

Corporate social responsibility report

In March 2006 we became a member of the FTSE4Good Index

Although the Board believes that the environmental impact of our distribution activities is comparatively low, we are committed to sound Corporate Social Responsibility ("CSR") policies and practices for good business reasons. Our commitment to CSR is not simply a response to increased market attention in this area, but such issues reinforce the way that our various businesses operate.

We regard CSR as a sustainable approach to business that seeks benefits for all of our stakeholders, be they customers, employees, communities, the environment or the Company and its shareholders. During the year we have maintained our dialogue with stakeholders in this important area. We are committed to the highest standards of corporate governance and environmental as well as other CSR issues form part of the overall internal control process. The Board believes that the businesses are best served by creating a safe working environment that encourages and supports high levels of business performance.

We focus on issues such as safety, training, behaviour-based performance and the provision of opportunities for our employees' career growth and development. Local community initiatives are considered to be investments providing support that will assist those communities, complement the aspirations of our customers, give our employees opportunities for professional development and help us to achieve our business objectives. The Board believes that the progressive integration of CSR throughout the business and the incorporation of broader social and environmental issues into day-to-day decision making will better enable us to achieve our goals.

In March 2006, we became a member of the UK's FTSE4Good Index Series following its Policy Committee's decision that we had met its inclusion criteria. The FTSE4Good Index is designed to measure the performance of companies that meet globally recognised corporate responsibility standards and to facilitate investment in those companies where CSR issues are an influencing factor in the investor's decision making process.

Health, safety and environment

A key driver of the Group's success has been the high degree of autonomy which has been afforded to local managements, allowing them to serve local markets in the most appropriate manner. Within this decentralised structure, the Board has set down a number of health, safety and environment principles with which all the Group's businesses are required to comply. The principles relating to environment cover: the integration of environmental management into

business operations; a commitment to the adoption and achievement of best practice wherever this is practicable; a commitment to prevent pollution; compliance with local environmental legislation; the adoption where practicable of local formal environmental management systems; a commitment to strive for continual improvement; and a commitment to ensure proper communication with employees on environmental matters.

Timber

PB & M ("PBM"), the French heavyside business, purchased 940,000m³ of timber in the financial year ended 31 July 2005 and 957,971m³ in the financial year ended 31 July 2006. More than 91% in the financial year ended 31 July 2006 (2005: 88%) of such timber was softwood, mainly sourced from countries such as Russia, Finland, France and Sweden. A little over 3% of the timber purchased in the year to 31 July 2006 was hardwood (2005: 5%), sourced from suppliers who have not been censured by the United Nations as part of resolution number 2001/1343. PBM works with its suppliers to ensure that timber is sourced from forests which have been certified by recognised forestry associations which promote sustainable forestry management. During the year further investment has been made in PBM's IT systems to enable more accurate tracking of the sources of timber purchased. PBM saw a 4% reduction to 44% in the timber purchased in the year from certified suppliers, although much of the reduction is attributable to increased reporting accuracy from the enhanced IT system. PBM, like Build Center and Stock Building Supply, has engaged with its suppliers of Indonesian plywood with a view to ensuring that any illegal logging is excluded from the supply chain. Imports of Indonesian plywood accounted for a little over 1% of all timber purchased by PBM in the financial year ended 31 July 2006 (2% in the year ended 31 December 2005). Stock Building Supply's purchases of Lauan plywood remained under 0.05% of its timber purchases in the year ended 31 July 2006. None of Build Center, PBM or Stock Building Supply purchase without appropriate permits any species of timber included in any of the Appendices to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, which, inter alia, identify threatened species of trees. Le Commerce du Bois, the French timber trade federation of which PBM is a member, submitted a code of practice to the French environment ministry in June 2005. The code, which is based on both French domestic and internationally recognised standards, has been developed by the federation working with importers and distributors and is intended to set the standards for timber sourcing, purchasing and distribution in France. The code



FTSE4Good

Chain of custody volumes in Build Center exceeded target by 28%

is expected to be agreed by all relevant parties in September 2006. In the UK, Build Center purchased 350,000m³ of timber in the financial year ended 31 July 2005 and 347,483m³ in the financial year ended 31 July 2006. More than 90% in 2005, and 88% in 2006 of such timber was sourced from Finland, Germany, Latvia, the UK and other European countries. Less than 0.9% in 2005 and 0.5% in 2006 of such purchases were of hardwood. Some 72% of Build Center's raw material purchases made in the year ended 31 July 2006 (2005: 67%) were from certified sources. During the year Build Center continued to engage with its suppliers with regard to the responsible sourcing of timber and the elimination of illegal timber from the supply chain. In June 2006 the governing board of the UK Timber Trade Federation ("TTF"), of which Build Center is a member, voted to make its Responsible Purchasing Policy ("RPP") which had been successfully trialled by Build Center in 2004, a condition of its membership, subject to the consent of its members. Formulated by the TTF to meet the requirements of the UK Government's own timber procurement policy, the RPP was developed with the benefit of input from principal suppliers, with a view to ensuring that increasing volumes of sustainable timber are progressively being made available to businesses especially where timber is sourced from forests where certification schemes are not widely in place. Wolseley UK continues to promote the use of its web-based interface onto which its suppliers can log their responses to specific questions and submit documentary evidence in support of their provenance, such as chain of custody certificates. Following a successful round of supplier audits in 2005, 80% of timber supplies to Wolseley UK are documented through the interface. It is intended that over the next 12 months the interface will be extended to collect and store data related to timber supplies from Stock Building Supply and PBM.

Stock Building Supply purchased some 4,580,000m³ of timber in the year ended 31 July 2005 and 5,398,000m³ in the year ended 31 July 2006 of which a little under 1,600,000m³ were structural panels. Over 95% of timber purchased by Stock Building Supply in the financial years 2005 and 2006 were sourced from the USA and Canada, with approximately 3% being sourced from Europe. The percentage of such purchases made from suppliers who hold certifications from recognised forestry sustainability agencies, such as the American Forest Products Association and the Canadian Standards Association remained at 90% for the third consecutive year. The American Forest Products Association's Sustainable Forest Initiative programme requires participants to meet an exacting standard of environmental principles, objectives and performance measures. The standard integrates the perpetual



growing and harvesting of trees with the protection of wildlife, plants, soil and water quality, together with a wide range of conservation goals. Stock Building Supply maintains a constant dialogue with its suppliers, reviewing their environmental practices and policies, encouraging sustainable forestry management practices and seeking opportunities to improve the use of natural resources. Sales of engineered wood products, which are substitutes for wide dimension solid-sawn timber, increased by a further 10% in the year ended 31 July 2006 (2005: 21.6%). Such substitutes improve structural performance, thereby reducing the need to harvest as many larger, older trees.

Chain of custody

It is well recognised that whilst sustainable sourcing is vital, it is also key that illegal timber is eliminated from the supply chain, from the forest of origin to the end user. In the UK, Build Center began work in 2003 on a chain of custody project that initially saw the implementation of new procedures in five branches with 16 products within scope, all of which had been independently audited and approved by, or on behalf of, both the Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC"). The project required Build Center to identify certified sources for these initial 16 products, adapt management systems to identify and capture relevant data, undertake on-site training, create a dialogue with suppliers and create new documentation to ensure that despatch notes and invoices contain chain of custody certification numbers and references to the certified status of the product. Internal and independent third party audits have also been conducted. From the original 16 products, the number of products within the chain of custody scheme now exceeds 3,000 and certification has been achieved at a further 41 branches during the year ended 31 July 2006 (2005: 15 branches), bringing the total to 61 branches by the end of the financial year. Work continues to secure accreditation at all of its remaining branches with the current target being to achieve accreditation at a further 59 branches by 31 July 2007. The volume of timber controlled within the chain of custody scheme in the year ended 31 July 2006 was 104,500m³ (2005: 30,000m³), some 30% of total timber purchased (2005: 8.6%). This exceeded the target of 75,000m³ for the year ended 31 July 2006 by 28%. PBM's hardwood business, as well as its garden products business, Cerland, achieved certification for their chain of custody procedures in 2003. Significant progress has been made during the year to achieve the same recognition in PBM's softwood import business, with the requisite pre-audit report having been completed in March 2004 and PEFC



More than 4,800 tonnes of landfill avoided by Stock Building Supply

certification awarded in November 2005. In line with the target set last year, 100% of all PBM's imported softwood in the year ended 31 July 2006 had either PEFC or FSC chain of custody certification.

Stock Building Supply does not have a formal chain of custody procedure for its timber as it relies upon the chain of custody procedures in place within its suppliers. As noted above, the vast majority of purchases made by Stock Building Supply are from suppliers who hold recognised certifications and whose harvests are strictly controlled by US and Canadian Federal and State law. Stock Building Supply maintains an extensive dialogue with its suppliers regarding sustainability issues including chain of custody.

Waste management

All of the Group's European companies comply with EU and domestic waste management regulations. In Ireland, Heatmerchants continues to reduce compliance costs by back-loading secondary waste paper, cardboard, wood pallets and plastic from branches to the main distribution centre for recycling. In the year to 31 July 2006, over 900 tonnes of such material was recycled (2005: 800) and thus saved from landfill resulting in cost savings of €144,000. Brossette in France has installed containers at each of its branches for the collection of plastic/paper, wood and metal for recycling. ÖAG in Austria continues to operate its waste management strategy that has been in place since 1994 and which streams waste for collection and reprocessing by specialist contractors. Stock Building Supply has optimised the use of off-cuts in its truss manufacturing facilities and, where possible, off-cuts which cannot otherwise be used are recycled by wood product manufacturers in order to minimise waste, reduce the need to use landfill sites and reduce costs. Stock Building Supply estimates that more than 4,800 tonnes of landfill was avoided in the year ended 31 July 2006 (2005: 4,800) which has resulted in savings of more than \$345,000 (2005: \$290,000) in waste management costs. Stock Building Supply intends to extend the recycling of off-cuts to its new truss manufacturing facilities which is expected to increase the number of tonnes of landfill that will be avoided. In the UK, equipment has been installed at our distribution warehouses to bale and recycle cardboard and hard plastic. Recycling programmes operate in all of the businesses' corporate offices.

Environment

Wolseley UK has formed an Environmental Steering Group comprising senior managers and local board directors. The Group identifies ways in

which environmental issues can be captured and improvements made. Wolseley UK has agreed an environmental policy which sets out the company's position to customers, suppliers and other stakeholders in relation to environmental matters. Commitment has been made to continuous improvement in environmental performance, the prevention of pollution and to improving efficiency in the use of resources including energy, water, packaging and other raw materials. During the year Wolseley UK continued to promote the use of energy-efficient products in the boiler market, working closely with power suppliers and major boiler manufacturers to incentivise the installation of high efficiency boilers. Carbon emissions saved through this and other schemes since 2001 are in excess of 180,000 tonnes. Following the establishment of its Environmental Management System in 2004, which structures its approach to environmental matters, Wolseley UK attained ISO 14001 accreditation in May 2005 for three of its branches; this accreditation was maintained in the year ended 31 July 2006 and work is underway to complete the accreditation process at a further three Wolseley UK branches by autumn 2006.

Construction will begin in October 2006 of Wolseley UK's Sustainable Building Center ("SBC"), a 6,800 square feet living, interactive showcase for renewable and sustainable building materials. The products used in the construction of the building and those displayed within it, will be commercially available through Wolseley UK's existing branch network. Wolseley UK intends that the SBC, planned for completion in July 2007, will become the leading UK industry resource for sustainable building products and supporting information as well as the promotion of sustainable building practices.

In common with other businesses within the Group, transport is a key area of focus for Wolseley UK. Tight controls are enforced to ensure that the minimum number of vehicles operate out of each Wolseley UK site and emphasis is placed upon route planning to minimise delivery journeys and the number of kilometres travelled. Progress continues to be made across the whole UK transport fleet to improve this utilisation. During the year, the Group introduced a Groupwide standard for transport management systems, with initial implementation in Wolseley UK. The standard will enable transport management to work in real time to improve route planning and resource scheduling across different business sectors and between multiple sites helping to ensure that while utilisation of commercial vehicles increases, the kilometres covered are reduced. The UK rollout of the transport management system will take place over the next 12 months with the aim



More than 2,200 vehicles replaced with more fuel efficient models

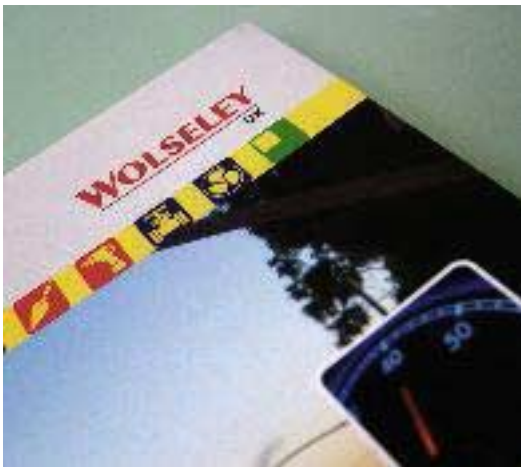
to deliver an 8% reduction in kilometres covered, equivalent to 5 million kilometres and reducing carbon emissions by around 2,000 tonnes per annum. The transport management system is an important tool in the Group's drive to support environmentally friendly transport initiatives, alongside a reduction in vehicle sizes and numbers and backloading, which in the UK has saved suppliers over 7,000 journeys each year.

In March 2006, Wolseley UK took part in a fleet efficiency survey of delivery vehicle activities, the results of which will be used by the UK Department for Transport sponsored Freight Best Practice programme in its work towards encouraging fleets to improve their operational efficiency. The survey covered a range of measures including fuel use, number of deliveries and operating costs. A benchmarking report is expected to be published by the Freight Best Practice programme in October 2006. The use of high capacity trailers has continued to reduce the number of vehicles operating between each of the UK distribution centres and significant investment continues to be made in distribution warehousing. Multiple stock replenishment deliveries to branches from suppliers have been reduced as loads are consolidated in Wolseley UK's own distribution warehouses for onward delivery. Consolidating loads further reduces the number of supplier vehicles on the road while minimising the local impact around branches. There is a continued focus on pooling branch vehicles across each of the Wolseley UK brands, which will ensure that the fleet eliminates wasteful multiple deliveries and reduces the number of kilometres travelled. During the year, Wolseley UK has continued with its project to improve fuel consumption across its primary distribution fleet, switching its commercial vehicle fuel use to bio-diesel at its three regional distribution centres which now use around two million litres of bio-diesel annually; this is set to increase as the fuel becomes more available within the UK. Further initiatives include individual vehicle monitoring, combined with driver training programmes and the replacement of older, less fuel-efficient vehicles. Some 265 (2005: 216) vehicles were replaced during the year with vehicles that are more than 3% more fuel-efficient. Wolseley UK's transport group also pays continuous attention to servicing programmes which include regular emissions checks to ensure vehicle efficiency and has adopted a reduced emissions and tyre pressure management system for optimal fleet use.

Ferguson in the USA has been using a transportation management system for its fleet of more than 2,000 diesel powered delivery vehicles. The system optimises the delivery of goods from distribution

centres to branches as well as directly to customers, thereby reducing handling and transport costs together with vehicle emissions. Ferguson has a policy of sourcing vehicles from a supplier with a leading reputation in environmentally friendly diesel technology. The engines for all replacement vehicles are certified to meet the US Government's standards for particulate emissions. Approximately 508 vehicles or 25% of the fleet replaced during the year were equipped with emissions technology that meets such standards. Ferguson is also seeking to take full advantage of new digital valve technology to improve air quality and fuel economy throughout its entire distribution network. In the previous financial year Ferguson purchased a hybrid electric/petrol vehicle to assess the benefits of improved fuel economy and reduced emissions which such vehicles may be able to offer compared to conventional vehicles. The assessment revealed that the reduction in fuel consumption is minimal and concluded that the particular vehicle is commercially unviable. However, further work continues both within Ferguson and Stock Building Supply to identify suitable alternatives.

As part of Stock Building Supply's transport management programme, many suppliers back-load their delivery vehicles to avoid wasteful return journeys. This initiative is part of a modernisation programme that also includes investment in a national fleet management, fuel and servicing system aimed at achieving optimal fleet efficiency and curbing excessive emissions and which has also ensured that an appropriate level of capital expenditure is invested in new environmentally friendly vehicles. These vehicles incorporate emission and fuel economy technologies which already comply with, or exceed, forthcoming US Government standards. During the year ended 31 July 2006, over 420 such vehicles were replaced (a little under 11%) (2005: 300 or a little over 8% of such vehicles). These new vehicles are approximately 70% more fuel-efficient than the ones they replaced. In common with other Wolseley companies, Stock Building Supply's maintenance programme seeks to improve both safety and fuel-efficiency by increasing reliability through the direct purchase of spare parts and also by rigorous tyre management. In 2004 Stock Building Supply successfully tested a GPS (Global Positioning System) pilot programme, which indicated that further efficiencies could be achieved and would allow the company to plan more efficient delivery routes to enhance customer service and further reduce the number of kilometres driven. The pilot also demonstrated that safety could be improved as drivers' speed can be monitored. Stock Building Supply has now rolled out the initiative such that in the year ended 31 July 2006, 371 vehicles



2006 UK Fleet Safety Awards: Road Risk Manager of the Year awarded to Wolseley UK

benefited from the GPS programme (2005: 225). The initiative, having estimated the avoidance of over 350,000 additional kilometres being driven in the last year, is expected to be rolled out to a further 150 vehicles in the next year. Stock Building Supply's regional distribution centres were designed to facilitate product delivery by rail. More than 70% (2005: 55%) of deliveries to the distribution centres are made in this way, with over 17,000 wagon loads (equivalent to some 68,800 (2005: 60,000) lorry loads) received during the last year alone. Delivery by rail continues to be encouraged and is expected to continue to grow with our investment in distribution centres designed to receive more product in this way.

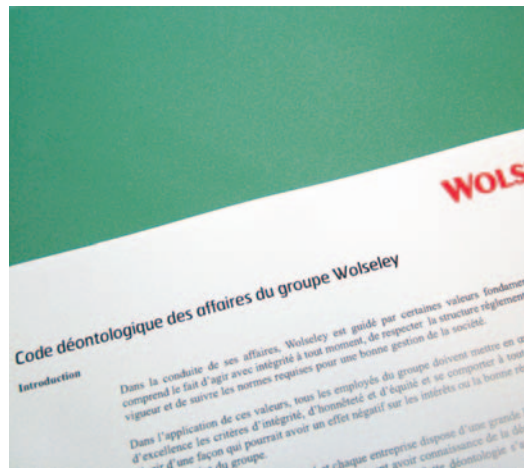
Brossette's new organisational structure has reduced the number of warehouses and has regrouped branches to improve productivity and customer service while at the same time reducing the number of delivery journeys and transport costs. Brossette has a national fleet maintenance programme in place, which seeks to secure optimal use of its delivery vehicles while minimising the impact on the environment. Brossette seeks to take advantage of technological improvements when renewing its fleet to both reduce emissions and to optimise fuel consumption. All new vehicles are fitted with the latest software technology to improve efficiency and to reduce the number of kilometres driven. Some 170 vehicles (around 13% of such vehicles) (2005: 102, around 10%) were replaced during the year. PBM has continued with its fleet renewal programme to increase fuel efficiency, improve safety and reduce both emissions and transport costs. In the year to 31 July 2006, 872 vehicles were replaced (2005: 486) representing a little over 22% of PBM's fleet (2005: 13%). Fleet efficiency is underpinned by a national fleet management programme, which ensures uniform operating standards. PBM ensures that its drivers' training is maintained and seeks ways of encouraging responsible driving.

Health and safety

The Company has developed a health and safety framework which requires local management to have suitable procedures in place to ensure compliance with applicable laws and regulations and, wherever possible, to employ best practices. One of the key issues for the Group is the creation of a work environment free from injury and illness and how to achieve improvements in our health and safety performance. This is driven not only by legal responsibility, but also by the ethical desire to protect our employees. Wolseley UK has an Executive Safety Steering Group, supported by its health and safety department. This comprises senior managers and local board directors. The Steering Group

reviews the UK businesses' performance in health and safety matters, promotes good practice and ensures appropriate consultation on any intended changes to its health and safety management systems. All branch and area managers are trained in this area and all employees are trained to complete their daily tasks in a safe manner. In July 2006, Wolseley UK received recognition for its health and safety initiatives by winning two awards at the UK Fleet Safety Awards. The awards are a national event organised by Brake, the UK road safety charity, and are designed to promote risk management best practice among businesses by recognising organisations and professionals who have worked significantly to improve the safety of vehicle operations. The awards for "Road Risk Manager of the Year" and "Best Crash Analysis Procedures" recognise the work undertaken by the company's Fleet Safety Steering Group which introduced a fleet safety handbook, newsletters, an occupational road risk policy, regular management review meetings with industry experts and insurers as well as benchmarking against best in class. Online driving assessments and a "Commercial Vehicle Driver of the Year" award to promote safety amongst employees have also contributed towards increased awareness of safety issues and an overall reduction in commercial vehicle and company car accidents.

Brossette has a central health and safety committee which oversees the work carried out by the health and safety committees in individual branches. Representatives of Brossette and its employees sit on each local committee, together with an occupational health doctor. All new employees and managers receive appropriate induction and training which includes matters related to health and safety. PBM seeks to increase awareness of the importance of health and safety matters throughout its business using a programme which reinforces the fact that each of its employees has both a responsibility and a part to play in maintaining and improving health and safety standards. Stock Building Supply has a safety committee with responsibility for developing, introducing and monitoring the effectiveness of its overall safety programme and objectives. Stock Building Supply recognises that it must work together with its employees towards the common goal of eliminating hazards and accidents and employees are expected to participate in actively promoting a positive safety culture. The safety committee comprises employees with different perspectives and from varied disciplines. Each branch manager is responsible and accountable for health and safety at his or her branch, including compliance with regulations, safety awareness and accident prevention. All new employees are given



Driven to Safety initiative to be rolled out within Ferguson in 2006/7

induction training relating to safe working practices and hazards present in the workplace. Training is also provided when an employee is requested to manage new processes, procedures or equipment. Monthly mandatory safety meetings are held at each branch during which, as a minimum, topics designated by the safety committee must be discussed. Safety issues within each branch are dealt with by a safety coordinator or local safety committee consisting of a cross-section of employees.

Stock Building Supply and Ferguson have been working together over the last three years to improve their performance in the areas of both health and safety and traffic accidents. The joint initiative has been driven not only by the costs to the business of increasing medical and other expenses associated with claims for workers' compensation but also the desire to reduce the incidence of injury and to reduce the consequential effect that such incidences have on other employees and the business. Each of the businesses set targets during the year to reduce the frequency and cost of both workers' compensation and traffic incidents, enhance their programmes to help employees to return to work even if this is on modified duty, improve the reporting of claims to ensure that prompt action is taken and increase measures to ensure that employees are able to seek any required medical attention. This joint initiative has resulted in a significant improvement to the longer term trends in both companies' health and safety records. Ferguson, having seen a 14% reduction in the number of work-related injuries in the six months to 31 March 2005, saw an increase of 24% in the number of such injuries in the year to 31 July 2006 against a background of a 19% increase in its workforce. Whilst Stock Building Supply achieved a 21% reduction in work-related injuries in the six months to 31 March 2005 it experienced an increase of 22% in the number of such injuries in the year to 31 July 2006 during which period its workforce increased by 23%. Measures have been taken to increase focus to return to the results achieved in 2005. These include the appointment of a director of health and safety for the North American businesses and, with effect from 1 August 2006, the creation of a North American safety committee which will oversee such matters across both the US and Canada. Ferguson achieved a 100% rate of returning injured employees to work either on modified duty or to their original jobs, with Stock Building Supply achieving 90% in the year ended 31 July 2006. Both companies have continued to make progress in reducing vehicle accidents and the impact of such accidents over the last year. Ferguson saw an increase of 6.5% in vehicle accidents in the year ended 31 July 2006 in a period when its vehicle fleet expanded by 23% and Stock Building Supply held its accident frequency rate at prior year levels. In May 2005, Stock Building Supply

introduced its "Driven to Safety" programme, a proactive safe driver training programme. Since then, every delivery driver has been trained in a variety of ways to recognise hazardous conditions, plan the appropriate response and take decisive action. Every new driver joining Stock Building Supply receives such bespoke training and each driver's knowledge and ability to practice safe driving techniques will be assessed. Ferguson intends to roll out a Driven to Safety initiative within its own business during the year ending 31 July 2007. Ferguson has continued to promote its Customer "CARE" (Customers and Associates Require Excellence) programme which is intended to symbolise Ferguson's determination to achieve a culture of excellence throughout the organisation. The programme includes two goals aimed at communicating the importance of safety and quality and to promote a safe working environment for all of its employees. In common with Mart in Hungary which obtained its accreditation in 1997, Cesaro in the Czech Republic has also continued to demonstrate its commitment to customer care during the year following its achievement of ISO 9001 accreditation in June 2005 for its quality management processes. The continued accreditations acknowledge the companies' ability to fulfil their customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of performance in pursuit of these objectives.

Acquisitions

A great deal of importance is placed on environmental matters during the due diligence process for acquisitions. External environmental consultants review and assess environmental risks to which the Group could potentially become exposed. Depending upon the type of proposed acquisition, this assessment could include reviews of environmental management systems, compliance with laws and regulations and the respect and care shown for the environment. Health and safety compliance and processes are also considered as part of the process. Appropriate dialogue with, and indemnities from, the proposed vendors are sought where appropriate.

Code of Ethics

A Groupwide Code of Ethics has been in place since 2003. This sets out a number of fundamental principles which all companies and employees are required to follow. In keeping with our decentralised approach, businesses are required to adopt their own codes which respect local cultures and businesses but which also set standards that are still no less exacting than those detailed in the Groupwide Code. To a large extent, these individual



£21 million
spent on
more than
142,000
days of
employee
training

codes simply underpin and endorse existing practices. New companies joining the Group are required to adopt codes of ethics on the same basis as existing businesses. The Groupwide Code covers many areas including fair competition, compliance with laws, including anti-trust laws, maintenance of the Group's reputation for integrity (including a prohibition on bribery and general principles for dealing with suppliers and authorities) and can be viewed on the Company's website at www.wolseley.com or a printed copy is available from the Group Company Secretary. Wolseley UK, for example, has incorporated the Code of Ethics into a wider document which sets out the principles on which business is transacted. This includes principles related to diversity, safety, inducements, communication, the environment and human rights. The human rights policies and procedures are based on the principles set out in the United Nations Universal Declaration on Human Rights.

The workplace

One of the Board's objectives is to ensure that we provide a workplace environment that encourages and supports our employees in achieving their best personal performance. Further work was undertaken during the year in this area coordinated by the Groupwide human resource function that resides in Theale. The development of leadership skills of senior managers is also a key objective and further progress has been made to enable more participants than ever before to attend programmes at Darden and IMD. Training and development programmes for all employees are crucial to the ability of the business to achieve its goals. Significant attention and resources continue to be devoted to this issue. Just under £21 million (2005: £12 million) was spent on training of employees during the year, with over 142,000 (2005: 75,250) days of training provided. Whilst Wolseley is committed to promoting equal opportunities for all, it is believed that, overall, women and minorities continue to be under-represented. We believe that we have the right policies in place to meet or exceed legal requirements in this area although we continue to explore the factors that are critical to achieving greater diversity. Further work continues to be undertaken in this area.

Wolseley UK and Stock Building Supply both undertook company-wide employee surveys during the year allowing employees to suggest areas for improvement and voice concerns. Wolseley UK's 2005 survey highlighted the need for better internal communications; in response, the company introduced a monthly online chat session which generated over 700 questions in the first two sessions. Each session is hosted by a senior

manager from Wolseley UK and the level of interest to date has proved very encouraging. Themes and topics that do not receive sufficient coverage during the online sessions gain a response in the weeks following the live event and all questions and answers are posted on the company's intranet to allow employees who were not able to join the live event an opportunity to participate. Stock Building Supply's survey compared results to its previous survey in 2002 and to the US national norm; the results showed that of the 13 areas covered by the survey, including such matters as working conditions, supervisor's skills, communication and benefits, nine were statistically above the US national norm and four were at that level. Overall, Stock Building Supply's employees expressed far greater satisfaction with their jobs compared with the US national norm and demonstrated a significant amount of goodwill towards the company.

Community relations

Notwithstanding the international nature of the business, the Group continues to operate with a high degree of autonomy, working in and with our local communities. We recognise our responsibility to invest in the communities in which our businesses operate and to act as a good corporate citizen. We are members of Business in the Community in the UK and continue to work with that organisation to help develop our approach and practice. The Group's businesses are involved in a wide range of initiatives for the benefit of local communities, of which the following are representative:

The Group's businesses, customers, suppliers and employees were directly affected by the devastation in the southern states of the US caused by Hurricane Katrina in August 2005. Just a few weeks before the hurricane began the Group had announced the creation of Wolseley North America to leverage the combined resources of all of its North American businesses. The groundwork was thus in place to enable Ferguson and Stock to make a strong joint response to those affected in the Gulf Coast region by formulating plans to develop pre-existing relationships with local businesses and customers in order to offer joint premises staffed by local people to assist some of the hardest hit areas in re-establishing water and sewer systems and supplying pipe used to pump flood waters out of the area. Assistance was also given to the US Federal Emergency Management Agency to provide emergency housing. Among the numerous local efforts to help the victims of the hurricane and in addition to the Groupwide and local company cash donations noted on page 51 of this Report. Ferguson delivered emergency response products, including generators, batteries, torches and pumping equipment to the affected area. Stock



Habitat for Humanity supported by all three North American businesses

Building Supply worked in partnership with a school in Raleigh, North Carolina to deliver donations of school supplies and books to a school in Gulfport, Mississippi where several of the classrooms and more than 10,000 library books had been destroyed. Teams of Stock Building Supply management trainees also travelled to areas where the families of colleagues had been affected by the hurricane to help with the relief effort. As well as school supplies donated by employees, supplies of tools were donated by many Stock Building Supply branches.

A Relay for Life team from Ferguson's corporate offices in Newport News, Virginia, participated in this year's event for the ninth consecutive year, raising \$16,500 for cancer charities. In May 2006, Ferguson employees participated in a food drive in aid of the Virginia Peninsula Food Bank. The goal was to collect 1,000lbs of non-perishable foods ranging from individual meals and soups to baby food and rice. Within just 12 days, 10,350lbs of food had been collected, surpassing the goal by over ten times. Employees from Ferguson's Waterworks division in San Marco raised over \$3,000 for the city's Rescue Mission, taking part in a fancy dress bed race around the city's Fletcher Park. In November 2005, employees from Ferguson's Fort Myers branch raised nearly \$4,000 in a Turkey Drive allowing the Salvation Army to purchase over 400 Christmas turkeys for families in the local area.

In April 2006, numerous initiatives by employees at Stock Building Supply's corporate headquarters in Raleigh, North Carolina, raised over \$5,000 for the US National Multiple Sclerosis Society. Stock Building Supply supported a project with the US television show *Extreme Makeover: Home Edition* to build a new home for the members of a family in Cincinnati who had experienced severe personal difficulties. Stock Building Supply, together with local contractors, donated time and materials to build a new home for the family in just five days. An initiative in Fort Worth, Texas, saw Stock Building Supply and Ferguson join forces to help a local contractor rebuild the home of a local family who were struggling to cope with the ongoing medical problems of their seven-year-old son and whose home had fallen into a state of disrepair. Between them, Stock Building Supply and Ferguson donated timber, windows, doors, plumbing fixtures, fittings and appliances for the project.

Wolseley UK supported the renovation of an old jetty at a special needs centre near Birmingham by donating materials from a local branch. The new jetty has been designed for children who are blind, partially sighted or wheelchair users so that they can get closer to the local wildlife. Many of Wolseley

UK's employees took part in the 2006 Race for Life including three employees from the company's Ripon office who raised over £3,000 for Cancer Research UK. Wolseley UK and the Variety Club Golf Society raised £15,000 towards the 15th Variety Club coach which has been sponsored by the company. The 16 seat coach will be used to take pupils from a local school, 60% of whom are involved in the Special Olympics, to sporting events around the UK and overseas.

Habitat for Humanity

All three of the Group's North American businesses once again supported the efforts of Habitat for Humanity, the non-profit organisation that seeks to eliminate substandard housing and homelessness from the world. Ferguson and Stock Building Supply participated in the organisation's Home Builders Blitz with donations of materials and over 100 employees in 32 states working to help build 700 Habitat homes in a week. Wolseley Canada, through its membership of the Canadian Institute of Plumbing and Heating ("CIPH"), has helped to raise over C\$1,000,000 for Habitat for Humanity Canada ("HFHC") in 2006. CIPH has raised over C\$3,500,000 for HFHC since 1994, helping over 500 Canadian families across the country move into their own homes.

Donations

In response to the devastation of Hurricane Katrina, Wolseley plc together with its three operating companies in North America (Ferguson, Stock Building Supply and Wolseley Canada), committed \$200,000 to the relief effort. In many cases, the Group's companies also match dollar-for-dollar employee donations to charitable causes, such as the \$68,000 in hurricane relief donations made by its employees which were matched by Stock Building Supply. Ferguson made a \$10,000 donation to Cancer Services of Greater Baton Rouge to help improve the quality of life for cancer sufferers in the hurricane affected region. In addition to these initiatives, the Group supports charities relevant to the countries and to the locations in which its businesses operate. These are wide-ranging and cover health, welfare, education, civic and community projects as well as culture and the arts. Each year, several hundred donations are made. In the USA, many of our employees make regular contributions to the United Way, an organisation which distributes funds to charities. In the UK, a Give As You Earn Scheme operates with the assistance of the Charities Aid Foundation which distributes funds to UK charities. Further details of the donations made during the year are set out on page 59.