. The development of automation technology at distribution centers impacts business because we may have to restructure the layout of our existing distribution centers in a way that facilitates this technology and allows for greater operational efficiency.
Legal	Relevant, always included	The Group's operations are affected by various legal considerations in the countries and markets where we conduct business. We always evaluate the impact of current regulations concerning climate change, waste reduction, and environmental compliance. Both the Director of Sustainability and the Governance and Regulatory Analyst on our legal team scan for new regulations that could impact our business, and flag them in the internal Risk Management process as appropriate. In the US, we generally keep up to date with legal/regulatory changes by monitoring the Federal Register and alerts from law firms and other third party resources. The Group ensures our climate related risk disclosures meet regulatory and shareholders standards and are reviewed to reduce exposure to litigation risk. Our data regarding carbon and waste is externally assured. Examples of regulations that we continue to monitor include the Energy Savings Opportunity Scheme, which requires us to complete energy audits every four years in the UK, and the European Commissions' guidelines on climate reporting. Since our sustainability strategy already includes operational efficiency and carbon reduction measures, we see these as more of an opportunity for Ferguson than a risk.
Market	Relevant, always included	The Group's operations are affected by various market considerations where we conduct business. The markets that Ferguson serves have different characteristics and as such certain market data is more relevant to specific end markets. For our residential market, the Leading Indicator of Remodeling Activity ("LIRA") provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. It is designed to project the annual rate of change in spending for the current quarter and subsequent four quarters. The LIRA projections for the year ahead have weakened but still remain positive. In addition, existing single-family home sales is a good indicator of the strength of the housing market and tends to be a driver of remodeling spend. The seasonally adjusted annual rate of sales has remained at between 5.0-5.5 million throughout the last 12 months. US new residential construction data, released by the U.S. Census Bureau, provides data on the number of building permits and new housing starts. Building permits, a leading indicator, have averaged 1.4 million through 2019/20 whilst housing starts have averaged 1.3 million units. The American Institute of Architects ("AIA") Billings Index – Commercial/Industrial is a leading economic indicator of construction activity and is widely seen as reflecting prospective construction spending. Any score below 50 indicates a decline in business activity across the architecture profession, whereas an index score above 50 indicates growth. The index averaged 50 from August 2019 to January 2020 but contracted in February 2020. Ferguson is also monitoring the transition market risk associated with a shift in products demanded by consumers to ensure warming is limited below business as usual levels. The gas water heaters, HVAC units, and appliances that Ferguson markets and sells today might be replaced with alternatives in the future such as heat pumps, electric water heaters, and more efficient appliances. As climate change and warmer temperatures continue to impact water availability, we expect to see more consumer demand for water efficient products as well. While the production risk of these new products will be managed by our upstream manufacturing partners, Ferguson still needs to prepare associates to be able to market and sell these new types of products. Ferguson has begun tracking the proportion of sales that come from products with Sustainability certifications.
Reputation	Relevant, always included	Ferguson plc is exposed to reputational risk if the company is perceived as not effectively addressing issues regarding sustainability and climate change. Additionally, as Millennial and Generation Z individuals comprise more of our workforce and customer base, we may face higher expectations regarding the role of businesses in addressing climate change. While the Group is not engaged in a highly regulated industry, it is subject to laws governing businesses generally, including laws related to land usage, the environment, and transportation. A breach of any legal or regulatory requirement could result in damage to the Company's reputation with our customers and wider stakeholders. One criteria for identifying Principal Risks is to consider whether something would 'seriously damage the Company's reputation for 12 months or more.' This risk is included in the Enterprise Risk Management process, as Talent Management and Retention is included on our people-related focus areas in our 2020 Annual Account and Reports. We are committed to people development at every level of the organization, and believe that having a strong sustainability reputation will help us attract and retain talent since associates are increasingly wanting to work for companies that align with their personal values.
Acute physical	Relevant, always included	Our Business Continuity planning includes response plans for the acute physical risks of climate change. Changes in the frequency and duration of extreme weather events could significantly impact our operations (for example, hurricanes, flooding, tornadoes and wildfires or other severe weather could cause our locations to be closed for an extended duration). We supply over one million customers with over one million products carefully sourced from over 39,000 trade suppliers. Product availability is vitally important to our business so a highly efficient distribution network is key to delivering on our customers' needs. There are instances where changes in precipitation patterns could cause significant physical damage to property and stock held in our locations. Changes in precipitation patterns could also lead to interruptions to Ferguson plc's business operations by restricting our delivery service levels. Unusual weather patterns can also affect the wider supply chain, which can negatively affect the supply of inventory and other services to our business. Our physical locations are managed on a tiered basis, with the Tier 1 facilities scoring the highest importance. Resiliency strategies regarding these critical locations have been implemented by the Business Continuity team and the Real Estate and Facilities team, including 24/7 emergency response, backup generators, and emergency contact systems. Our associates receive training and frequent updates from our Director of Security to ensure they are prepared to respond and recover as quickly as possible when faced with a natural disaster.
Chronic physical	Relevant, always included	Our company considers climate change in the overall risk evaluation process and examines the chronic physical impacts of climate change in our business continuity planning. We also take steps to proactively mitigate chronic physical risks when selecting a location for a new Ferguson-owned property, environmental assessments are performed by our Legal Real Estate group to ensure that no chronic physical environmental risks are present. If risks are identified, alternative locations are evaluated and assessed. Chronic physical risk caused by climate change in the form of rising sea levels and water temperatures is already affecting our operations. For example, rising temperatures increase the frequency and duration of business disrupting events such as wildfires and power outages, as seen with Ferguson branches in California. Rising sea levels increase the frequency and duration of flooding. Ferguson associates commuting to Headquarters in Newport News, VA are dealing with increased nuisance flooding along their commutes.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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Primary potential financial impact

Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Severe weather events and catastrophic natural disasters present a risk to our physical locations and the customer markets we serve. These extreme weather events could result in the closure of a location for an extended period, due to tornadoes, hurricanes, floods or wildfires. While we make every effort to stay open for the communities we serve, safety is our first priority and it is our policy to close locations whenever working or traveling conditions would be unsafe for our associates. Risks from severe weather branch closings include having to cancel customer appointments (lost revenue), the risk of physical damage to a location and its inventory (covered by an insurance policy), along with having to divert shipments to alternate locations. Because Ferguson provides essential building materials, which are critical in helping communities repair and rebuild, it's extremely important that our customers be able to come to our counter locations, where trade professionals pick up the materials they need. Business continuity plans are in place to ensure minimal interruption to our locations and our distribution network. In the case of an expected severe weather event, Ferguson's Corporate Security team coordinates with impacted locations in advance, advising on site preparations and evacuations, if required. The company also has a disaster response team on call around the clock to ensure immediate response in an unexpected severe weather event. An example of a location impacted by a severe weather event was our blended branch in Tulsa, Oklahoma that was damaged by a tornado in 2017. First, our Corporate Security team, working with onsite Leadership verified that all associates were safe and accounted for, and our disaster recovery team arrived onsite shortly after. The Tulsa associates at that location were assigned to alternative nearby branches while the disaster recovery efforts took place. We were able to recapture sales by communicating with our customers, and informing them that this location was temporarily closed and that alternative sites nearby could offer assistance immediately. Customers seeking to rebuild (whether residential, commercial, waterworks, HVAC, etc) were able to make purchases via phone, online or at nearby locations until we could safely re-open the location.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

6000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Ferguson has experienced branch closures on a short-term basis immediately before and after a natural disaster. While a branch closure could result in lost sales (varying greatly by geographic market and type of branch), by implementing our business continuity plans, we are able to divert customers to alternative physical locations or help them place orders online. In fiscal year 2019, Hurricane Florence caused an estimated \$6.2M in lost revenue based on the following methodology: We took the exact days each branch was closed and then looked back at the same day the previous year to see what they typically sold that day. Then we multiplied that by the growth rate we had seen this year for that month prior to the closure. This was then rolled up across the business. Between September 11, 2018 and September 21, 2018, Ferguson had 139 close days due to Hurricane Florence across our business.

Cost of response to risk

260000

Description of response and explanation of cost calculation

The loss of an important branch or distribution center is naturally hedged by the diversified nature of our locations, customers and suppliers. The Group has documented and tested business continuity plans for its major distribution center and head office building where the risk is considered to be greatest. In conjunction with our insurers, eight of our highest value sites are audited each year to evaluate fire and other business continuity risks at a cost of \$30,000 per year which is embedded in our premium. Ferguson purchases a comprehensive insurance program, covering property damage and business interruption risks. In the process of determining coverage amounts, our insurers review each site located in Ferguson's portfolio (like our headquarters location in Newport News, Virginia) for exposures to named windstorms, storm surge, earthquake, severe convective storm, and flood. Their modelling software is continually updated as new extreme weather events occur. At the local level, sites have begun pursuing resiliency adaptations such as purchasing generators to be prepared in the event of an electrical outage. This strategy ensures that we continue to remain open whenever possible, and capture sales, even in the case of a power outage. Our cost of management was calculated based on the \$30,000 we pay to have each of the eight sites (prioritized by highest value) audited each year to evaluate severe weather and other business continuity risks. Ferguson has also explored using analytics tools to map physical climate risk to our actual portfolio. Four Twenty Seven is a consulting firm that offers on demand risk analytics to support investment strategies and climate risk disclosures. Four Twenty Seven's analysis projects climate risk in 5 categories: sea level rise, floods, heat stress, hurricanes, and water stress for specific addresses. This tool could help us choose long-term locations with lower physical climate risk and understand where more resilience investments are required in our portfolio. To just monitor our critical sites, Four Twenty Seven offers a \$20,000/year subscription for up to 100 assets. The audit of 8 highest value sites * \$30,000 each + \$20,000/year for top 100 sites = \$260,000 per year

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Emerging regulation	Enhanced emissions-reporting obligations
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Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Ferguson imports a significant amount of Own Brand products we sell from overseas through sea cargo shipments. As a distributor, we do not control the manufacturing of our goods, but we are responsible for integrating products which are manufactured overseas in to our distribution network. One short term risk we have identified which will impact our operating costs is the International Maritime Organization's new limit on sulfur content in fuel. This policy will cut the mass-by-mass percentage of sulfur content in ships' fuel oil from 3.50% m/m to 0.50% m/m (<http://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx>). There is a stricter limit of 0.10% m/m already in effect in four established emission control areas: the Baltic Sea area, the North Sea area, the North American area, and the United States Caribbean Sea area. The most relevant sea route for our operations is the trip from South East Asia to the United States via the Pacific Ocean, and most of this journey is not within an emission control area. Thus, we expect carriers to build in an additional fuel surcharge as a result of this regulation which would increase our operating costs. Similar future regulations may further increase operating costs.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In comparing last year's floating bunker fuel adjustment factor (BAF) to the current year's prices, Ferguson observed an almost ~\$200 BAF increase per container as the result of the IMO mandate to reduce sulphur emissions. Potential financial impact calculated by multiplying surcharge by affected containers. \$200 * 5000 affected containers per year = \$1,000,000 per year. We are expecting that regulated areas will grow over time.

Cost of response to risk

0

Description of response and explanation of cost calculation

Given the situation that we expect shipping carriers to be impacted by this additional cost due to a switch in low-sulphur fuel, we have undertaken the task of diversifying our ocean carriers. While Ferguson previously only utilized one ocean carrier, our Supply Chain team conducted an RFP to assure that the business has three or more ocean shipping partners in place. The result of the RFP will be substantial costs reductions, and the ability to assure redundancy within our shipping portfolio. Given that we expect our Own Brand volume to increase over the next five years, this initiative was key to ensuring that we minimize our overall cost per TEU. Both our Supply Chain and Strategic Sourcing teams were integral to achieving this result. We expect the cost of management to be zero because Ferguson already staffs a Strategic Sourcing Team, which is conducting the RFP on behalf of the Sourcing Team. Because these individuals are Certified Professionals in Supply Chain Management (CPSM) by the Institute of Supply Management, they are skilled negotiators and we anticipate that the savings realized through the contracts they negotiate will far exceed the investment of time to conduct the RFP.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Technology	Substitution of existing products and services with lower emissions options
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Primary potential financial impact

Increased capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Ferguson employs a substantial owned/leased fleet for final mile deliveries and emissions from owned/leased transportation make up around 30% of our overall reported

emissions. Ferguson's fleet is comprised of nearly 5,000 assets, including Class 1-8 commercial trucks, and trailers. We do not have the capability to quickly upgrade or switch out fleet without substantially impacting business operations. Thus, Ferguson is at risk of regulatory requirements which would mandate us to track and improve our fleet's fuel efficiency. In the United States, such regulations have been passed before. The primary example being the EPA and NHTSA's Heavy-Duty National Program, a program to reduce greenhouse gas emissions and improve fuel efficiency of heavy-duty trucks and buses which went into effect on November 14, 2011 (<https://www.epa.gov/regulations-emissions-vehicles-and-engines/final-rule-phase-1-greenhouse-gas-emissions-standards-and>). Phase 2 of the regulation was effective on December 27, 2016 (<https://www.govinfo.gov/content/pkg/FR-2016-10-25/pdf/2016-21203.pdf>). While business disruption from these policies is minimal since most of the burden is placed on manufacturers to increase fuel economy, a future regulation targeting existing fleet could have a financial impact. The increased price of new tractors/trailers is the primary initial financial risk to Ferguson; however, a fuel efficiency regulation is expected to reduce the total cost of ownership of a truck when fuel costs over time are taken in to account. For the purposes of this exercise, Ferguson assumed that emissions regulations impacted the US business and fleet only (as the largest operating company). Emerging regulations may incentivize a quicker transition to electric vehicles. A slow transition could leave Ferguson's fleet with a higher operating and maintenance cost than other fleets. Ferguson may also miss incentive funding pools that are in place to encourage early movers and could be subject to a carbon tax. Earlier piloting and adoption of low emission vehicles would allow Ferguson to proactively address fuel economy regulations, adequately develop new workflows, and train our associates to work with new technologies.

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

9000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The Final Rule for Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles – Phase 2 includes a "Summary for the Phase 2 Medium- and Heavy-Duty Vehicle Program Expected Per-vehicle Fuel Savings, GHG Emission Reductions, and Cost for Key Vehicles Categories" on page 73482 of (<https://www.govinfo.gov/content/pkg/FR-2016-10-25/pdf/2016-21203.pdf>) or page 5 in the pdf. This estimate covers our US fleet only. Using the lower bound of per vehicle cost increase for manufacture year 2021, our active fleet was allocated to these categories based on vehicle class. Classes 2 and 3 were designated as pickups/vans, Classes 4, 5, and 6 were designated as vocational vehicles, and Classes 7 and 8 needed a trailer and tractor replacement. Based on this analysis, we expect that Ferguson would incur \$11m to upgrade to vehicles with higher fuel efficiency over a five-year period. We calculated a financial impact using a MY2021 price increase multiplied by the number of vehicles we expect to replace over a 5 year period for each vehicle category. 1200 pickups/vans upgraded * \$500/upgrade + 1000 vocational vehicles upgraded * \$1000/upgrade + 1000 tractors * \$6500 each and 1000 trailers at \$900 each = \$9,000,000

Cost of response to risk

1700000

Description of response and explanation of cost calculation

Situation: Ferguson's owned/leased fleet in the US is a major contributor to our operating costs and carbon emissions. There is a good business case for increasing fuel efficiency of our fleet. Regulations which require fuel efficiency improvements from manufacturers could increase the cost to purchase these vehicles in the short run, but may result in a net benefit over time. Task: The increasing trend in fuel efficiency over time as technology advances leaves many leased vehicles outdated. Action: Ferguson maintains internal vehicle retention guidelines to ensure that our leased fleet utilizes up-to-date technology and retires older, less efficient vehicles. Tractors are replaced every 96 months, trailers are replaced every 120 months, vocational vehicles are replaced every 84 months, and pickups/vans are replaced every 60 months. Result: We reduced diesel fuel usage in owned/leased vehicles from 8.5m gallons in FY17 to around 8m gallons in FY18. Since vehicles replacements are staggered, the estimated financial impact figure would be felt over a five year period. Additionally, the increased fuel economy of the vehicles would favourably reduce fuel costs throughout the company. Ferguson managed this risk, as the business hired a new fleet manager and adopted a new transportation management system (TMS). We calculated this estimate by adding together the estimated cost of subscription fees for the new TMS and the estimated salary for the new fleet manager. Over three years the estimated cost is approximately \$1.7m.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

The United States Fourth National Climate Assessment (Volume II) identifies infrastructure as one of the long-term risks in its summary findings. "Our Nation's aging and deteriorating infrastructure is further stressed by increases in heavy precipitation events, coastal flooding, heat, wildfires, and other extreme events, as well as changes to average precipitation and temperature. Without adaptation, climate change will continue to degrade infrastructure performance over the rest of the century, with the potential for cascading impacts that threaten our economy, national security, essential services, and health and well-being. Infrastructure currently designed for historical climate conditions is more vulnerable to future weather extremes and climate change." As one of the nation's largest waterworks companies, Ferguson Waterworks is able to anticipate this growth in demand for infrastructure designed for future climate conditions and is positioned as a leader 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. The products our Waterworks business offers range from geotextiles and soil stabilization to meter automation and pipes, valves and fittings. Ferguson Waterworks bids to provide project management and equipment on new water infrastructure projects that will become more necessary as climate change increases chronic strain on existing water infrastructure.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1000000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

EPA's 6th Drinking Water Infrastructure Needs Survey and Assessment shows significant investment is needed to maintain and improve the nation's drinking water infrastructure. The financial impact figure represents Ferguson's annual revenue opportunity, which the report characterizes as being relevant for 20 years. https://www.epa.gov/sites/production/files/2018-10/documents/corrected_sixth_drinking_water_infrastructure_needs_survey_and_assessment.pdf The estimate covers infrastructure needs that are eligible for (but not necessarily financed by) the DWSRF (Drinking Water State Revolving Fund), including the installation of new drinking water infrastructure and the rehabilitation, expansion, or replacement of existing infrastructure. The EPA's cost estimate of \$465 billion reflects comprehensive construction costs including engineering and design, purchase of raw materials and equipment, construction and installation labor, and final inspection. Ferguson estimates that 40% of this cost is spent on engineering and design + purchase of equipment, which are the areas in which we can provide value. This leaves the relevant market at 40% * \$465b = \$186b. With our market share of 22%, \$186b * 22% = \$40b over next 20 years. If only half of projects are funded over the next 20 years, the opportunity is \$40b * .5 = \$20b over the next 20 years, which averages to \$1b per year.

Cost to realize opportunity

2250000

Strategy to realize opportunity and explanation of cost calculation

Ferguson Waterworks operates within all 4 market categories (distribution and transmission, treatment, storage, and source), so the majority of the opportunity from the EPA assessment would be relevant to our business. The EPA estimate includes spend on: • Engineering and design • Purchase of raw material • Purchase of equipment • Construction and installation labor • Final inspection Ferguson Waterworks is not involved with construction and installation labor and final inspection, but does contribute to the engineering and design, purchase of raw material, and purchase of equipment. We believe these tasks to represent 20% of the overall market opportunity, but every project we do is different, so it is difficult to break down overall project costs for these sub-tasks. While we do contribute to engineering and design for clients, we primarily bring in revenue from purchase of raw material and equipment. Situation: US Drinking Water Infrastructure requires additional funding to address the climate-related stressors on the systems. Therefore, national funding is set aside to upgrade water and stormwater infrastructure and protect water quality. Task: Municipalities reach out to Ferguson for advice, following being selected as a recipient of additional water infrastructure funding. Ferguson pairs infrastructure investment opportunities with improved piping and water technology to improve leak detection capabilities. Action: Ferguson advises municipalities on their water infrastructure concerns, advising on product and technologies that can help improve water quality and water conservation. Result: Ferguson experiences increase in sales, while more Americans receive access to safe drinking water. Now, extrapolating Ferguson's 22% market share, this revenue opportunity should be \$20b over the next 20 years, or \$1b a year. As a baseline, according to Ferguson plc's 2018 Annual Report and Accounts, the Civil/Infrastructure market contributed 7% of our 2018 U.S. revenue, or \$1.16b. We calculated the cost to realize the opportunity on an annual basis, including advertising, marketing and partnership efforts that Ferguson would need to expand to fully realize this opportunity in the Waterworks business. In order to capture incremental revenue opportunities, investment would be required in line with Ferguson's ongoing cost base.

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Ferguson is a distributor of residential products that are critical to the transition to a low carbon economy. Regulation to accelerate the transition to lower emitting residential

appliances would increase demand for heat pump space heaters, heat pump water heaters, and induction cooktops/ranges. From the Center for American Progress's Appliance Rebate Plan (<https://www.rewiringamerica.org/appliance-rebates-plan>): "Residential building electrification must be a major pillar of any federal infrastructure strategy and is an essential step on the path to limiting global warming to 1.5 degrees Celsius. For U.S. households, electrification of heat and cooking appliances is centered around the adoption of just four appliances: heat pump space heaters, heat pump water heaters, induction cooktops/ranges, and upgraded breaker boxes. Because these machines last 10 to 20 years or more before needing replacement, completing the transition by mid-century requires the mass mobilization of U.S. markets and manufacturing today. In order to fully electrify these appliances—and all 121 million American households—before 2050, the United States must replace more than 80 million of these appliances across more than 50 million households over the next decade, setting the electrified appliance replacement rate on a path to 100 percent of installations by some time in the 2030s." These rebates are calibrated to make sure the upgrade to electric appliances is no more expensive than a fossil fuel replacement, even before counting the subsequent energy bill savings a household will realize from the transition.

Time horizon

Long-term

Likelihood

Unlikely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

3600000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Table 2 on p.11 of the Appliance Rebate report summarizes the adoption figures in the high electrification uptake scenario over 10 years: 27 million heat pump space heaters, 24 million heat pump water heaters, and 11 million induction cooktops. We projected incremental volume in sustainable products growth linearly over a 10-year horizon based on current market share plus market share growth assumptions. Analysis based on residential units only. We did not include adjustments for inflation or deflation. Then volumes were multiplied by net billings per unit shipped to find the total net impact of the opportunity of a transition to sustainable products minus the risk of declining gas and low efficiency products. Our result was a \$3.6 bil net increase in revenue over 10 years. Total units sold in US * Ferguson market share = Ferguson project unit impact Ferguson projected unit impact * net billings per unit = Revenue impact Revenue opportunity of transition to low carbon products - revenue loss from declining sales of traditional products = net revenue impact

Cost to realize opportunity

70000000

Strategy to realize opportunity and explanation of cost calculation

Situation: As the market for low carbon products continues to grow, investment will be required to realize this opportunity. We are seeing other organizations like 3H 'Hybrid Heat Homes' propose incentives that would lead to the deployment of 45 million new residential heat pumps, so there is early market momentum for incentives to shift residential appliances to lower-emission alternatives. Task: Ferguson will need to train associates to discuss the benefits of lower carbon appliances with consumers, develop a marketing strategy, make it easier for customers to recognize and take advantage of available rebates, and engage our supply chain to ensure we can meet new demand. Action: Ferguson will also need to develop an advertising budget and media spend plan in order to target the customers in this market, who may not be a part of our existing customer base. Around half of the rebates are expected to benefit low-to-moderate income households. Result: A better trained associate workforce, supply chain resilience, growth in sales of low-emission products, and the corresponding growth in revenue. Cost to realize opportunity explanation: In order to capture incremental revenue opportunities, additional investment would be required in line with Ferguson's ongoing cost base. Sum of supply chain engagement resources for our Category Management team, resources for Talent team to developing new associate trainings, and the marketing cost which was estimated by applying Ferguson's average proportion of marketing spend to sales to the \$3.6 billion 10 year opportunity.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

Ferguson is continuing to optimize its distribution process by opening import centers in the United States. Previously, our products are shipped to the central US before being sent on to other distribution centers or local branches for sale. The business took action to shift the supply chain out of the central US to new import centers so shippers would deliver to these import centers on the coasts rather than to Distribution Centers. This system now requires less touchpoints/labor and save on overall transportation costs. However, the biggest opportunity was on inventory. We do not need to send full containers to a distribution center that doesn't need them anymore and are able to stock more relevant products at our distribution centers and thus not have to buy as much. Transportation savings helps reduce our carbon footprint since outsourced transit and fleet fuel usage contribute to over 40% of reported emissions.

Time horizon

Long-term

Likelihood

About as likely as not

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

3000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We performed an internal analysis to create this estimate. Our calculations included cost of goods sold, internal ocean-rail savings, drayage, distribution center transfers, detention savings, operational costs savings and external storage savings. Ferguson has quantified this opportunity as \$3 million over the next four years, but the increased inventory efficiency mentioned above possibly offered the largest opportunity for savings.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Due to capacity constraints at existing DCs, import centers were opened on both coasts. Therefore, no additional investment is needed to realize this opportunity, so we have calculated this as zero. To realize this opportunity, Ferguson elected to change shipping processes, receiving product (whether bathtubs, faucets, or other products) at the coastal import centers, before warehousing and/or transferring to the appropriate distribution center to meet inventory level requirements. The result is that Ferguson achieved a transportation savings and carbon savings from importing the product directly to the new import centers.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?

Yes

C3.1b

(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	No, we do not intend to publish a low-carbon transition plan in the next two years	<Not Applicable>	Ferguson is currently working on a roadmap to a low-carbon transition plan.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
DDPP RCP 2.6 RCP 8.5	<p>i. Ferguson's scenario analysis considers a 2 degrees C scenario and a 4 degrees C scenario, which were chosen to contrast the substantial shifts needed to reach a 2 degree C scenario, as opposed to a business as usual scenario. Our analysis approach included tools from multiple scenarios including DDPP, RCP 2.6 and RCP 8.5. We considered the transition risks (policy and legal, technology, market, reputation) for each scenario, along with the impact quantification, timeline and potential result for Ferguson. Additionally, we analyzed the physical risks (both acute and chronic), quantifying the impact, timeline and potential results for Ferguson. We also considered the opportunities to Ferguson in each scenario. We expected a market opportunity due to access to new investment markets, and increased revenue opportunities for products and services. We included impact quantification, timeline and potential result for each of these opportunities as well. The scenario analysis covered a timeline through 2050, with the majority of the risks and opportunities being experienced by Ferguson in less than 20 years. Subject matter experts from across the business were involved in the scenario analysis, including supply chain, business analytics, procurement, marketing, category management, finance, legal, communications, public relations and investor relations. The results of the scenario analysis showed risks in a 2 degree C scenario that would necessitate additional investment in sustainability initiatives if policy changes mandate corporate emissions reductions. Additionally, scenario analysis showed that we could be vulnerable to market shifts if consumers seek out products with lifecycle analysis and environmental product declarations. We identified that we could mitigate this risk by incorporating more products from the vendors that we carry and ensuring Ferguson is supporting policies that will help achieve a 2 degree C scenario. ii. The results of scenario analysis helped clarify the risks and opportunities that Ferguson could face in a business as usual scenario. Moving forward, the results of the scenario analysis will inform our business objectives and strategy by supporting policies and initiatives that will help achieve a 2 degree C scenario. The stakeholder interview process was a very valuable part of scenario analysis for Ferguson. The results of the scenario analysis were reviewed with our C-suite prior to receiving review by the Board of Directors and being publicly disclosed as part of the FY19 Annual Report of Account. We found that our strategy for incorporating energy efficiency in our operations was very beneficial in a 2 degree C scenario, and therefore any reductions that we are able to achieve proactively would not only drive operational efficiency but also better prepare us for possible mandates to reduce corporate carbon emissions. Ultimately, scenario analysis has provided additional support to the business case for projects and additional business buy-in. This added support has led to the approval of projects including lighting retrofits, HVAC upgrades and supported the purchase of green energy. iii. A specific case study where scenario analysis has informed our business strategy is online sustainable product training. After reviewing the results of scenario analysis, Ferguson identified an opportunity to provide further associate training on sustainable products in order to meet changing customer expectations and anticipated market demands. The business developed a company-wide required training on sustainable products, and incorporated sustainable product marketing into our marketing plans that define the business strategy and our vendor engagement strategy.</p>

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Climate-related risks and opportunities have influenced our strategy for products and services. For example, Ferguson identified an opportunity to provide further associate training on sustainable products in order to meet changing customer expectations and anticipated market demands. The business developed a company-wide required training on sustainable products, and incorporated sustainable product marketing into our marketing plans that define the business strategy and our vendor engagement strategy. Specifically, Ferguson is focused on improving offerings of products with Water Sense and Energy Star certification, as sustainable product certification may become a primary screening criteria for consumers interested in higher energy efficiency. Therefore, our strategy for Ferguson branded products targets Water Sense as a minimum design standard for faucets and toilets and Energy Star where applicable to the category. The proportion of sales in sustainable products is now a metric that is monitored by the business on an ongoing basis. Monitoring this metric will allow us to react effectively to product trends and shape future marketing efforts and associate training to demonstrate leadership in the Sustainability space. Ferguson has the potential to influence many consumers at the point of sale to purchase products that will reduce their emissions impact.
Supply chain and/or value chain	Yes	Ferguson will need to engage more with our supply chain and value chain to accurately assess our Scope 3 emissions and mitigate them. Therefore, internal discussions have begun regarding considering supplier management of climate risks to reduce risk to business continuity. The business is transitioning to a new supplier management platform, which will allow greater visibility to supplier progress in this area. This transition will allow us to better track our progress in the medium term.
Investment in R&D	Yes	Recognizing water resource management risks, our Waterworks business has collaborated with Mueller Systems to advance intelligent water metering and monitoring. This partnership started in 2020. Specifically, this smart metering technology will be used to provide data insights into water utilities' distribution systems, resulting in leak detection, pressure monitoring and enhanced water quality. Smarter water infrastructure technologies will be needed to better manage water as a resource in the context of a world with more water stress due to climate change. https://www.wateronline.com/doc/mueller-and-ferguson-waterworks-announce-largest-deployment-of-remote-disconnect-meters-in-the-u-s-0001
Operations	Yes	Climate-related risks and opportunities have influenced our strategy for our operations. Ferguson identified the need for sustainable investment strategies by incorporating energy efficiency strategies in our own buildings- for example, our new headquarters building received Green Globes verification and was rated as "Runner Up" for Project of the Year by the Green Building Initiative. We have invested in onsite renewable energy through a solar array at our Perris, California Distribution Center, and have another planned in Arizona. Fleet opportunities are also being investigated by our Fleet Management team as part of our business strategy. Another area of our operations where climate-related risks and opportunities were considered was the California Public Safety Power Shutoffs (PSPS), implemented by the California Public Utilities Commission in an effort to mitigate wildfire risk. Due to the risk of branch or distribution center power outages, the business discussed resiliency strategies including the purchase of generators.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Capital expenditures Access to capital	Climate-related risks and opportunities have influenced Ferguson's financial planning in the following ways: - tracking sustainable product revenues (proportion of total revenues and compared year over year) - potential access to new markets (refreshed annually) -tracking lost revenue due to climate-related weather events (compared year over year) -integrating sustainability considerations into capital expenditures (began integrating in 2018) -improved access to capital (have experienced over the past two years due to AAA MSCI rating). Ferguson maintains a DC network critical to serving our customers, and we prioritize our capital expenditures to building in markets that present a new business opportunity. Examining climate-related risks and opportunities further justified the business case for advancing green building considerations and onsite renewable energy. Therefore, the Finance Committee approved the design for a new Distribution Center to include onsite renewable energy and target a minimum of LEED silver. The project is now under construction and is incorporating these features, which will generate operational savings on the site in the future.

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

Examining climate-related risks and opportunities has encouraged the business to further prioritize supplier collaboration as part of our strategy.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Intensity target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2016

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based) +3 (downstream)

Intensity metric

Other, please specify (Metric tons CO2e per million dollars USD)

Base year

2016

Intensity figure in base year (metric tons CO2e per unit of activity)

23.3

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2021

Targeted reduction from base year (%)

10

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

20.97

% change anticipated in absolute Scope 1+2 emissions

-10

% change anticipated in absolute Scope 3 emissions

Intensity figure in reporting year (metric tons CO2e per unit of activity)

21.8

% of target achieved [auto-calculated]

64.3776824034335

Target status in reporting year

Underway

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Target ambition

<Not Applicable>

Please explain (including target coverage)

Ferguson plc set a five-year target (from August 1, 2016 to July 31, 2021) to reduce carbon by 10 percent per \$m revenue. The time period for this goal was set to align with Ferguson plc's financial year. Performance at the end of FY20 was positive. There was a 6.7% improvement. The improvement from 2015/16 was as a result of carbon reduction initiatives over the target period. We also benefited from a continued reduction in Scope 2 emissions due to a cleaner conventional electricity grid mix in the countries where we operate. The value for the normalized base year emissions is given in metric tonnes of CO2e per million US dollars. The target includes Scope 3 emissions that are within Ferguson plc's reporting boundary: outsourced road-based transport and air/rail travel.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	4377
To be implemented*	6	101932
Implementation commenced*	3	2879
Implemented*	2	4966
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings	Other, please specify (HQ3 Green Building Design and Green Globes Certification)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

780

Scope(s)

Scope 1

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

100000

Investment required (unit currency – as specified in C0.4)

25000

Payback period

<1 year

Estimated lifetime of the initiative

>30 years

Comment

The eight-story office building earned a Three Green Globes rating for New Construction in 2020, achieving 73% of the applicable Energy points. A predicted energy use intensity reduction of 70% compared to the baseline was achieved to improve energy performance through: -early energy modeling -building orientation -exterior glass with a low solar heat gain coefficient -an energy recovery ventilator -a thermal storage system The project team used a "Teambuild" delivery method, which included collaboration among the owner, design team and contractor from initial concept development through the end of design. They also considered the community, working with Ferguson and the Newport News Economic Development Authority to develop beyond the site boundaries to create a plaza for community use.

Initiative category & Initiative type

Low-carbon energy consumption	Low-carbon electricity mix
-------------------------------	----------------------------

Estimated annual CO2e savings (metric tonnes CO2e)

4186

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

<1 year

Comment

The UK business expanded their purchasing of renewable energy and sourced 100 per cent of the energy required for the business from a mixed renewable blend, including biomass, wind and solar.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	In order to comply with regulations, investment is required for the maintenance of building appliances and company vehicles (both commercial fleet and company cars) which in turn is being increasingly viewed as opportunity to install products or update assets to achieve both environmental goals and operations efficiencies.
Financial optimization calculations	The primary driver of investment in emissions reduction activities is the financial business case. These include ROI and IRR.
Employee engagement	The Group and business unit environmental performance team works with the businesses to raise awareness of the cost-saving initiatives that will support the environmental targets. Additionally, associate engagement takes place through integrating sustainability into our internal communications plan for the year.
Internal incentives/recognition programs	A number of employees at Ferguson plc and the individual business units are incentivised to deliver against environmental targets. This promotes the development of business cases to secure investment in emissions reduction activities.
Internal finance mechanisms	Members of the Environmental performance team are also included in Finance Committee notifications so that they can review the proposed capital expenditure and propose improvements to the project that would lower the carbon footprint.
Employee engagement	A Sustainability Champions Team was formed to encourage associate engagement on environmental issues including climate change. We created a platform for like-minded associates throughout the business to share ideas and best practices.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Product

Description of product/Group of products

Our HVAC business provided comprehensive product design and installation consultation to Mechanical Solutions LLC (based in Richmond, Virginia) for a highly specialised job. The requirements were to provide heating and cooling for a building originally constructed in 1828. The owners of the old hospital chose to renovate the former administration office and turn it into a boutique hotel, The Blackburn Inn. Included in that renovation was the need for a quiet, efficient HVAC system. It was agreed a Variable Refrigerant Flow ("VRF") system was the best solution and Ferguson HVAC's VRF division, which consists of engineers and factory trained certified product specialists, partnered with Mechanical Solutions to deliver a VRF system that met their requirements, including maintaining the historic integrity of the building. Because Ferguson HVAC has a dedicated VRF team, associates were involved from the initial design phase through delivery and installation, conducting several site visits and walkthroughs to ensure Mechanical Solution's success. Ferguson provided equipment and ancillary products, including 70 indoor units, to keep the common areas and 49 hotel rooms comfortable. This new HVAC system reduced emissions associated with heating and cooling the old building.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Estimating and Reporting the Comparative Emissions Impacts of Products (WRI)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

<Not Applicable>

Asset classes/ product types

<Not Applicable>

Comment

Ferguson is working to standardize our reporting and classification of low emissions products before being able to share percentage revenue for different product categories.

Level of aggregation

Group of products

Description of product/Group of products

Ferguson US offers a range of products that decrease a customer's carbon footprint, including programmable thermostats, high efficiency HVAC products, and high efficiency lighting.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

<Not Applicable>

Asset classes/ product types

<Not Applicable>

Comment

We are working on internal reporting to quantify the carbon reduction achieved through these products.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

August 1 2015

Base year end

July 31 2016

Base year emissions (metric tons CO2e)

173191

Comment

Scope 2 (location-based)

Base year start

August 1 2015

Base year end

July 31 2016

Base year emissions (metric tons CO2e)

126981

Comment

Scope 2 (market-based)

Base year start

August 1 2015

Base year end

July 31 2016

Base year emissions (metric tons CO2e)

0

Comment

N/A. We did not report using market-based emissions factors in the base year.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

IEA CO2 Emissions from Fuel Combustion

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

US EPA Center for Corporate Climate Leadership: Direct Emissions from Mobile Combustion Sources

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

185668

Start date

<Not Applicable>

End date

<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

We are reporting Scope 2 market-based figures for UK.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?

Reporting year

Scope 2, location-based

92293

Scope 2, market-based (if applicable)

88107

Start date

<Not Applicable>

End date

<Not Applicable>

Comment

UK on 100% renewable energy

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, not yet calculated

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Developing methodology to account for emissions using EEIO factors.

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Determined not material after a Scope 3 inventory.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

All known material fuel-and-energy-related activities have been included in our Scope 1 and 2.

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

161698

Emissions calculation methodology

In US and CAN, calculating distance using origin and destination zip codes and then using fuel economy estimations based on mode of transportation to arrive at fuel volumes. Then applying relevant emission factors for fuel volumes. Provided by supply chain partner for UK data.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Activity data provided by outsourced transportation partners, emissions calculated by Ferguson

Waste generated in operations

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Our product use and transport is much more material and relevant than waste generated in operations.

Business travel

Evaluation status

Not relevant, calculated

Metric tonnes CO₂e

17298

Emissions calculation methodology

Air travel and rental car emissions are provided by value chain partners. Personal vehicle use for business travel is calculated as a proportion of total fuel card use.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

90

Please explain

Mostly provided by value chain partners (like air travel, rental cars). In-house calculations for personal vehicle use for business travel purposes.

Employee commuting

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Not relevant compared to Use of Sold Products

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

As a distributor of heating equipment, our most material Scope 3 category is Use of Sold Products.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

As a distributor of heating equipment, our most material Scope 3 category is Use of Sold Products.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Ferguson's products are not generally processed after selling.

Use of sold products

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Methodology being developed based on units sold, estimates on product life cycle, and energy use intensity. Plans to calculate emissions within next 2 years.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The end of life treatment of our sold products is not material compared to the use of these products.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The 3 material Scope 3 categories for our business are Upstream Transportation and Distribution, Purchased Goods and Services, and Use of Sold Products. The other categories do not contribute in a relevant way.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The 3 material Scope 3 categories for our business are Upstream Transportation and Distribution, Purchased Goods and Services, and Use of Sold Products. The other categories do not contribute in a relevant way.

Investments

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The 3 material Scope 3 categories for our business are Upstream Transportation and Distribution, Purchased Goods and Services, and Use of Sold Products. The other categories do not contribute in a relevant way.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The 3 material Scope 3 categories for our business are Upstream Transportation and Distribution, Purchased Goods and Services, and Use of Sold Products. The other categories do not contribute in a relevant way.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

The 3 material Scope 3 categories for our business are Upstream Transportation and Distribution, Purchased Goods and Services, and Use of Sold Products. The other categories do not contribute in a relevant way.

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.0000125

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

273775

Metric denominator

unit total revenue

Metric denominator: Unit total

21819000000

Scope 2 figure used

Market-based

% change from previous year

1.3

Direction of change

Decreased

Reason for change

Standard business variance

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

No

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO ₂ e)
United States of America	155512
United Kingdom of Great Britain and Northern Ireland	18541
Canada	11615

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division

By activity

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO ₂ e)
Ferguson	155512
Wolseley UK	18541
Wolseley Canada	11615

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Natural gas	48467
Liquefied Propane Gas	5953
Diesel	102021
Gasoline	21161
Refrigerant Leakage	10224

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
United States of America	85454	85454	208577	0
United Kingdom of Great Britain and Northern Ireland	4186	0	0	18247
Canada	2653	2653	19310	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

- By business division
- By activity

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Ferguson	85454	85454
Wolseley UK	4186	0
Wolseley Canada	2653	2653

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Electricity Use	92293	88107

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	4186	Decreased	1.5	Amount of electricity emissions avoided by using renewables in UK. $(4186/278597)*100\% = 1.5\%$
Other emissions reduction activities		<Not Applicable>		
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output		<Not Applicable>		
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	Unable to confirm heating value	0	238543	238543
Consumption of purchased or acquired electricity	<Not Applicable>	18248	227887	246135
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	18248	466430	484677

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

Unable to confirm heating value

Total fuel MWh consumed by the organization

238543

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

0.05625

Unit

metric tons CO2e per GJ

Emissions factor source

Emission-Factors-from-Cross-Sector-Tools-(August-2012).xlsx Stationary Combustion, Table 1-3 IPCC 2006 Guidelines for National Greenhouse Gas Inventories, <http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol2.html> CO2 emission factors for fuel consumption data that have been supplied on different measurement bases These emission factors are 'cross-sector'; that is, they can be used by reporting entities from any sector, such as the manufacturing, energy or institutional in CH4 and N2O emission factors for fuel consumption data that have been supplied on different measurement bases These emission factors are specific to 'Institutional' operations as opposed to 'Energy' or 'Manufacturing' operations, which are other categories treated by the IPCC. Notes: 1, Fuel density data come from GHG Protocol's tool for stationary combustion.

Comment

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Hydropower

Country/area of consumption of low-carbon electricity, heat, steam or cooling

United Kingdom of Great Britain and Northern Ireland

MWh consumed accounted for at a zero emission factor

18248

Comment

<https://www.ssebusinessenergy.co.uk/help-and-advice/standard-fuel-mix/> SSE Green

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

ERM-CVS-FY2020-Assurance-Statement-Ferguson-PLCFINAL.pdf

Page/ section reference

Page 1.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

ERM-CVS-FY2020-Assurance-Statement-Ferguson-PLCFINAL.pdf

Page/ section reference

Page 1.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

ERM-CVS-FY2020-Assurance-Statement-Ferguson-PLCFINAL.pdf

Page/section reference

Page 1.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Upstream transportation and distribution

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Page/section reference

Page 1.

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, and we do not anticipate being regulated in the next three years

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, and we do not currently anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Other, please specify (We expect all of our suppliers to comply with the Ferguson Code of Conduct and Supplier Code of Conduct, which includes environmental criteria.)

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% of supplier-related Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

Our suppliers are a key link in the value chain for sustainable products. We are still in the early stages of supplier engagement, but have prioritized working with our largest suppliers, as they have the most material impact on our business and our emissions.

Impact of engagement, including measures of success

The success of our engagement was measured by the high level of supplier participation.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Education/information sharing

Details of engagement

Share information about your products and relevant certification schemes (i.e. Energy STAR)

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

0

Portfolio coverage (total or outstanding)

<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement

Ferguson shares information about our Sustainability Program and our performance with our customers through our sustainability program update, which links our carbon reduction efforts to the products that we sell. We highlight links between our program and related Sustainable Development Goals, and provide contact information for customers looking to learn more about our products and performance. Our Sales Team members use this information to help communicate our efforts to prospective customers, as well.

Impact of engagement, including measures of success

We measure engagement through customer inquiries, the number of internal downloads and the revenue from sustainable products, which is tracked year over year.

Type of engagement

Education/information sharing

Details of engagement

Share information about your products and relevant certification schemes (i.e. Energy STAR)

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

0

Portfolio coverage (total or outstanding)

<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement

We provide product-specific information to all customers on sustainable product certifications, such as Energy Star and Water Sense. Additionally, we convey rebate information offered by local utilities to incentivize the purchase of sustainable products. For example on Build.com, customers can search "rebates" and receive a list of all local rebates available for products meeting Energy Star or Water Sense criteria specified by their locality.

Impact of engagement, including measures of success

We track the amount of interactions that customers have with this feature of our website through our vendor, which provides an aggregated report to our business on a monthly basis. Additionally, Ferguson monitors sustainable products sales, year over year.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Trade associations

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

HHIC (Heating and Hotwater Industry Council) (Wolseley UK)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The HHIC are actively tackling all the challenges that the Zero Carbon targets have provided to industry. They currently have a very active campaign to influence the UK Government on how best to meet the 2020 and 2050 targets including the establishment of an industry/government policy on 'Heat in Building' an active campaign on ERP labeling and promoting the benefits of quality standards through the 'Benchmark' scheme.

How have you influenced, or are you attempting to influence their position?

Wolseley UK is an active member of the HHIC providing the chair of the Merchants Group and broadly agrees with the strategy of reducing demand and incentivising the uptake of energy efficiency and renewable technologies. Ferguson remains steadfast in our commitment to reducing greenhouse gas emissions, and continues to engage with HHIC based on this consistent position.

Trade association

Associated Builders and Contractors (ABC)- Ferguson U.S.

Is your position on climate change consistent with theirs?

Mixed

Please explain the trade association's position

The Associated Builders and Contractors hold the position that environmental regulations will stifle economic opportunity and increase energy and material prices for the construction industry. ABC also states that in addition to alternative and renewable energy development, a traditional mix of domestic fossil fuels must also be developed.

How have you influenced, or are you attempting to influence their position?

While ABC may have strong positions regarding environmental regulations, Ferguson is steadfast in our commitment to the Environment and reducing greenhouse gas emissions. We do not participate in ABC's lobbying efforts.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Our efforts to align our business strategy with our climate change risks and opportunities will ensure that our direct and indirect activities that influence policy are consistent with our overall climate change strategy. Ferguson is now a primarily North American business, and does not engage in lobbying. We share our climate change strategy publicly with all stakeholders through our Annual Report of Accounts, as well as our TCFD disclosure on our website. Additionally, our executive leadership team, who are tapped to serve as representatives to these trade industry associations, are briefed on our corporate policies and strategies related to climate change as part of our CEO's update to the Executive Leadership Team.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

Ferguson-plc-Annual-Report-2020.pdf

Page/Section reference

14, 21, 24, 48 to 52, 55, 68

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Bill Brundage, Group Chief Financial Officer	Chief Financial Officer (CFO)

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

Ferguson plc is a leading value added distributor of plumbing and heating products to professional contractors operating in North America. The Group primarily purchases pre-assembled products such as industrial pipes, valves and fittings, plumbing supplies, heating ventilation equipment, and building materials. The products are then delivered to Group branches or regional distribution centers for onward sale to customers either against order or over the counter, and they may be collected by the customer or delivered to a site. The Group typically contracts with local, as well as international, suppliers for products. Contracts with customers range from individual purchases to supply arrangement for entire systems of plumbing and heating systems. The Group distributes and supplies products to residential, commercial, civil/infrastructure and industrial end markets.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	21819000000

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

No

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

Requesting member

Altria Group, Inc.

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

<Not Applicable>

Emissions in metric tonnes of CO₂e

17.3

Uncertainty (±%)

Major sources of emissions

Goods transport using Ferguson delivery vehicles

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

Portion of scope 1 goods transport emissions allocated based on proportion of sales. Assuming average goods transport emissions intensity for goods sold to Altria is comparable to Ferguson's overall goods transport emissions intensity (per \$ revenue).

Requesting member

Los Angeles Department of Water and Power

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

<Not Applicable>

Emissions in metric tonnes of CO2e

0.01

Uncertainty (±%)**Major sources of emissions**

Goods transport using Ferguson delivery vehicles

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

Portion of scope 1 goods transport emissions allocated based on proportion of sales. Assuming average goods transport emissions intensity for goods sold to LA Department of Water and Power is comparable to Ferguson's overall goods transport emissions intensity (per \$ revenue).

Requesting member

Signify NV

Scope of emissions

Scope 1

Allocation level

Company wide

Allocation level detail

<Not Applicable>

Emissions in metric tonnes of CO2e

0

Uncertainty (±%)**Major sources of emissions**

None, no sales records attributed to Signify NV

Verified

No

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

No sales to Signify NV found in our records for this fiscal year. Limitation of not knowing if goods were purchased under a subsidiary company or contractor for Signify's needs.

SC1.2**(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).****SC1.3****(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?**

Allocation challenges	Please explain what would help you overcome these challenges
Managing the different emission factors of diverse and numerous geographies makes calculating total footprint difficult	With over 39,000 suppliers, we must implement a more robust supplier management system to accurately provide this information to our customers. Our business is implementing this change over the next year.
Diversity of product lines makes accurately accounting for each product/product line cost ineffective	We are working to develop an omni-channel approach that will track emissions for each order, regardless of the channel. A list of key products from the supplier that they want emissions info for would be helpful.

SC1.4**(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?**

Yes

SC1.4a

(SC1.4a) Describe how you plan to develop your capabilities.

Developing these capabilities will require integrating carbon data into our supplier management platforms and our logistics network. We are carrying out a strategic plan for the Sustainability Program that includes these goals. We are particularly interested in conducting life cycle analyses for our Own Brand products.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

No

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services?

No, I am not providing data

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain questions?
I am submitting my response	Investors Customers	Public	Yes, I will submit the Supply Chain questions now

Please confirm below

I have read and accept the applicable Terms