

**FERGUSON PLC**  
(the "Company")

**TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE**

**1. Membership**

- 1.1 The Remuneration Committee ("Committee") shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Committee Chairman. The Committee shall comprise of a chairman and at least two other members, none of whom should be executives. The Chairman of the Board may be a member of the Committee but not its chairman.
- 1.2 The Committee Chairman shall be appointed by the Board and shall be an independent Non Executive Director. In the absence of the Committee Chairman the remaining members present shall elect one of their number present, other than the Chairman of the Board, to chair the meeting.

**2. Secretary**

The Company Secretary shall act as the Secretary of the Committee ("Secretary").

**3. Quorum**

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by, the Committee.

**4. Meetings**

- 4.1 The Committee shall meet not less than twice a year and at such other times as the Chairman of the Committee shall require.
- 4.2 Meetings of the Committee shall be summoned by the Secretary at the request of any member of the Committee.
- 4.3 The Chairman of the Company, Group Chief Executive and Group HR Director shall have the right to address any meeting of the Committee; others may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee.

**5. Minutes of Meetings**

- 5.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names and roles of those present and in attendance.
- 5.2 In advance of or at the beginning of each meeting, each member of the Committee and those in attendance should indicate the existence of any conflicts of interest, which shall be minuted accordingly.
- 5.3 Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

## 6. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting in order to respond to any shareholder questions on the Committee's activities.

## 7. Duties and Powers

### 7.1 The Committee shall:

- (a) determine and agree with the Board the remuneration policy for the Group Chief Executive, the Chairman of the Company, the Executive Directors (together the "Board Directors"), the Group Company Secretary, and, based on proposals from the Group Chief Executive, the members of the Executive Committee (together all referred to as the "Relevant Executives"). The remuneration policy for the Non Executive Directors shall be a matter for the Chairman and the executive members of the Board to be decided at a meeting of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration. The Company shall give notice of the intention to move a resolution to approve the remuneration policy for the Board Directors and the Non Executive Directors at every third Annual General Meeting of the Company or, if earlier, such other Annual General Meeting or Extraordinary General Meeting of the Company, as the Board shall determine;
- (b) in determining such policy, consider the business strategy of the Group and how its policy reflects and supports the business strategy and all other factors which it deems necessary, and shall have regard to pay and employment conditions across the Group, particularly when determining annual salary increases. The objective of such policy shall be for executive remuneration to be designed to promote the long-term success of the Company, including by attracting, retaining and motivating Relevant Executives of the quality required to run the Company successfully and ensuring that members of the Company's executive management are provided with remuneration that reflects and supports the business strategy of the Group as well as appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- (c) review the ongoing appropriateness and relevance of the remuneration policy;
- (d) not authorise any payment or proposed payment to any existing, proposed or previous Executive Director or Chairman ("Relevant Directors") that the Committee does not honestly and reasonably believe is consistent with remuneration policy most recently approved by shareholders ("Approved Policy"). Prior to any changes being made to the remuneration of Relevant Directors, the agreement of the remuneration package of any proposed Relevant Director prior to appointment, the agreement of the terms of any settlement with any departing Relevant Director and at any other times considered appropriate by the Committee Chairman, the Committee shall ensure that payments and proposed payments to Relevant Directors are consistent with the Approved Policy. This paragraph 7.1(d) took effect on and from 25 November 2014, the date of the 2014 Annual General Meeting of the Company at which the Company's directors' remuneration policy was first approved by shareholders;
- (e) the Committee shall also liaise with the Nominations Committee to ensure that the remuneration of newly appointed Relevant Executives is consistent with the Company's remuneration policy and periodically review the overall appropriateness and relevance of the Company's remuneration policy;

- (f) subject to paragraph 7.1(d) in respect of Relevant Directors, determine for the Relevant Executives, including any proposed Relevant Executive:
  - (i) targets for any performance related pay schemes operated by the Company (asking the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements), and;
  - (ii) the total individual remuneration package of each Relevant Executive including, where appropriate, bonuses, incentive awards and payments and share options;
- (g) subject to paragraph 7.1(d) in respect of Relevant Directors, determine the policy for and scope of pension arrangements, service agreements for the Relevant Executives, termination payments and compensation commitments;
- (h) subject to paragraph 7.1(d) in respect of Relevant Directors, ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate is fully recognised;
- (i) in determining such packages and arrangements, give due regard to the comments and recommendations of the UK Corporate Governance Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- (j) be aware of the employee benefit structures (and any changes thereto) throughout the Company or Group;
- (k) subject to paragraph 7.1(d) in respect of Relevant Directors, review the design and implementation of all share incentive plans for approval by the Board and, where required, shareholders;
- (l) subject to paragraph 7.1(d) in respect of Relevant Directors, determine each year whether awards will be made under the Company's share incentive plans, and if so, the overall amount of such awards and the individual awards to Relevant Executives and the performance targets to be used;
- (m) review and note annually the remuneration trends across the Group;
- (n) oversee any major changes in employee benefits structures throughout the Group;
- (o) ensure that all provisions regarding disclosure of remuneration, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) or any other relevant regulations which may from time to time come into force, and the Companies Act 2006 as amended from time to time ("relevant regulations"), are fulfilled;
- (p) produce an annual report on remuneration in a form consistent with the relevant regulations and ensure that the directors' remuneration report, other than that part containing the directors' remuneration policy, is put to an advisory vote of shareholders at each Annual General Meeting and that the directors' remuneration policy is put to a vote of shareholders at least every three years and at the Annual General Meeting following any Annual General Meeting at which the advisory vote on the directors' remuneration report is not passed;
- (q) obtain reliable, up-to-date information about remuneration policies and practices in other companies and commission reports or surveys when it considers them necessary;

- (r) review the Committee's performance, constitution and terms of reference on an annual basis and report any recommendations, on any matter within its remit, to the Board
- (s) report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
- (t) ensure, through the Committee Chairman and/or any other member of the Committee appointed for the purpose, that the Company maintains contact as required with its principal shareholders about remuneration.

7.2 For the avoidance of doubt, the Committee may authorise any remuneration payment or payment for loss of office which it honestly and reasonably believes to be consistent with the Approved Policy and shall have no liability to the Company by reason of such payment subsequently being found not to be consistent with the Approved Policy.

## **8. Authority**

- 8.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or Group and to obtain, at the Company's expense, outside legal or other professional advice on any matter in order to perform its duties.
- 8.2 In connection with its duties the Committee is required by the Board to select, set the terms of reference and appoint remuneration consultants, at the Company's expense.
- 8.3 Although the Committee can seek the advice and assistance from any of the Company's executives, it will ensure that this role is clearly separated from their role within the business.

Approved by the Board  
22 March 2019