

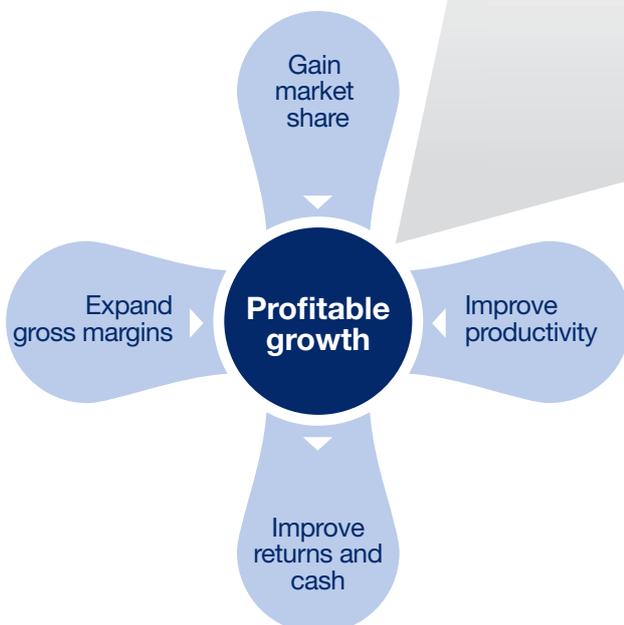
Corporate responsibility

Sustaining our profitable, long-term growth

Our Corporate Responsibility (“CR”) programme is intrinsically linked to the long-term, profitable growth of the Company. For example, reducing the number of days lost through injury improves productivity. A well-trained and motivated workforce delivers exceptional customer service and strengthens the Company’s market share. Reduced fuel and energy consumption lowers our cost base and expands our margins. The way in which each of our CR programme components underpins our business strategy is detailed over the following pages, along with our progress and objectives for the year 2012/13. More information on each programme component is provided in the pages that follow, with further case studies available on our website www.wolseley.com.

CR programme component

People Development	
Health and Safety	
Ethics Programme and Legal Compliance	
Environmental Performance	
Product Integrity	
Sustainable Construction	
Community Engagement	



Overview

Early in the financial year the CR programme was discussed and reviewed comprehensively with each business unit and with the Board. It was found to continue to provide a suitable framework and included the elements that were important for the improvement of the business and its competitiveness. During the year, greater emphasis has been given to improving the processes for the sourcing and testing of our products ("Product Integrity") and to our increasing involvement in the supply chain for sustainable construction. The seven key themes are shown opposite. These were identified by business unit management as those which could make the greatest contribution to operational improvement. The essential principle with all programme components is that they are integral to the way we do business.

Key developments in the year

"People Strategy" updated and approved by the Board.

All branches reassessed for health and safety performance.

Health and safety systems across the Group reviewed and improved.

Ethics programme and Code of Conduct further embedded into the business.

Controls relating to bribery, fraud, corruption and anti-trust further strengthened.

Environmental improvement targets set for all Wolseley businesses.

Greater accuracy in environmental data reporting with reduced reliance on estimates.

Product Integrity programme launched and Group-wide Product Integrity policy and operating framework adopted.

Ethical sourcing policies and practices strengthened.

Increased customer training in sustainable construction products.

Continued increase in Wolseley backhauling of product from suppliers, reducing supplier emissions.

Governance of Corporate Responsibility

Who has overall accountability and sets direction?

The overall programme is agreed by the Board and reviewed annually to ensure its ongoing relevance to business strategy, stakeholder expectations and broader national and international sustainability agendas. The Group's Company Secretary and General Counsel is responsible to the Board for the overall corporate responsibility programme and for maintaining regular dialogue with business units to drive performance. Individual programme components receive more frequent review and input by the Board and the Executive Committee.

Who implements the strategy set by the Board?

With direction from the Board, business units define and execute local action plans. Business unit plans differ according to their own particular level of development and the greatest opportunities for progress in line with strategy. Recognising the business benefit of sustainable performance, a dedicated Group Risk and Sustainability Manager was recruited in February 2012 to oversee implementation.

Are targets and objectives set?

Objectives and, in some cases, quantified targets are set for all of our CR programme components. For some of our focus areas, Group-wide KPIs have been defined. This is not the case for all elements of our programme as it is not always practical to bring distinct local practices and reporting methods under one unified metric. Improved performance is our primary goal. Unified processes and measures are implemented where there is benefit in doing so. We will continue to review the potential for further Group-wide performance metrics for future reporting.

How is performance monitored?

Performance is measured by different teams for each programme component but performance is monitored across all CR programme components by the Group Risk and Sustainability team, according to each component's specific objectives and targets. This year our internal audit teams have tested compliance with policy and adherence to procedures for a number of our programme components, including our health and safety and ethics programmes. Where comparable data is available we benchmark our performance against industry standards.

How are risks assessed and mitigated?

Non-financial as well as financial risks are assessed as part of the Group's wider risk management process. These include fraud, corruption, product quality, health and safety and environmental compliance. For further information on the Group's risk management programme, see pages 42 to 47. A dedicated corporate responsibility risk assessment will be conducted in 2012/13 to ensure that our efforts are appropriately focused. Wolseley's climate-related risks are also thoroughly reviewed and documented each year as part of our submission to the Carbon Disclosure Project.

Corporate responsibility continued

Focus area	Principle	Supporting Group Strategy
People Development 	<p>We value our people and are committed to train and develop all of our employees. We understand, respect and value personal and cultural differences.</p>	<p>The development and retention of our people will lead to increased productivity and motivation, improved quality of operations and customer service, and a lowered cost base.</p>
Health and Safety 	<p>We will provide a safe and healthy working environment and we will not compromise the health and safety of any individual.</p>	<p>Protecting the health and safety of our people helps us to gain and maintain their trust and loyalty. It also ensures that we protect the skills and experience that are used to serve our customers. In addition, maintaining our physical assets minimises the risk of injury, helps us to preserve the integrity of our operations, improves efficiency, lowers our costs and improves the quality of our customer service.</p>
Ethics Programme and Legal Compliance 	<p>We are committed to observing both the spirit and the letter of the laws of all jurisdictions in which we operate, and to complying with our Code of Conduct.</p>	<p>Conducting business responsibly and with integrity minimises risks related to fraud and corruption and strengthens our reputation. It also makes our business more efficient because we avoid costly disruptions. Compliance programmes strengthen our internal controls.</p>
Environmental Performance 	<p>We will run efficient operations that consume less energy and fuel, produce less waste and reduce any negative effect of our business activities on the environment.</p> <p>We will explore opportunities to reduce the environmental impacts of our suppliers and customers.</p>	<p>Measuring our environmental performance in chosen areas will enable us to become more efficient, reduce operational costs and reduce our impact on the environment.</p>
Product Integrity 	<p>We will work with our suppliers to maintain excellent standards of product quality and safety.</p> <p>We expect our vendors, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.</p>	<p>Improving productivity and improving customer service. Compliance with our product integrity policy reduces risks of litigation, claims and disruption.</p>
Sustainable Construction 	<p>We will be a positive link in the sustainable construction supply chain.</p>	<p>Gain market share – by exploiting opportunities of this new market and by attracting and maintaining customers through new customer services.</p>
Community Engagement 	<p>We will be a responsible member of the communities in which we work.</p>	<p>Building closer relationships with the communities in which we operate helps us to promote our business, attract high quality recruits and gain a greater understanding of our customers, vendors and employees.</p>

What did we achieve this year?

What are our objectives for next year?

<ul style="list-style-type: none"> • Performance reviews were conducted for all employees at all levels. • Every business conducted employee engagement surveys on a regular basis and set improvement targets based on the output from those surveys. • Robust talent review and succession plan process in place in all clusters and at a Group level. 	<ul style="list-style-type: none"> • To improve the diversity of the workforce. • To improve workforce productivity. • To assess senior leadership development. 	 Further information See page 52
<ul style="list-style-type: none"> • Improved health and safety performance throughout the Group. • Set targets at business unit and Group level. • Element of management bonuses dependent on improvement of health and safety performance. 	<ul style="list-style-type: none"> • To set business unit and Group targets based on the three Group metrics for the coming year. 	 Further information See page 53
<ul style="list-style-type: none"> • Continued training of employees. • Undertook anti-corruption risk assessment in certain business units. 	<ul style="list-style-type: none"> • To complete training. • To assess major suppliers and business partners. • To run advanced face-to-face competition law training for relevant employees. 	 Further information See page 55
<ul style="list-style-type: none"> • Thoroughly reviewed our environmental efficiency programme, shared best practice and set targets at business unit and Group level. 	<ul style="list-style-type: none"> • To reduce tCO₂e (carbon emissions) by 7.5%.* • To reduce waste to landfill by 15%.* <p><small>*both relative to £million revenue, achievable by 31 July 2014 and measurable against a 2011/12 baseline)</small></p> <ul style="list-style-type: none"> • To further improve data accuracy by reducing reliance on estimates. 	 Further information See page 56
<ul style="list-style-type: none"> • Made progress in ensuring contract terms with existing and new key business partners meet the standards of our ethics programme. • Adoption of Product Integrity policy and operating framework. • Development of Product Integrity KPIs. 	<ul style="list-style-type: none"> • To conduct risk assessments against all of our major product categories. • To measure performance against Product Integrity KPIs. 	 Further information See page 59
<ul style="list-style-type: none"> • Assessed the scope and potential for our sustainable product offering. 	<ul style="list-style-type: none"> • To monitor the market opportunities and share best practice around the Group. 	 Further information See page 60
<ul style="list-style-type: none"> • Continued our support of the Impetus Trust and the Prince's Foundation for Building Community, and supported a great number of charity and community events. 	<ul style="list-style-type: none"> • To maintain and strengthen our businesses' links with their communities. 	 Further information See page 61

Corporate responsibility continued

 **People Development**

How does “People Development” underpin our strategy?

It is a business imperative to nurture and develop employees. A skilled and engaged workforce delivers excellent customer service, develops strong vendor relationships, and maximises operational efficiencies. New and more productive ways of working can be identified by a motivated and creative workforce.

What does “People Development” entail?

Our “People Strategy” was developed during 2011/12 and was approved by the Board.



People development is fundamental to our People Strategy – four of the six key components of the strategy relate directly to it and are described in more detail below.

<p>Leadership</p> <p>This includes running leadership and management development programmes, succession and promotion from within, modelling the right values and behaviours, and leadership in health and safety.</p>
<p>Performance management</p> <p>This includes embedding basic people management skills, performance review and appraisal, coaching and mentoring, honest feedback and increasing productivity.</p>
<p>Training and development</p> <p>This includes the provision of training skills for front-line employees, focusing on sales force productivity, branch manager development, functional standards and skills development, and induction.</p>
<p>Talent management</p> <p>This includes the development of a pipeline of talent, succession planning, development plans and career pathing, targeted recruitment, objective assessment, movement of talent through international assignments and improving workforce diversity.</p>

What did we achieve in 2011/12?

We provided skills training for front-line employees.

This has remained a strategic priority for the Group. Training programmes have been executed in all businesses. Wolseley Canada launched “Sales Effectiveness” training and “Driving a Culture of Customer Service Excellence” training, completed by over 400 employees. Ferguson provides specific sales training each month via a web-based FastTrain module on its intranet. Wolseley UK has launched an online training academy as part of a customer service and employee development drive, offering a broad range of modules. Around 1,000 courses are completed each month.

All employees received a detailed performance review and feedback from their manager.

The results of these reviews inform their individual development plans and objectives for the next year.

We offered people development training to managers.

This is to ensure that high quality performance reviews and development discussions are held with all of our employees.

For the second consecutive year, we conducted engagement surveys in all of our business units.

We are pleased to report that scores have increased in all businesses compared to the previous year and remain very high when compared to industry averages in all countries of operation. At Ferguson, we are conducting quarterly Pulse Surveys on employee job satisfaction. This allows Ferguson leaders and the HR team to react quickly to current employee concerns.

We continued to manage an in-depth talent review and succession planning process for our senior leaders.

This took place with the Executive Committee and the Board. We have upgraded our succession planning process by making objective assessment an integral part of any senior internal appointment or external recruitment.

What are our objectives, how did we perform in 2011/12 and what are our targets for 2012/13?

2011/12 objectives	Performance	2012/13 objectives
To conduct performance reviews for all employees at all levels.	Complete	Diversity We will prioritise workforce diversity at all levels of the organisation.
To conduct employee engagement surveys on a regular basis and set improvement targets based on the results.	Complete	Workforce productivity In 2012/13, major emphasis will be put on productivity and operational efficiency across the business.
To put in place a robust talent review and succession plan in all clusters and at a Group level.	Complete	Senior leadership development We will assess our senior leadership development programmes and redesign as appropriate to ensure that they align with our strategy.

Ferguson focus on customer service

This year some of Ferguson's well-established customer service training programmes were targeted to specific high-impact roles, such as counter sales associates. The counter training programme focuses on several areas including the inventory mix, stock levels, merchandise displays, the floor plan and layout, building customer relationships, and sales training. Feedback and findings from the secret shopper programme were integrated into the training and used as a teaching tool, to recognise outstanding associate behaviour and to identify opportunities for improvement.



Health and Safety
How does "Health and Safety" underpin our strategy?

A robust health and safety programme and a positive health and safety culture improve productivity by reducing the number of days lost to injury. It helps to protect profitability by reducing our liabilities and helps to gain market share where contracts require strong health and safety credentials.

What does "Health and Safety" entail?

Our businesses are continuously improving the systems in place to manage the health and safety of our employees, customers and others with whom we come into contact. These systems include policies stating our approach and intent, and tools such as risk assessments, documented safe working practices and self-assessments. At a Group level we measure and report injury rates, lost workday rates and collision rates. For many of our businesses, additional business or country specific measures are in place.

What did we achieve in 2011/12?**We improved performance against our three health and safety metrics.**

Our performance metrics are injury rate, lost workday rate and fleet collision rate. These are shown on page 54.

We assessed the maturity of our health and safety management systems.

Business units scored themselves on a maturity matrix in the following categories: culture and values; policies and standards; governance and director competence; organisational structures, roles and responsibilities; management systems; performance management; and monitoring and audit. The results were benchmarked against publicly available information on our competitors and other companies regarded as leaders in health and safety management. Whilst there were areas of very good practice, we found some aspects of our processes to be below the standards we aspire to and we have worked hard to improve our performance over the last year (see the table overleaf). We repeated the self-assessment in August 2012 to gauge our progress and to identify key areas for improvement in the coming year. Our aim remains to demonstrate good practice in all categories and in all parts of the Group.

Health and safety has more prominence on Executive Committee and Board agendas.

The Executive Committee and the Board conduct quarterly reviews of health and safety performance.

A comprehensive Board review of health and safety performance and programmes takes place once a year.

Operational branch audits were completed in all major businesses by December 2011.

Self-assessments for the UK, USA, Denmark, Sweden, Finland, Austria, Switzerland, France and Canada are complete. Action plans are being implemented to deliver against the audit recommendations.

Corporate responsibility continued

Internal audits have been conducted in a number of our businesses to assess health and safety compliance and the accuracy of reported data.

Internal audits of health and safety compliance have been completed in the USA, France, the UK, Canada, and most Nordic and Central European businesses.

Internal audits of the KPI reporting process have been completed in each region.

Employee surveys on health and safety were completed in most business units.

Where possible, specific health and safety questions were integrated into the employee engagement survey process. Also, Ferguson dedicated one of their quarterly employee surveys to health and safety, gaining input on attitudes from over 1,000 employees. The UK business integrated health and safety questions into its "Have your say" engagement survey.

Health and safety specialists across the Group regularly share best practice.

Health and safety specialists from each region participate in a quarterly best-practice call.

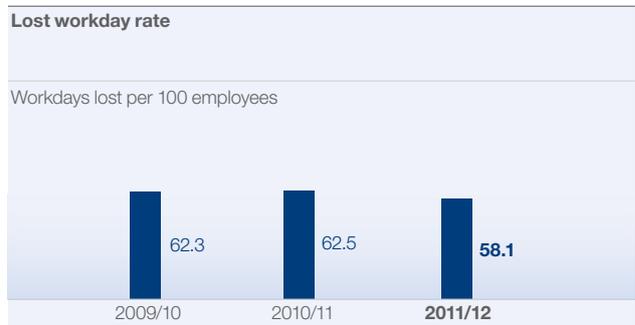
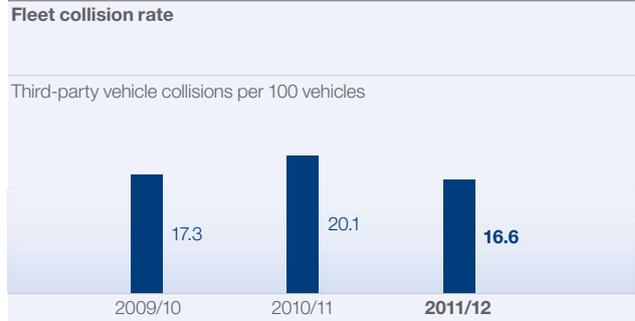
Health and safety specialists met at the Wolseley Risk Conference in April 2012 where they had dedicated workshops on performance improvement.

What are our metrics, how did we perform in 2011/12 and what are our targets for 2012/13?

2011/12 metrics	Performance	2012/13 targets
Fleet collision rate	17% improvement	To set business unit and Group targets based on the three Group metrics.
Lost workday rate	7% improvement	
Injury rate	5% deterioration	

We are pleased to report a reduction in our collision rate (17% improvement) and lost work day rate (7% improvement) across the Group. Our injury rate has increased (5% deterioration) attributable to improved data and an increase in the number of new employees. Each business unit has improvement targets in place for the coming year.

The charts that follow show our performance over the past three years. Following a review of the three Group KPIs, we decided to report injuries per 100,000 hours worked instead of per 100 employees. We have done this in order to move our reporting metrics more in line with industry standard reporting practices to allow us to benchmark our performance more effectively. The injury rate per 100 employees has been presented in the chart this year for consistency purposes as we transition to the new metric.



Reducing injuries in Canada

Wolseley Canada has reduced work-related injuries by over 40 per cent and lost workdays by over 67 per cent in the last five years as a result of the ongoing implementation of the Occupational Health and Safety Management System (OHSMS) 18001. The process involved a detailed gap analysis, new policy development, best-practice sharing initiatives, job hazard analysis and a commitment to ownership by branch management. A bi-annual health and safety Facility Self-Assessment was initiated in the last financial year to continuously self-evaluate branch safety performance. A financial reward is given to those branches that achieve 90 per cent conformance to the OHSMS 18001 Assessment. To date, over 80 per cent of the branches in the programme have a score of 90 per cent or better.



Ethics Programme and Legal Compliance

How does the “Ethics Programme and Legal Compliance” underpin our strategy?

Compliance with the letter and the spirit of the law and a commitment to high ethical standards protects our business from unforeseen liabilities and strengthens our reputation with stakeholders; it nurtures trust across our customer and supplier base; it gives reassurance to our shareholders; and it instils confidence in our workforce.

What does the “Ethics Programme and Legal Compliance” entail?

Our Ethics Programme and Code of Conduct aim to strengthen our core values (see page 11) by setting out in clear terms the standards and behaviour expected of our employees and, in some cases, our business partners. It sets out the high ethical standards which Wolseley expects from its employees and others carrying out its business, focusing on compliance with the law, in particular avoiding bribery, corruption and fraud, maintenance of gifts and hospitality registers, preservation of confidential information, managing conflicts of interest, treating customers and vendors fairly, engaging in fair competition, maintaining high standards of corporate governance, providing a safe and healthy working environment, running efficient operations, minimising waste and limiting our environmental impact, and developing our employees and valuing diversity.

What did we achieve in 2011/12?

Our Code of Conduct was further embedded into the business following its introduction in the last financial year.

All new joiners are required to complete training on our Code of Conduct, competition law and anti-bribery and corruption, tailored to their role and seniority.

Our controls for the prevention of bribery, fraud and corruption were strengthened over the year.

Employees most at risk were identified and a programme of training is in place. Internal audits were carried out in the UK and further audits are planned for the next financial year. Areas for improvement have been identified and action plans developed. Businesses are also planning to assess their suppliers to review their compliance with bribery and corruption policies, and are conducting risk assessments of bribery and corruption risks.

An online competition law refresher course is in the process of being introduced throughout our businesses.

This supplements the full online training course that is provided every two to three years. Advanced face-to-face competition law training is being developed and will be provided to relevant employees during 2012/13.

We continue to encourage our employees to report any incidences of non-compliance through our Group-wide confidential reporting system, “Speak Up!”.

Employees can disclose information in any language, confidentially and anonymously via an international hotline, voicemail or web message. The confidential reports are investigated and, where necessary, actions are taken to rectify any weakness in our systems that may have been identified. These actions, and the overall integrity of the reporting system, are subject to regular scrutiny by the Audit Committee.

What are our objectives, how did we perform in 2011/12 and what are our objectives for 2012/13?

2011/12 objectives	Performance	2012/13 objectives
To train relevant employees on anti-bribery and corruption.	In progress. Training being provided in all businesses.	Complete anti-bribery and corruption training.
To improve due diligence procedures.	In progress. We started to identify and categorise our business partners in order to prioritise due-diligence efforts.	Assessment of major suppliers and business partners. Delivery of advanced competition law training.



Corporate responsibility continued

 **Environmental Performance**

How does “Environmental Performance” underpin our strategy?

The reduced consumption of energy, fuel and water and production of waste lessens our environmental impact whilst reducing cost, improving our operational efficiencies and expanding our gross margins. Responsible environmental management helps to protect our reputation, as increasingly customers assess our environmental credentials through pre-qualification questionnaires.

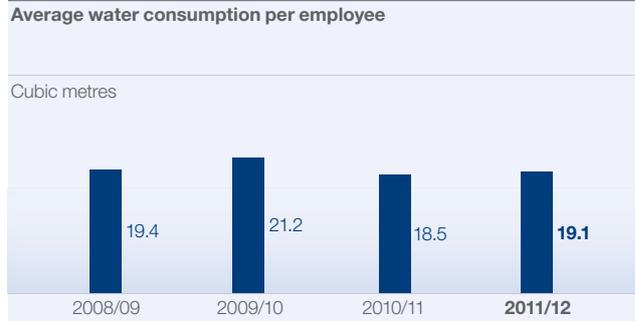
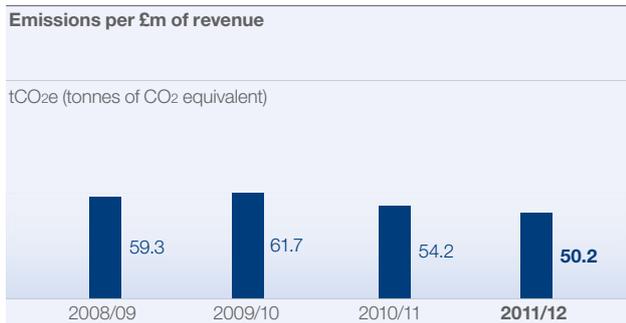
What does “Environmental Performance” entail?

Environmental performance concerns the management and reduction of our greenhouse gas emissions, our waste and our water consumption. Where possible, we work with our suppliers to reduce their environmental impacts. For example, we reduce supplier transport emissions by “backhauling” product from their factories when our trucks would otherwise return empty to our distribution centres. This reduces the mileage and related CO₂ emissions of our suppliers whilst also reducing Wolseley’s costs and number of “empty miles” on the road.

What did we achieve in 2011/12?

We reduced our absolute greenhouse gas emissions (12% improvement), waste production (6% improvement) and water consumption (6% improvement).

We reduced the intensity of greenhouse gas emissions and waste production (per £million of revenue). Water consumption (per employee) increased slightly.



Our performance statistics and examples of how our businesses have improved their environmental performance are detailed in the greenhouse gas emissions, in the waste and water sections that follow, with further examples available on our website www.wolseley.com.

All of our businesses now have environmental targets in place.

The environmental impacts that are most material to Wolseley are vehicle fuel consumption, electricity consumption and waste production. All businesses now have reduction targets in place for their two biggest carbon contributors (i.e. fuel and energy) and waste to landfill. Local targets differ according to local business objectives, ensuring that performance targets are owned by and remain the responsibility of each business unit. The Group-level targets are an aggregation of the targets set by each of our businesses.

We have improved the reliability of our environmental data.

Significant efforts have been made to gain visibility of actual consumption data and to rely less on estimates. The level of data derived from estimates has dropped from 60 per cent to 36 per cent in our greenhouse gas reporting, from 74 per cent to 23 per cent in our waste reporting and from 83 per cent to 25 per cent in our water reporting. Future years will see the estimation level drop further as we challenge old processes and work with our suppliers and branches to improve data accuracy and completeness.

The valuable knowledge of our environmental experts is now shared across the Group.

Knowledge sharing sessions have been run to develop best practices and facilitate achievement of targets.

The following pages describe our future targets and historical performance. Future targets have been set against a relative measure, e.g. per £million revenue. Historical performance shown in the charts on pages 57 and 58 show absolute figures.

What are our metrics, how did we perform in 2011/12 and what are our targets for 2014?

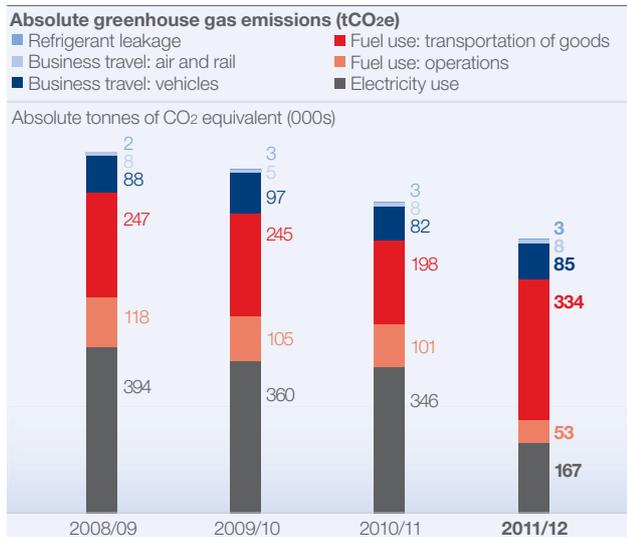
2011/12 metrics	Relative performance	2014 targets
1. Greenhouse gas emissions (tCO ₂ e per £m revenue)	7.3% improvement	-7.5%
2. Waste Non-hazardous (tonnes per £m revenue)	0.5% improvement	-15% (waste to landfill)
Waste Hazardous (tonnes per £m revenue)	40.1% improvement	No Group level target.
3. Water (cubic metres per employee)	3.1% deterioration	No Group level target.

The Group-level targets presented above are relative to £million revenue. The targets are against a 2011/12 baseline, with a target date of 31 July 2014.

Performance figures are based on precise data rather than the rounded data shown in the charts. Where environmental data has not been included due to business disposals, the relative measures (revenue and employees) have been recalculated to ensure a like-for-like comparison.

The Group has lowered its relative impact for both greenhouse gas emissions and waste production. Absolute figures reduced across all three metrics. Improved data accuracy significantly influenced these figures as businesses reported more actual data and relied less on estimations. Additionally, new data has been captured that was not included in previous years' reporting.

1. Absolute greenhouse gas emissions (tCO₂e)



Greenhouse gas emissions are reported as tonnes of CO₂ equivalent (abbreviated as tCO₂e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol. The GWP of CO₂ is 1 (1 tonne CO₂ = 1 tonne CO₂e). For other greenhouse gases in the "basket of six", including refrigerants, the GWP is relative to the CO₂ over a 100-year time horizon (e.g. one tonne of the refrigerant R407C is equivalent to 1,526 tonnes of CO₂ in terms of its potential impact on climate change).

As a Group, our biggest contributors to carbon emissions are vehicle fuel (64.4 per cent of total tCO₂e, including both commercial and company car fleets), and electricity (25.7 per cent). Fuel consumption for operations (i.e. gas, oil and district heating consumption) represents 8.2 per cent of our carbon footprint. Refrigerant leakage and business travel account for 0.4 per cent and 1.3 per cent respectively. As in previous years, tCO₂e emissions have been reported in accordance with the Greenhouse Gas Protocol ("GHG Protocol"). Wolseley reports on its Scope 1 and Scope 2 emissions, as defined by the GHG Protocol, and aims to report on its Scope 3 emissions wherever possible. The chart in the previous column therefore includes selected Scope 3 emissions (those arising from business travel).

Local initiatives that have driven reductions in our tCO₂e emissions from our commercial vehicle fleet include the phased switch towards higher-efficiency vehicles, the monitoring of idling time for trucks, and route optimisation programmes. Company car fleets are increasingly low-carbon as businesses transition their fleets to more fuel-efficient vehicles. Regarding fuel use for operations, solutions have included the installation of building-management systems, heating system upgrades and fuel-switching (i.e. oil to gas heating) where possible. Reductions in electricity consumption have been achieved through the use of energy-efficient lighting, data centre consolidation and various behavioural initiatives. More detailed case studies are available on our website.

Greening of Ferguson

Ferguson has established standards to quantify its environmental impact, and created a dashboard to track progress. The company's six initial areas of focus are: recycling; fuel usage; utilities; landfill; water consumption; and distribution centre transportation (or reducing "empty miles"). A recent pilot programme to retrofit lighting in Ferguson's distribution centres has delivered significant savings, while also reducing carbon emissions by 3,383 tCO₂e per annum. The new fixtures utilise motion sensors to provide on-demand lighting and are much brighter, creating a better work environment. In addition to lighting upgrades, the company is raising awareness and exploring many options to reduce its environmental impacts through activities such as replacing aerators on faucets, installing low-flush toilets, and advancing recycling efforts.



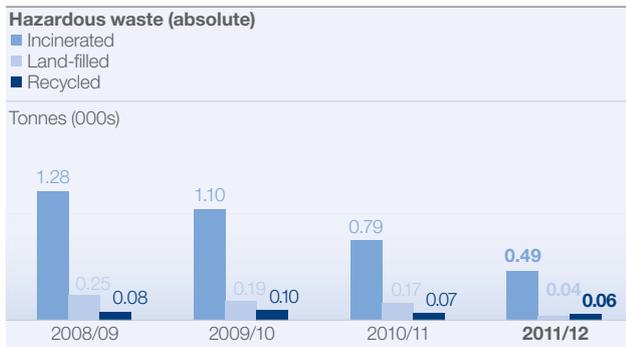
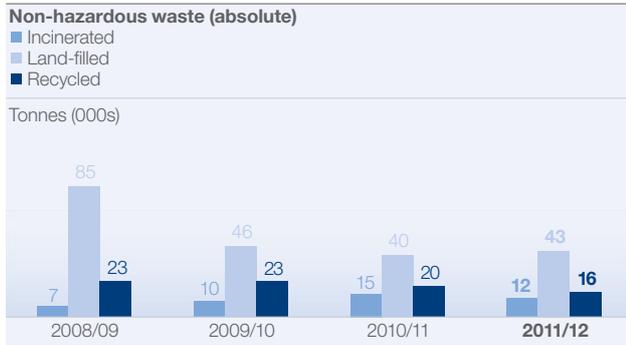
Corporate responsibility continued

Additionally, we reduced our suppliers' emissions through "backhauling".

Wolesey UK estimates that it saved at least 1,512,245 supplier kms in 2011/12, equating to 1,376 tonnes of avoided supplier transport emissions. In the USA, Ferguson also carries out backhauling for suppliers through its carrier, UPS. Ferguson filled 38 per cent of its distribution centre backhaul "empty miles" in 2011/12, versus 35 per cent for the 2010/11.

2. Waste management

Wolesey moves large volumes of product through its supply chain, generating non-hazardous packaging waste and some damaged or obsolete stock. The Group's businesses also create smaller quantities of hazardous waste. Definitions vary from country to country: hazardous waste may include items such as batteries, paint and electronic equipment; non-hazardous waste typically includes materials such as paper, plastic and metal.



In 2011/12, 10 per cent of hazardous waste and 22 per cent of non-hazardous waste was recycled. This compares with 7 per cent and 27 per cent respectively for the previous year. The remaining waste was sent to landfill or incinerated. Whilst total waste tonnage decreased by 6 per cent, non-hazardous waste sent to landfill increased by 8 per cent. This is largely due to improved data accuracy, not worsening performance. Our business units strive to increase the proportion of total waste that is recycled, and reduction targets for waste to landfill will help in achieving this.

Wolesey UK's Leamington Spa site, comprising the Wolesey Center, the National Distribution Center (NDC) and the Sustainable Building Center now sends zero waste to direct landfill, after the three buildings all reached industry-leading waste targets. Following a complete change in the way waste is handled, 99.8 per cent of waste at the NDC and 97.5 per cent of waste from the Wolesey Center is now recyclable, meaning that just 2.7 per cent of the site's entire waste is compacted and sent for incineration to generate electricity.

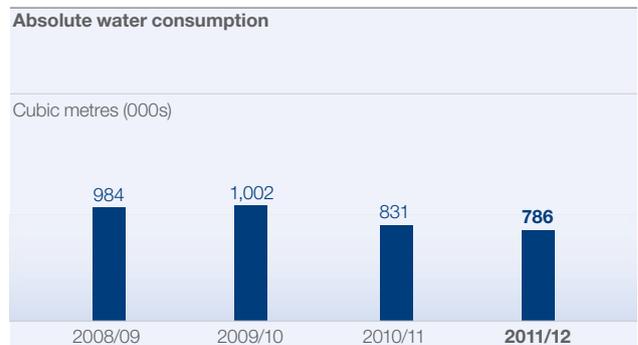
80 per cent less waste sent to landfill at Beijer Byggmaterial

Beijer Byggmaterial in Sweden is ISO14001 certified at all 65 branches and waste management is a core part of the environmental management system. Over the past ten years Beijer has reduced the level of waste sent to landfill from 100 per cent to less than 20 per cent of total waste produced. Beijer started by setting up recycling stations at branches and signing agreements with local waste contractors. Since work began in 2001, the legal requirements in Sweden have tightened and waste management has improved even further. Efforts to improve waste management are continuous, and Beijer target an additional 25 per cent reduction on waste to landfill over the next two years. The cost of sending waste to landfill is high and efforts to reduce the impact of waste produced also serves to protect the bottom line.



3. Water use

The majority of the Group's water consumption is related to normal operational and sanitary use. Although water consumption is not as material a factor in our operations as it would be for a manufacturer, we have continued to measure water consumption throughout the Group in an effort to monitor our water consumption and identify opportunities to increase our water efficiency. Some of our local businesses have targets in place for reduced water consumption but targets are not required for all businesses and a Group-level target has not been set.



This year, our absolute water use decreased by 6 per cent. However, the average water consumption per employee increased by 3.1 per cent, largely due to improved accuracy in our data reporting.

✓ Product Integrity

How does “Product Integrity” underpin our strategy?

At Wolseley, product integrity means ensuring that we source and supply safe products that are of suitable quality as efficiently as possible. In doing so we improve the efficiency of our processes, aim to improve our margins, avoid liability arising from defective products and maintain or grow market share through enhanced customer satisfaction and confidence.

What does “Product Integrity” entail?

Product integrity includes:

- ensuring that our products are reliable and robust, and safe when used for their intended purpose; and
- understanding our business partners, the quality of their systems and how they conduct their business and provide their services; and
- ensuring compliance with legal standards.

What did we achieve in 2011/12?

We issued a Group-wide Product Integrity policy.

This is supported by a standard operating framework, to improve the integrity of the products we source.

Business units have begun to implement more structured procedures for the evaluation of suppliers and products.

Some already conduct more systematic risk assessments in accordance with the new policy. This activity will continue through the next financial year.

We continued to strengthen our timber sourcing policies and procedures.

In March 2013, the EU Timber Regulation (EUTR) will come into effect. The regulation introduces obligations for confirming the integrity and source of products on the operator and/or importer of the timber products. Operators must implement a due diligence process which enables them to trace timber products at every stage in the chain of custody and to confirm their legality at the place of harvest. Wolseley has already been assessing its timber products for a number of years and, working with a specialist business partner, has developed a system which we expect will meet the requirements of the EUTR.

Efforts to improve our commitment to product integrity are continuous. In addition to the introduction of greater consistency in our processes, there is now closer collaboration amongst our sourcing and quality assurance and quality control specialists within the Group to ensure that best practices are shared more effectively.

What are our objectives, how did we perform in 2011/12 and what are our objectives for 2012/13?

Metrics

2012/13 objectives

Product integrity metrics will begin to be reported during 2012/13. These will focus on improving the reliability of our suppliers, reducing the value lost through defective products supplied to us, and ensuring that we have sound contract procedures in place throughout our businesses.

To conduct risk assessments against all of our major product categories.

To measure our Product Integrity performance against agreed metrics.

UK Awarded ISO9001 Certification

The UK business has achieved ISO9001:2008 certification, an internationally recognised standard for Quality Management Systems. Its nationwide branch network comprising Plumb and Parts Center, Pipe and Climate Center, Integrated Services and Drain Center, as well as its distribution centres, are now certified under the standard, which is independently assessed by an accredited third party. ISO9001 certification demonstrates that Wolseley has implemented an effective Quality Management System throughout its business which satisfies all of the requirements for the products and services it provides to customers. However large or small the purchase, customers can be confident that Wolseley has the necessary policy, systems, processes and procedures to manage resources and training, the placement of quality assured products on the market and the preservation and handling of product.



Corporate responsibility continued

Sustainable Construction

How does engagement in the “Sustainable Construction” supply chain underpin our strategy?

The requirement for sustainable construction is growing at differing rates in our markets and, where the market opportunity exists, we can gain market share by stocking sustainable construction products and by offering training and advice to our traditional customer base.

What does engagement in the “Sustainable Construction” supply chain entail?

There is no standard definition of what “Sustainable Construction” products are. In general terms they include products that:

- improve the thermal efficiency of a building (i.e. insulation products, draft-proofing); or
- increase the efficiency of a building’s systems (i.e. heating controls, energy-efficient lighting, water-efficient showers); or
- generate clean energy (i.e. solar thermal or ground-source heat pumps).

The sustainability of a product also refers to its impact over its life-cycle and takes into account the scarcity of the materials that go into its fabrication, the environmental impact arising from its production, and the waste impact at end of use.

Each of our businesses develops their product and service offerings according to local market conditions. Engagement in the supply chain for these products can include the stocking and promoting of relevant products, and offering training and advice to both customers and our own employees.

What did we achieve in 2011/12?

We worked to engage our customers in sustainable construction

We recognise the need for traditional plumbing and heating engineers to be familiar with new renewable products and solutions, and have developed facilities that allow customers to experience the products first hand. In 2008, Wolseley UK opened the Sustainable Building Center, the UK’s first commercial showcase for sustainable building products and construction methods. It has since opened a number of renewables showrooms around the UK. Wasco in the Netherlands and ÖAG in Austria have also opened specialist energy showrooms to showcase the latest energy-efficient or sustainable products.

Training is a key element of the customer proposition in this sector, with some Wolseley businesses developing comprehensive training courses and opening training centres to encourage the industry to get on board. Equipping our own employees with the necessary expertise to sell into this market is equally important. France launched its “Eco Chantiers” renewables model in 2010, training over 300 of their employees to be energy-efficiency and renovation experts.

We publish tailored sustainable-product guides in a number of markets to assist customers in identifying better products. Beijer, in Sweden, has developed a product label called “Green Choice” which helps its customers to select products that enable improved energy-efficiency and reduced carbon emissions.

Where relevant our businesses are engaging with policy makers with regard to building regulations and retrofit energy efficiency policy. In particular, Wolseley UK has actively participated in government consultation processes for the “Green Deal”, the UK’s flagship energy efficiency policy due for launch in autumn 2012. In addition, individuals contribute their time and expertise in the development of briefing documents and in otherwise contributing to consultations and legislative proposals.

What are our objectives, how did we perform in 2011/12 and what are our targets for 2012/13?

The Board reviewed our approach to the market opportunity for sustainable construction products during 2011/12. The Company will not set prescriptive actions or targets in this area at a Group level due to varying levels of market development and differing business strategies. Business units will continue to regularly monitor the market opportunity for these products and will share expertise and best practice across the Group to facilitate market entry or increased market share.

Wolseley UK engages with the “Green Deal”

Plumb Center, in the UK, is developing its plans to engage in the “Green Deal” from autumn 2012. The Green Deal is the UK Government’s policy to achieve carbon savings from existing buildings. The basis of the Green Deal is to provide capital to allow building owners to carry out energy efficiency work and then repay the cost of the work over an extended period through their electricity bills. Plumb Center, together with training partners Sevenoaks Energy Academy, is providing certified training and qualifications for customers wanting to become Green Deal Advisors and Installers. The first of Plumb Center’s Green Deal Workshops took place on 14 June and was attended and endorsed by the Energy and Climate Change Minister, Greg Barker. Plumb Center is positioning itself as a key link in the Green Deal supply chain by providing their customers with the products, skills and tools required to deliver Green Deal measures.



Head of Sustainability, Tim Pollard (left) flanked by (l-r) Energy and Climate Change Minister Greg Barker; Keith Jones, MD Plumb Center & Parts Center; Darran Rickards, Product, Process & Logistics Director; and Simon Allan, Director of Renewables, at the Sustainable Building Center, Leamington Spa.

Community Engagement

How does “Community Engagement” underpin our strategy?

By engaging with the communities in which we operate we promote our business, attract high quality recruits and gain a greater understanding of our customers, vendors and employees. Community or charitable events serve to enhance employee skills and increase employee engagement.

What does “Community Engagement” entail?

Our businesses seek to be contributing members to the communities in which they operate. We also support a number of charitable organisations both at a Group and a business unit level. Our principal areas for charitable support continue to be the alleviation of homelessness, the provision of training for the homeless or marginalised in order to allow them to return to work, and the improvement of the quality of the built environment. Our businesses have also supported numerous other charitable causes, including support for neglected and vulnerable children and provision of care for sufferers of cancer or other illnesses.

Who is responsible?

Community engagement is, by its very nature, a local activity and our corporate head offices and individual businesses manage their own activities in this area to suit their own preferences and locations. We encourage all of our employees to engage in charitable or community activities outside the workplace and we recognise the value that this brings to communities and the personal reward and new skills it can bring to our employees.

What did we achieve in 2011/12?

Our employees engaged in a great number of community and charity events.

For examples of the events and schemes our employees and businesses have supported over the last year please visit our website www.wolseley.com.

We are in the third year of our partnership with Impetus Trust.

Impetus works to break the cycle of poverty by investing in ambitious charities and social enterprises that fight economic disadvantage through helping people to gain education, skills and jobs. It uses a highly effective venture philanthropy model, consisting of management support from the Impetus investment team, pro bono specialist expertise and strategic funding, to accelerate the growth of those organisations. This has led to impressive growth rates in charities Impetus has supported, on average increasing their annual income by 31 to 40 per cent. Included in the Impetus portfolio is Blue Sky Development and Regeneration – see our website for more details.

In the UK, we are a member of the Corporate Partnerships Programme of the Prince’s Foundation for Building Community.

During the year, the Prince’s Foundation for the Built Environment re-oriented its strategy towards the improvement of communities. With its new name – the Prince’s Foundation for Building Community – it focuses on the impact that community building can have on people’s lives. This year Wolseley enhanced its support by joining the Corporate Partnerships Programme.

Ferguson helps the homeless

Ferguson associates at their headquarters in Newport News, Virginia, recently participated in the *Peninsula 50* campaign to identify and secure housing for the most vulnerable homeless individuals and families in its community. The local campaign is part of state and nationwide efforts to find permanent homes for 100,000 of the country’s most vulnerable homeless persons by July 2014. Associates from Ferguson’s headquarters volunteered their time from 4 to 7am for three days, logging names, phone numbers, health information and housing history, to identify those most vulnerable to premature death because of homelessness. In addition to volunteer services, Ferguson has also given financial support to the Greater Virginia Peninsula Homelessness Consortium which brings together numerous non-profit organisations working to secure housing and services for the area’s homeless population.



 More information on our CR programme, including further case studies, statistics and examples of our practices, our employee training programmes, awards and community engagement can be found on the Wolseley plc website at <http://www.wolseley.com/corporate-responsibility.aspx>. Further business unit information is also available on the websites of our subsidiary companies.