

CORPORATE RESPONSIBILITY
REPORT
FEBRUARY 2008



Wolseley UK
Wolseley Center
Leamington Spa
CV31 3HH
Tel: 01926 705000
www.wolseley.co.uk

1	INTRODUCTION	3
2	CR POLICY AND PRINCIPLES	5
3	THE SUSTAINABLE BUILDING CENTER	7
4	RESPONSIBLE TIMBER SOURCING	8
5	ISO 14001	10
6	WASTE AND RECYCLING	11
7	WRAP CASE STUDY - RECYCLED PAPER	14
8	TRANSPORT	16
9	FLEET SAFETY	18
10	HEALTH AND SAFETY	21
11	EMPLOYEE LEARNING & DEVELOPMENT	28
12	EMPLOYEE INVOLVEMENT	32
13	COMMUNICATION	33
14	COMMUNITY LINKS	35
15	CR KPI'S	39

1. INTRODUCTION

1. INTRODUCTION

Wolseley UK is the UK operating company of Wolseley plc, the world's number one distributor of heating and plumbing products and a leading supplier of builders' products to the professional market. Wolseley UK is engaged in the distribution of construction products and materials through a nationwide network of over 1,900 branches and over 16,500 employees.

Wolseley UK is organised into trading brands, which service distinct customer groups. Many of these brands are market leaders with outstanding reputations for supplying professionals in the construction market. Brands such as Plumb Center, Build Center, Parts Center, Pipe Center, Drain Center, Climate Center, Encon, William Wilson and Brandon Hire are widely recognised throughout the industry.

Wolseley UK recognises the importance of growing its business in a responsible way, addressing the issues of sustainability where practicable to do so. Sustainability is a key issue which society has to address in the coming years. There is a broad based consensus in government and business that striving for sustainability is critically important for society.

The UK government has built on such work in their sustainability strategy, 'a better quality of life: a strategy for sustainable development for the UK' (1999), which identifies four key objectives:

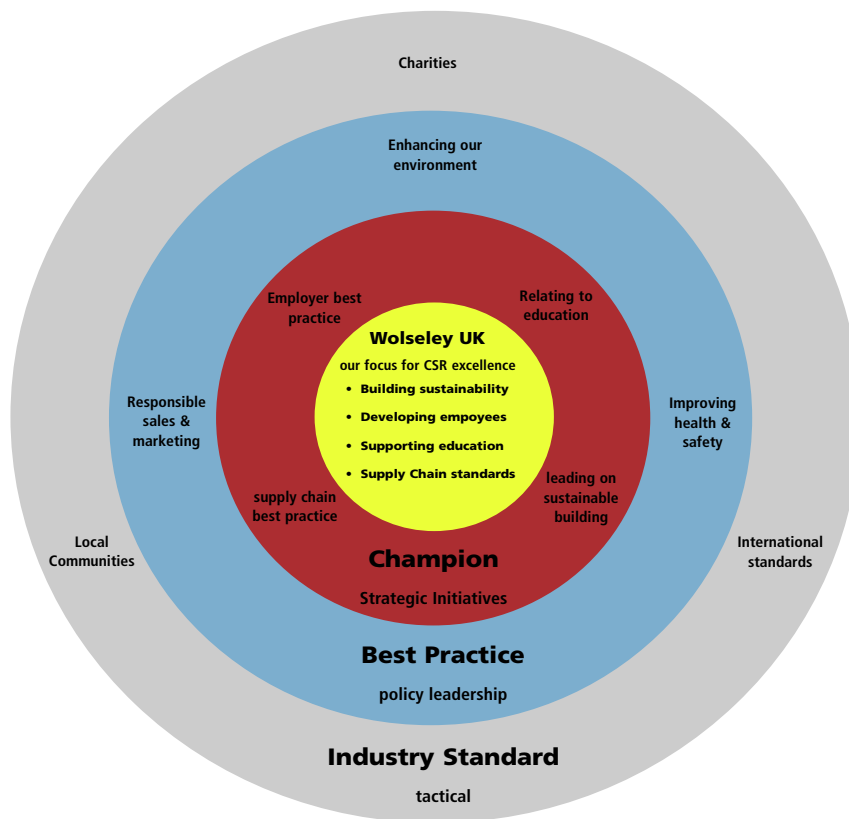
- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources;
- maintenance of high and stable levels of economic growth and employment.

Making these issues slightly more specific to business, the UK Leadership Team have chosen to adopt the banner of Corporate Responsibility (CR) to ensure Wolseley UK becomes a sustainable business.

The company has developed an initial CR strategy with the objective of providing a focus for the business to ensure its CR activities relate to business strategy, contribute to achieving business objectives and reflect business critical issues. CR helps optimise risk and opportunity management, and manage corporate and brand reputation, by ensuring initiatives, policies and practices are in place.

After initial research, the focus of Wolseley UK's CR priorities is outlined in the following diagram:

1. INTRODUCTION



Champion: Strategic initiatives to support reputation/business-building, requiring appropriate investment to develop the company’s external reputation, particularly in and for sector sales. In addition, they will support Wolseley plc’s reputation, demonstrating leadership within the support services sector. The strategic target areas include:

- Achieving a leadership position in supply chain practices, influencing industry standards.
- Developing leadership on sustainable building approaches, influencing sector and core customers.
- Demonstrating leadership on employee policies and practices, gaining employee commitment to the CR agenda and demonstrating best practice to core customers, with whom branch staff have such a close relationship.
- Building a series of relationship programmes with educational establishments to demonstrate commitment to the building industry and the community, involving two strands - creating employer brand leadership in communities with a significant Wolseley UK workforce; supporting awareness of the built environment and construction industry (including consideration for building careers) amongst young people in the UK through curriculum-based programmes (independent of branches).

Each of these target areas requires further development work, including establishment of budgets, to ensure they offer the right level of return on investment.

Best Practice: These are areas of policy and communications development, where the company needs to ensure its policies represent leadership in terms of best practice within the industry.

Industry Standard: These are tactical, involving low levels of activity, to be managed down to “as needed”. They may also represent areas of compliance, which although important, may not require high levels of investment.

2. CR POLICY AND PRINCIPLES

2. Wolseley UK is the trading subsidiary for Wolseley plc's businesses in the UK and the Republic of Ireland.

Wolseley UK is the UK and Ireland's leading distributor of plumbing and heating products to the professional market and a major supplier of building materials.

Wolseley plc's business vision is to:



Create enhanced value for all stakeholders by leveraging the considerable strengths of its individual businesses



and, Wolseley UK has evolved substantially in recent years in pursuit of this vision.

Wolseley UK's document setting out our Standards of Business Conduct: 'How We Work' describes our commitment to operate to the highest standards of integrity and ethical behaviour. We are committed to:

- treating our employees in an open, honest and unprejudiced way which encourages them to achieve their full potential;
- protecting the environment and contribute to the wellbeing of the societies in which we operate;
- ensuring the safety of people;
- supporting human rights;
- building relationships with our customers based on mutual trust seeking to deliver solutions which anticipate and meet their needs;
- valuing the diversity of our suppliers and working with them in innovative ways that create added value for our customers and trading partners; and as a result, ensuring we manage effectively the economic, social and environmental impacts of our business activities in the different markets in which we operate.

Central to these commitments is our obligation to work within the law and regulations of each jurisdiction in which we operate.

This Policy and associated principles have the full endorsement of Wolseley UK's Leadership Team and senior management. We are committed to managing and upholding this Policy as an integral part of our business processes and to measuring our performance in respect of its implementation.

Whilst this Policy will not provide the answer to every eventuality, it establishes a framework to guide employees' behaviour and decision making in line with the values of the organisation.

Ethical behaviour is important in its own right. Wolseley UK believes it is also good for our business because a successful business is one which acts with integrity and by its actions earns the trust and respect of its customers, suppliers and employees. We believe this Policy will provide a basis on which to embed and demonstrate our commitment to sustainable and ethical business practice and help us to discharge our obligations as a responsible UK company.

Nigel Sibley
Managing Director
Wolseley UK
April 2007

2. CR POLICY AND PRINCIPLES

- **Our corporate conduct:** We are committed to work within the laws and regulations of all jurisdictions in which we operate and to adopt established 'best practice' where legal frameworks are unclear.
- **Creating long term value:** We shall conduct our business to the highest standards of business ethics, transparency, integrity and corporate governance practices to generate long term financial return for our shareholders.
- **Health & Safety:** We are committed to protecting the health and safety of all individuals affected by our activities, including our employees, contractors and the public. We shall provide a safe and healthy working environment and, shall not knowingly compromise the health and safety of any individual.
- **Our environmental impacts:** We are committed to managing and reducing the environmental impact of our activities. We shall seek to prevent pollution through the effective control and management of emissions (to air, water and land), waste, raw materials and natural resources and other local, environmental and community issues. We shall achieve this through the implementation of environmental management system.
- **Our people:** We value our employees and associates and believe it is important to create a culture of mutual trust and respect. We shall ensure that people are treated fairly and with dignity and consideration for their goals and aspirations. We shall work to ensure that diversity in the workplace is encouraged and promoted. We are committed to providing equal opportunity in all aspects of employment and will not engage in or tolerate unlawful workplace conduct, including discrimination, intimidation, or harassment.
- **Human Rights:** We recognise Governments have primary responsibility to promote and protect human rights. Where relevant, we shall work with Governments and agencies to support and respect human rights that are within our sphere of influence, including those that relate to the areas of our suppliers' sourcing. We shall not tolerate human rights abuses, and will not engage or be complicit in any activity that solicits or encourages human rights abuse.
- **Our communities:** We seek to collaborate, consult and work in partnership with the communities in which we operate. We shall seek to contribute to our communities' by supporting innovative programmes that benefits all our stakeholders.
- **Our customers:** We shall strive to ensure our customers are treated fairly and professionally and, offer the highest level of service and quality of products. We shall work with our customers to help them in the safe and responsible use of equipment and material purchased or hired from us. We shall seek to provide them with advice and guidance about sustainability issues to ensure that our beliefs in this respect are conveyed to all our customers.
- **Our suppliers:** We shall operate in a fair and open manner with our suppliers. We shall disseminate our Corporate Responsibility Policy to them so that our Policy and Principles are clear through the entirety of our supply chain. In particular, we shall work with them to help develop sustainable products and services ensuring that their sourcing strategies comply with our respect for human rights and our commitment to reduce environmental impacts.
- **Communication with our stakeholders:** Open and transparent communication with all our stakeholders – shareholders, employees, customers, suppliers, local communities, Government and the society at large – is important to us. We shall seek to engage with all our stakeholders clearly, honestly and respectfully, and will do so in a timely and meaningful manner.



3. THE SUSTAINABLE BUILDING CENTER

3. THE SUSTAINABLE BUILDING CENTER

Wolseley UK is currently developing the Sustainable Building Center (SBC) – a national showcase for sustainable building products and construction methods. The 6,800 sq ft, £2.9m SBC is the first of its kind, and will be a living, breathing and interactive centre for all involved in construction, from specifiers through to jobbing builders. Work started in June 2007 on a site, located next to Wolseley UK's headquarters in Leamington Spa. Completion is expected by April 2008.

SBC visitors will be able to experience the latest technologies and the widest range of real-world sustainable, energy-efficient and recycled building products. For the first time it will bring together the products that are available now, or imminently, across all of Wolseley UK's brands nationwide.

The SBC is expected to attract great interest, especially in its early stages, from large public sector clients, civil engineering and house building companies engaged in major building programmes.

Consideration is also being given to make the Center's services available to smaller customers – including individual 'self-builders', and to schools and colleges in which sustainability is part of the curriculum.

The SBC will display a wide range of different types of product, with many functioning in their working environment to provide visitors with hard data on the quantifiable benefits of the latest materials and construction methods. For example, appliances that generate or use renewable energy, such as solar panels and biomass boilers, will be installed and a measurable energy management system will allow visitors to see real-time performance data. Wolseley UK's specially trained staff will be on hand to provide visitors with up-to-the-minute information, data and guidance on the most appropriate materials for specific projects, from single homes through to large-scale commercial developments.

For further information, please visit the SBC website, www.wolseleysbc.co.uk.



4. RESPONSIBLE TIMBER SOURCING

4. ETHICAL TIMBER SOURCING

4.1 Wolseley UK Timber Policy

Wolseley UK is committed to the responsible purchasing of forest products, from forests certified as well managed. This commitment will be realised through a stepwise approach that will utilise the best available techniques and information.

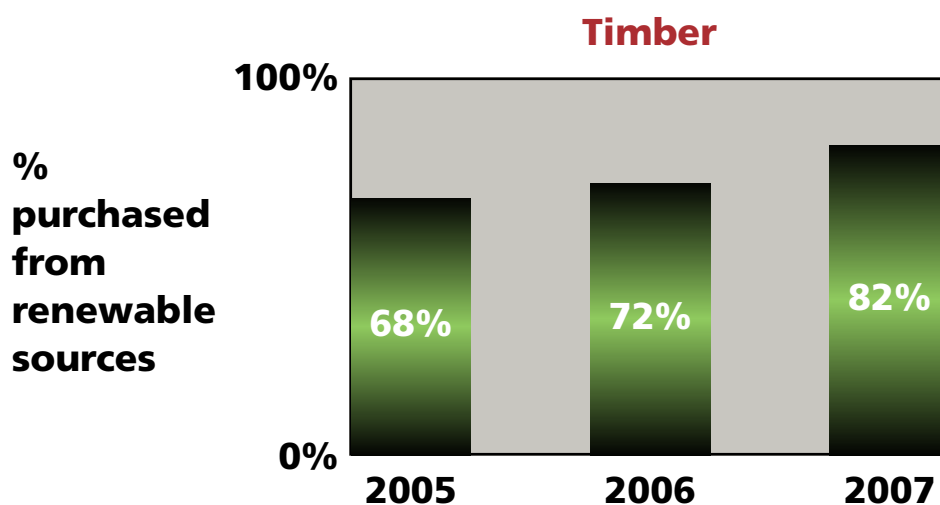


Wolseley UK aims to source forest products from:

- Forests or forest product suppliers that comply with all relevant legislation (in the country of origin) relating to the trade in forest products and the trade from protected areas, parks or similar areas.
- Forest areas or regions that are not subject to censure under the United Nations resolutions including number 2001 /1343.

To ensure that these goals are achieved Wolseley UK shall endeavour to:

- Engage with our suppliers of forest products for all purchases of goods for resale.
- Seek information as to the source of all forest products.
- Evaluate this information against our stated policy.
- Improve the level of compliance as part of continuous engagement with our suppliers.
- Work with and encourage suppliers and forest sources that are engaged in a process of time-bound, transparent, stepwise commitment to credible certification.
- Continue to assess and evaluate relevant best practice.
- Review and report progress.



Wolseley UK will abide by all local, state, national laws, relevant United Nations resolutions and international conventions, including but not limited to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

4. RESPONSIBLE TIMBER SOURCING

4.2 Timber Chain of Custody

Chain of Custody is the unbroken path which products take from the forest to the consumer, including all stages of manufacturing, transportation and distribution. Chain of Custody certification provides independently verified evidence that products originate from certified, legal and sustainable forests, and also verifies that these products are not mixed with products from uncertified forests at any point in the supply chain.



Wolseley UK achieved multi-site Chain of Custody certification for the Build Center brand in January 2004. The scheme has since seen a continuous increase to over 200 sites that have now been awarded certification. These sites are able to offer a choice of around 4000 products with Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). The PEFC certification also incorporates CSA & SFI products. These products include: sawn and machined softwood, plywood, particleboard, fibreboard, mdf mouldings, manufactured joinery products, engineered wood products, garden products, flooring, hand tools, kitchen units, worktops, bedroom and bathroom furniture, and hardwoods.

The Chain of Custody programme aims to see all remaining Build Center branches achieving full certified status by the end of July 2008. However, branches that do not currently hold certification can still provide evidence of the legal and sustainable status of timber via the Wolseley UK responsible purchasing policy for timber (RRP) system.

4.3 Responsible Purchasing Policy

Wolseley UK has worked in partnership with the UK Timber Trade Federation to develop the Responsible Purchasing Policy for Timber since 2004. This is fundamentally a system of risk assessing suppliers and timber products that enables buyers to assess the legal and sustainable status of that timber. This is particularly important when timber is sourced from forest locations where certification schemes are not widely available- e.g. Asia Pacific, South America, West Africa etc.

The initial trial was proven to be a success. The Timber Trade Federation has given full backing to the scheme, and will recommend that all their members adopt the RPP process in the future. The UK Government has also recognised the RPP as an excellent example of industry good practice in helping to source legal and sustainable timber. Wolseley UK is further developing the system beyond the TTF specification to ensure that all timber products in its supply chain conform with its own timber policy.

5. ISO 14001

5. ISO 14001

ISO 14001 is an international standard covering environmental management and is intended to provide organisations with the elements of an effective Environmental Management System (EMS). In 2004, Wolseley UK began the task of achieving ISO 14001:2004 accreditation within a number of sites.

After approximately 6 months of planning and implementation, accreditation for this standard was achieved in Colne Build Center - Timber and Oswestry Build Center Timber, which also has a Brandon Hire implant. In September 2006, a further three locations in Scotland gained accreditation to ISO 14001.

Plumb Center Paisley, Pipe Center Govan and Bathstore in Glasgow City Centre all achieved accreditation. Re-registration of this accreditation was awarded following an in-depth audit by BSI Management Systems in January at the Bathstore (Glasgow) and Pipe Center (Govan) sites, with Plumb Center (Paisley) successfully inspected in July 2007. Also in July, accreditation to the ISO 14001 standard was achieved at the National Distribution Centre in Royal Leamington Spa, and our other Distribution Centres at Melmerby, Worcester, Marston Gate and also at Wolseley UK, our Head Office in Royal Leamington Spa. This is a significant achievement by the employees at these locations, who have embraced their environmental responsibilities. Implementation of the programme has led to a greater awareness of staff, further improvement of environmental legal compliance, increased levels of recycling and reduced waste to landfill, improved housekeeping and overall reduction of environmental impact. Furthermore, this accreditation will help differentiate Wolseley UK in the Olympics project and tender process, further improve brand reputation to our stakeholders, satisfy customer demand for increased environmental performance and control our impact on the environment.

These efforts demonstrate Wolseley UK's commitment to high standards in environmental performance and responsibilities. It is the intention of the company to expand the accreditation process to include initially a small number of branches in each brand, in addition to the launch of a generic EMS across the business to ensure that environmental responsibilities and improvement programmes are integrated across all Wolseley UK locations.



Certificate No. EMS 508119

6. WASTE & RECYCLING

6. WASTE AND RECYCLING

6.1 Introduction

Wolseley UK is currently progressing with its 'Reduce, Re-use and Recycle' programme, with the aim of minimising the quantity of waste sent to landfill each year. Recycling measures are also being implemented in order to minimise our waste and impact on the environment, which will bring both environmental and financial benefits to the business.

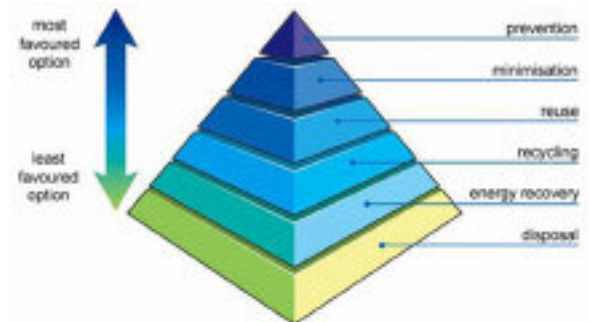
6.2 Greenstar

Greenstar is one of the UK's largest recycling-led waste management companies, with a service covering the whole of the UK, and they also own a number of recycling plants in the UK. Greenstar is working with Wolseley UK to implement improvements in recycling and to reduce waste to landfill by introducing waste storage facilities such as skips, wheelie bins and rear end loader bins to collect specific waste streams. The waste collection schedules have also been adapted to suit a specific site's requirements, with an ad hoc service available if necessary.



Currently, Wolseley UK has the capability to measure waste to landfill and recycling statistics across 1,200 Wolseley UK locations for which Greenstar provides a waste management service.

Greenstar has audited a number of Wolseley UK sites, specifically concentrating on those that produce the most waste, (i.e. those sites with four wheelie bins on site, five lifts per week and sites with multiple skip collections) along with the five major distribution centres.



The audit findings demonstrated potential recycling opportunities at all sites. Findings also showed the percentage split by waste stream correlated with the various brands. The waste streams identified at Wolseley UK sites include cardboard, paper, plastics, wood, metal, inert and general waste.

6.3 Waste Backhauling

Due to this availability of valuable material, the company has launched a backhauling project where branches can now send their plastic, cardboard and good pallets back to the Distribution Centres on Wolseley UK vehicles. Plastic and cardboard waste, although lightweight, is bulky and takes up space within branch skips, wheelie bins, etc. Eliminating plastic and cardboard from general waste services will help to create excess space in current waste services. Each branch can then reduce their waste services by reducing the size of their skip or by reducing the amount of collections per week/month. This results in both financial and environmental savings for the branches. Cardboard and plastic also generate income for Wolseley UK as once it is collected and returned to the Distribution Centres, it is baled and then sold to our waste management company. Where backhauling is not available to branches, recycling services are implemented on site where practical.

6. WASTE & RECYCLING

Greenstar's on-line management system provides a mechanism to trace and calculate recycling and waste collections for all the Greenstar serviced sites. Greenstar is also working with Wolseley UK on a series of other waste-related projects, such as the WEEE directive, packaging waste reduction and business development. The purpose of these projects is not only to reduce Wolseley UK's environmental impact, but also to provide commercial benefits to other areas of the business which in turn will create added value for the customer.

6.4 Recycling waste in the Wolseley UK distribution network

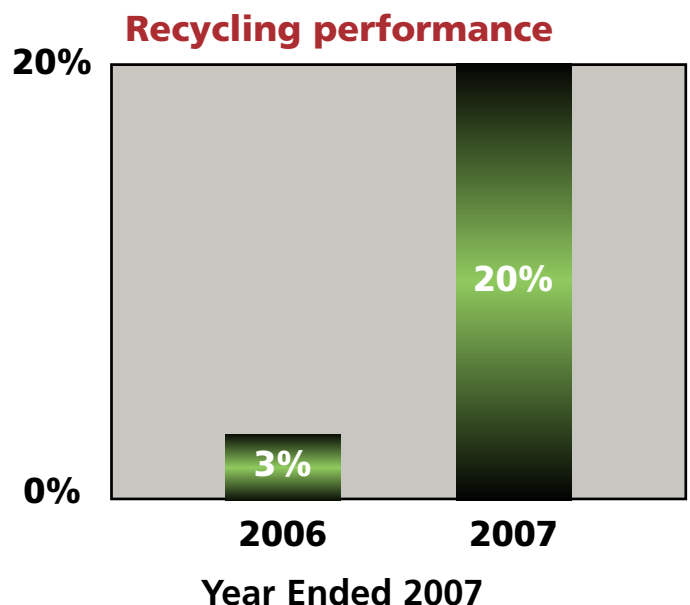
Wolseley has set a target of reducing waste sent to landfill by 5% and increasing recycling by 5% across the distribution network year-on-year. Four distribution centres are now recycling cardboard and plastic, which is monitored on a monthly basis. Greenstar has conducted audits at Marston Gate, Worcester, Melmerby and the National Distribution Centre at Leamington Spa. Data has been compiled from various sources including invoices, waste weights and site visit information. Audits highlight areas for improvement, and generate proposals for making these improvements, as well as identifying potential cost savings. Obtaining the best price for recycled material has a large impact on the overall cost of waste management. A major area where improvement has been achieved is the development of a more efficient collection service. The number, type and size of bins required at each location are now more accurately calculated, reducing the weight of material sent to landfill. Mixed load collections are now implemented where appropriate.

6.5 Packaging reduction projects

As part of our objectives for 2008, the Environmental team is working with Envirowise and a number of our largest suppliers in order to reduce and improve packaging used in our supply chain with the aim of minimising the environmental impact of waste for Wolseley UK and our customers. We are primarily working with a small number of our suppliers, based on a combination of spend, products supplied and their potential environmental impact (packaging waste, amount of damaged product to waste, etc). We are particularly interested in products where we experience high numbers of breakages, obvious over packing or where it would be feasible to explore the use of returnable packaging. The project is due to begin in August 2007 with completion set for March 2008.

6.6 Performance

All the works carried out above has resulted in a massive change in Wolseley's recycling percentage from around 3% in 2006 to over 20% at the end of 2007. This performance is set to continue in 2008.





6.7 Waste Electrical and Electronic Equipment (WEEE)

The Waste Electrical and Electronic Equipment (WEEE) Directive is recent piece of legislation that aims to minimise the impact of electrical and electronic equipment (EEE) on the environment, by increasing recycling and reducing the amount of WEEE going to landfill.

As a responsible distributor of electrical and electronic equipment, Wolseley UK complies with the WEEE regulations by providing consumers with a service to take-back and recycle any goods classified as household WEEE as of 1 July 2007. As Wolseley UK are primarily a trade distributor, this will not affect all sales of electronic equipment; as trade users are excluded. However, we are obliged to take-back any non-trade WEEE.



7. WRAP CASE STUDY - RECYCLED PAPER

7. WRAP CASE STUDY

Realising the Benefits of Recycled Paper

Wolseley UK produces an extensive range of publications, which, alongside the company's on-line services, play a fundamental role in promoting the business and the sale of its products. More than 3,000 separate publications are printed each year, from catalogues, price guides and brochures to flyers and various DM campaigns.

The company's Print Buyer, Marcus Goss, started the process of switching publication production from virgin grade to recycled papers. "In our line of business, forward-thinking is essential to commercial success," says Marcus. "It was obvious that recycled paper was on the verge of making major inroads into the market, so it was important for us to be at the leading edge of that development." The first of Wolseley UK's publications to make the switch included the full-colour, 108-page 'Live-in Landscapes' brochure a number of years ago, and all major publications and marketing material are now printed on recycled material.

Suppliers used are fully FSC accredited and all material is carbon neutral. Wolseley UK work with print and paper suppliers, as well as Government agencies on a practical and information sharing basis, and communicate in close partnerships from mill to end user to ensure Chain of Custody is followed and the best environmental solutions are met.

Passing the Perception Test



It was vital to ensure that using recycled paper on these publications did not have a detrimental effect on quality or customer perception, which might have resulted in a negative impact on bottom-line sales. The selection of an appropriate type of recycled paper fully capable of matching the appearance and performance of the coated virgin grade paper it replaced was therefore essential.

Detailed discussions with Wolseley UK's paper supplier led to the identification of a readily available coated paper with a minimum 50% recycled content. "I made a point of visiting this UK mill where recovered waste paper is re-manufactured back into new recycled paper," says Marcus Goss. "That gave me real confidence, not just in the manufacturer, but also in the paper's ability to meet our company's environmental vision." Samples of the paper were obtained and Wolseley UK asked its print contractor to test them in a programme of small-scale printing trials. Particularly important was the selected paper's ability to provide the required level of sharpness, detail and colour accuracy in the reproduction of product photographs. The results were presented to Wolseley UK's Marketing Managers, who rely on brochures and catalogues to promote the company's products effectively. "They were really impressed," Marcus observes. "They couldn't identify which samples were recycled and which were virgin paper. Some even thought the recycled paper samples looked better." Following successful testing and a consultation phase, Wolseley UK made the switch to recycled paper. "We're working with Wolseley UK to help ensure that the benefits of using recycled paper reach all parts of the business."

Gus Ek, Recycled Paper Advocate, WRAP

Delivering on Cost and Technical Performance

"It's not that many years ago that recycled paper would cost four or five times what you'd expect to pay for virgin grade paper," Marcus Goss comments. "But now we're finding that any cost differential is completely manageable – and in many cases now cheaper - and thoroughly outweighed by the wider environmental benefits" Customer feedback on publications produced using recycled paper has been universally positive. There was no negative feedback from the print contractors in either 'run ability' or printability of the alternative recycled paper. It performed perfectly. Close liaison with print contractors, as well as with the paper supplier, has ensured that the entire process of introducing recycled paper has been problem-free. Wolseley UK now produces work on recycled material across all main print processes from digital, litho to HSWO. All appropriate publications now incorporate logos and wording highlighting their recycled paper content. The Recycled Paper Advocacy Team at WRAP (Waste & Resources Action Programme) has endorsed the progress that Wolseley has made in moving to recycled paper. "We're working with Marcus and his team to help take recycled paper to the next level within the company," says Gus Ek of WRAP. "This includes engaging with Wolseley Sustainability Manager and Corporate Environmental Manager to ensure that the benefits of using recycled paper reach all parts of the business."

Next Steps

The company is now gearing up to extend its reliance on recycled paper even further. Trials of copier paper with 100% recycled content have already been undertaken and corporate-wide roll out is anticipated. One key initiative will see all materials used on publications throughout the Wolseley operation transferring to a recycled material. For example, publications for the new Sustainable Building Centre is printed on 100% recycled paper. These publications will be designed in a way that complements the paper selected, thus reinforcing the powerful message on sustainability that they convey.

8. TRANSPORT

8. TRANSPORT

8.1 Introduction

Wolseley continues to be committed to finding ways of reducing the environmental and social impact of its transport activities. With a total fleet of approximately 5800 vehicles, 2800 are commercial vehicles, which transport materials and products from distribution centres to branches and customers. Wolseley UK has the opportunity to reduce the environmental impact significantly by reducing the quantities of carbon dioxide emitted through more efficient transportation policies and practices. Wolseley UK has identified three key logistics initiatives that will provide a positive environmental impact.

8.2 Mileage reduction by Wolseley UK vehicles:

The roll out of transport planning systems, management (TMS) and a focus by local management, has ensured that Wolseley continues to reduce the distance travelled in delivering products. The use of planning systems in both deliveries to branches and customer deliveries has had a significant impact on reducing mileage, in addition to the removal of over 80 vehicles between August 2007 and February 2008. Local management are also working to ensure that customers have product sourced from their nearest branch. The increasing use of higher capacity trailers combined with better planning has reduced the kilometres run by 200,000 per annum at one distribution center. A further move to direct deliveries to customers from distribution centers will help to reduce the overall mileage product is moved.



8.3 Mileage reduction by Wolseley UK suppliers:

Over 40% of all inbound product into the main UK distribution centres is now collected on the vehicles delivering to branches, and were formerly returning empty. Where capacity still exists on returning vehicles this is being used to bring back waste materials which can be successfully recycled in bulk at the distribution centres, materials which previously went to landfill.

KMs/ CO2 saved by supplier backhaul (approx.)

Year	KM saving	Equivalent CO2 saving (tonnes)
04/05	250,000	227
05/06	1,122,592	1018
06/07	1,479,995	1342

8.4 Reductions in the overall impact of vehicle operation

Fleet purchasing policies are aimed at improving the impact of vehicles, either through buying more fuel efficient vehicles and trailers, or ensuring vehicles are matched more closely with the tasks to be undertaken. New trucks and vans are fitted with semi automatic gearboxes and idling cut offs both help to reduce fuel consumption. Bio- diesel continues to be used in the major distribution centres that operate from bulk fuel supplies.

8. TRANSPORT

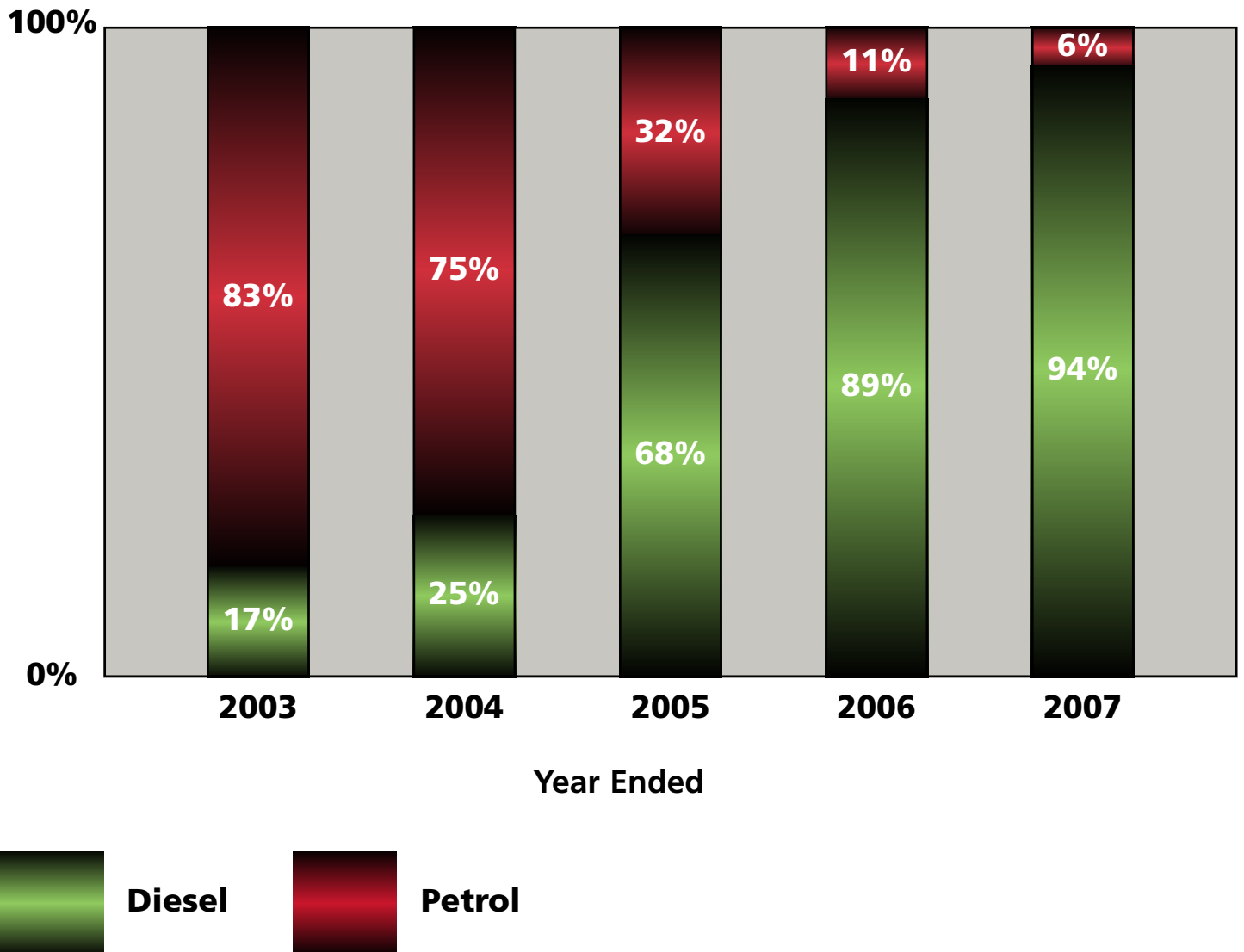
8.5 Company Cars

GE, Wolseley UK's current Fleet Management Provider for company vehicles have provided the statistics shown below relating to the fuel split year on year of Wolseley UK company vehicles. 94% of the Wolseley UK GE fleet has converted to more economical and cleaner diesel fuel. This data is emphasised in the Fuel Split Trend figure below.

Wolseley UK adopted a Whole Life Cost (WLC) CO2 based car policy in 2004 which has had the effect of reducing the overall emissions from the car fleet whilst producing significant fleet cost savings and providing drivers with a more environmentally friendly choice of cars. The basis of the car choice rule set is being governed by a minimum consumption figure of 40mpg and a maximum CO2 level of 170g/km.

This has resulted in a 5% reduction of the CO2 footprint of the car fleet. In addition, the company car list has the option of a Honda Civic hybrid vehicle, a more eco- friendly vehicle which can get up to 720 miles on one tank.

Fuel Split trend - Company Cars



9. FLEET SAFETY

9. FLEET SAFETY

9.1 Introduction

Driving continues to be one of the largest risks that Wolseley UK employees face. In recognition of this fact, a comprehensive fleet safety strategy has been implemented to help raise the awareness of fleet safety and collision reduction measures across the company, which operates in excess of 5800 vehicles.

9.2 Fleet Safety Policy Statement

To demonstrate Wolseley UK's commitment to ensuring the safety of its employees while driving for work purposes, a fleet safety policy was established in 2005. This statement is reviewed annually by the Fleet Safety Steering Group to ensure it remains accurate and for continual improvements to be made.

Year	3rd Party Collision Frequency Rate (%)
03/04	66.42
04/05	51.10
05/06	54.32
06/07	45.19
07/08	36.00

9.3 Brake Corporate Partners

To help demonstrate Wolseley UK's commitment to road safety and support the efforts of Brake in reducing death and injury on the roads, Wolseley UK became corporate partner's of Brake in 2006. This funding and support helps to ensure that the charity is able to continue in carrying out its lifesaving work and essential care services for people bereaved and seriously injured by crashes.



9.4 Quarterly Fleet Safety Steering Group

To ensure that continued focus and attention is maintained, Wolseley UK established the Fleet Safety Steering Group, aimed at reducing the number of collisions experienced each year. The group, which consists of car fleet and commercial fleet managers, operations managers and national and international fleet safety experts, ensures that practical, effective initiatives are implemented. It is the key driver for identifying effective collision reduction programmes and proposing fleet safety policies to Wolseley UK's Leadership Team. To date the group has implemented the following programmes.

9.5 Commercial Driver and Company Car Safe Driving Handbooks

To ensure that employees are provided with the necessary information so that compliance with legislation and the fleet safety policy is maintained, Wolseley UK has launched handbooks for both its Company Car and Commercial fleet drivers. These handbooks are issued to both sets of drivers and outline their responsibility to act in a safe manner at all times when driving for work purposes. Additionally, the handbooks contain further instruction, information and guidance to help keep the drivers and their families safe when also driving for personal purposes.

9. FLEET SAFETY

9.6 Quarterly Commercial and Car Fleet Driver Newsletters

Both the commercial and car fleet departments issue a quarterly newsletter to all locations and drivers that operate company vehicles. This process aims to raise awareness of all company drivers to current hot topics relating to fleet management and vehicle maintenance as well as highlighting methods of best practice.

9.7 Improved monthly reporting and data analysis via Willis

Wolseley UK has been working closely with its insurance brokers Willis, to increase the speed of reporting and the quality of the collision data made available each month. To assist this process, a number of meetings take place where progress is reviewed and any concerns are highlighted. This ensures that any significant issues are identified and tackled, and that continual improvements are made.

9.8 On the road driving assessments for all new commercial vehicle drivers

In conjunction with its national fleet training company Transport Training Agency (TTA), Wolseley UK has introduced on-the-road driving assessments for all new commercial vehicle drivers. This process ensures that employees are examined for suitability and given first-hand experience of the driving role prior to commencing duties on the road. Any significant concerns about the driver's ability can also be identified by the assessor at this stage, so that appropriate preventive measures can be taken.

9.9 Online Driver Risk Assessment for Wolseley UK drivers

The online driving assessment programme, which has been developed in conjunction with our insurers Zurich, is designed to enable the identification of potentially 'at risk' drivers, so that preventive measures can be taken prior to any such incidents occurring. The system is designed to help significantly improve the accident and collision performance of all the company's drivers. Wolseley UK initially launched the programme to 1,000 drivers (500 company car drivers and 500 commercial) with a view to rolling it out to all company drivers during 2008. In addition, any employee ordering a new company car has to complete the assessment before receiving their vehicle.

9.10 Wolseley UK Safe Driver of the Year Competition

Following the success of the very first Wolseley UK Commercial Vehicle Driver of the Year competition in 2006, in September 2007, the Company integrated both the commercial and company car fleets and held a combined Wolseley UK Safe Driver of the Year competition. Separate events ran for both categories and the end of the day saw two separate employees crowned Wolseley UK Safe Car Driver of the Year and Wolseley UK Safe Commercial Vehicle Driver of the Year. This process ensured that drivers with a good history were rewarded for adhering to guidelines and best practices were shared across the fleet. Next year, the company is making plans to integrate the event with fork-lift truck drivers also.



9. FLEET SAFETY

9.11 Brake National Road Safety Week

Each year, Brake (the Road Safety Charity) co-ordinate a National Road Safety Week campaign to help reduce death and injury on the UK roads. For the past two years, Wolseley UK has been actively supporting the event by promoting an array of initiatives focusing on fleet safety during the week.

Further, as part of Wolseley UK's commitment to raise awareness of the importance of road safety both internally and externally, employees and students from Champion School have attended road safety workshops organised by the Health & Safety Team. The company have also sponsored two giant banners in both Leamington and Ripon displaying pertinent road safety messages to help spread the message to local communities.

9.12 National and International Fleet Award recognition

Wolseley UK's commitment to road safety and dedication to make improvements within its fleet management practices has recently been recognised through some highly prestigious award schemes. The company has twice been recognised for the means by which it analyses its collision statistics and implements control measures by road safety charity Brake. Wolseley UK's head of Health, Safety and Environment has also been awarded the 'Road Risk Manager of the Year' award for his commitment to road safety.



2007 saw Wolseley UK collect Brake's 'Company Driver Safety Award' for the numerous successes achieved with initiatives identified and implemented across the company as well as the RoSPA Managing Occupational Road Risk (MORR) Silver Award for the management systems employed to help control the risks faced by employees whilst driving for work purposes.

Furthermore, Wolseley UK has been highly praised for its fleet safety initiatives by receiving a commendation at the International Prince Michael Road Safety Awards. This particular award is regarded as one of the highest recognitions which can be received within the field of fleet safety for fleet management practices.

Further information about Wolseley UK's fleet safety programme may be obtained from Paul Gallemore (Head of Health, Safety, and Environment & Supply Chain HR) or Harnam Singh Nijjar (Health & Safety Policy Advisor).



10. HEALTH & SAFETY

10. HEALTH AND SAFETY INITIATIVES

10.1 Introduction

Within Wolseley UK, Health and Safety has become an integral part of our management philosophy and we are committed to continuously improving the working environment for our staff, our customers and members of the public. A key principle behind this philosophy is the emphasis on ownership and accountability. To help the promotion of ownership and accountability and to encourage a responsible attitude for preventing injury and illness at work, the key safety theme within Wolseley UK is "Don't Walk By".

Over the last 3 years Wolseley UK has been successful in reducing its reportable accident rate by over +20% and is progressing extremely well against a 5 year target to reduce accident rates by 50%. During 06/07, Wolseley UK experienced a 7% improvement in its reportable accident rate. A significant element of the programme has been the emphasis on providing compelling details on the moral, financial and legal drivers to the business. This has been achieved through focus upon communicating details of serious injuries and collisions, capturing the costs associated with injuries/collisions and highlighting any potential legal breaches.



Whilst Wolseley UK is 3 years into the 5-year Health and Safety strategy there are already some positive achievements on both a local and national level. Some of the initiatives that have been implemented and helped to achieve this are illustrated here.

10.2 Executive Health & Safety Steering Group

Wolseley UK has introduced this high profile group to help raise the profile of the safety across the business. The group's remit is wide, but its' main focus is on reviewing the Occupational Health & Safety Strategy, and the effectiveness of tactical programmes and initiatives. It also monitors safety-related key performance indicators. The creation of this group has initiated the formation of other sub-groups and will continue to do so for continual improvements to be made.

10.3 Occupational Health & Safety Management System

Wolseley UK has recently launched a new Occupational Health and Safety Management System across all its business locations in the UK. The new management system ensures that the Company is up to date with changes in legislation and policy and complies with the recognised standard OHSAS 18001. It provides all employees with guidance on how to meet the required standards to operate in a safe and healthy workplace.

Rather than issuing hard copies which are difficult to control and update, the system is available on the company intranet which all locations have access to. Any employee can access the system and download any sections they need to view and study, either by reading on-line or by printing off a hard copy. Uncontrolled copies can also be made available in CD format.

10. HEALTH & SAFETY

10.4 10 Safety Commitments

Wolseley UK is committed to achieving outstanding occupational health and safety performance. Commitment is reinforced by the Leadership Team in many ways, one of which has been the establishment of the Executive Safety Steering Group.

The Group agreed on ten key safety commitments which apply to all Wolseley UK locations and detailed these on a poster that was distributed to all locations. To demonstrate the Company's commitment to ensuring that we provide a safe working environment for our people, the Group asked Location Manager's to sign up to the ten points noted and display the completed poster in a prominent position within their Location.

10.5 Safety Alerts

Safety alerts are issued to all Wolseley UK locations following the occurrence of a serious incident. Not only does this process ensure that effective safety communication is established, it also increases the awareness of all staff across the company so that control measures are implemented to prevent recurrences of similar incidents in the future. This initiative has proved to be one of the most successful for raising the attention to a serious topic or matter.

10.6 Safety Co-ordinator Programme

In locations where there are fifteen or more employees, a scheme has been introduced whereby a designated Safety Co-ordinator is responsible for supporting the Location Manager in Health & Safety matters. The role of the Co-ordinator is to support the Location Manager and act as a point of reference for them when introducing and reinforcing safety management processes within the location. To date there are over 100 co-ordinators in the business.

Each Safety Co-ordinator receives six days IOSH accredited Health, Safety & Environmental training over a six month period. Between each module the Co-ordinator is required to complete specific activities at their own working location. The programme is also proving useful for developing and identifying potential managers for the future.

10.7 Health, Safety and Environment Newsletter

"Don't Walk By" is the new Health, Safety and Environment Newsletter which is produced on a quarterly basis. This publication outlines the current Health, Safety and Environmental issues which affect Wolseley UK employees.

The newsletter is specifically designed to remind each employee of their personal duty towards acting in a safe manner at all times as well as ensuring that unsafe activities or situations are corrected immediately where practical. It is also a very useful tool for raising awareness and communication on H, S & E matters and sharing best practice techniques.



10. HEALTH & SAFETY

10.8 Fire Safety Management Programme

To ensure compliance with the new Regulatory Reform Fire Safety Order, Wolseley UK has launched a unique on-line fire risk assessment programme for all its Location Managers to utilise for their sites. This state of the art tool has reduced the need for labour intensive paper based risk assessments to be completed and instead simplified the task for Wolseley UK's 1800+ Location Managers risk in assessing their site for the risk from fire. Feedback on this programme from insurance brokers Willis has been very positive.

10.9 Essential Safety Theme Programme

The monthly Essential Safety Themes programme has been designed to promote a safe working environment and improve business critical safety standards at site level. As the campaign's name suggests, the themes focus on the key occupational health and safety issues affecting the business. They aim to support the Location Manager in reviewing their risk assessments as well as providing the framework for a team brief on the chosen subject.

Each month, all locations are issued with a poster, briefing notes and a simple 10 point checklist. The checklist is not designed to replace Wolseley UK's monthly inspection process but to enhance it. Once the monthly topic checklist has been completed and briefed to all employees by the Location Manager, it helps considerably to demonstrate our compliance to Enforcing Authorities, our ability to defend civil claims and most importantly provide refresher training in the subject matter.

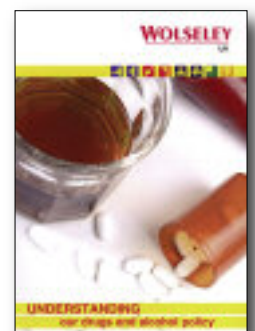
10.10 Leadership Team /Senior Management Team Audit

A key driver in the development of a positive safety culture is for Senior Managers and Directors alike to demonstrate a positive interest in health, safety and environment. To help reinforce this message, and in support of the 'Don't Walk By' ethos, Wolseley UK has developed a simple seven question Location audit for members of the Leadership and Senior Management Teams to undertake when visiting Locations. The mini audit is designed to encourage a structured conversation with the Location Manager and their team about health and safety.

Over 150 of these audits have been completed since launched and in each case the Location Manager has agreed with the Leadership Team member to undertake the remedial action required.

10.11 Drugs and Alcohol Policy

Substance and alcohol misuse is thought to be a major contributory factor in many workplace accidents and according to Government figures this issue accounts for somewhere between 3% to 5% of absences from work. This presented an opportunity for Wolseley UK to further improve its occupational health and safety performance as well as making cost savings and advances with our people agenda.



To this end, during 2007, a refined Substance Misuse and Alcohol Policy was prepared which fitted into part of a wider occupational health awareness programme and was promoted as a positive employee benefit.

10. HEALTH & SAFETY

The improved Policy addressed the serious issue of substance misuse and its effects which could be inadvertently brought into the workplace. Whilst we have had the provision for certain testing of individuals for the use of drugs and/or alcohol in the past, this upgraded Policy included: random, pre-employment and for cause testing, as well as a wider scope for the rehabilitation of people who consider themselves to have a problem. It should be recognised that Wolseley UK is the first organisation in the building merchants industry to implement such a comprehensive drugs & alcohol programme.

10.12 Generic Risk Assessments

Wolseley UK has issued new generic risk assessments to all locations. The assessments have been specifically designed to simplify and improve the process for Location Managers, while ensuring compliance with updated legislation.



10.13 Regional & Area Manager Development

With the support of both brand and operational management teams, the Health, Safety and Environment team regularly presents at both national and local levels. The main aim of the presentations has been to highlight health, safety and environmental issues throughout the company's network of 1,800 branches to help encourage engagement from all areas of the business. All Wolseley UK Regional and Area Managers are also currently undergoing the IOSH safety for senior executive's course.

10.14 Health, Safety & Environmental Staff Handbook

A new Health, Safety & Environmental Staff Handbook has been developed and issued to all employees within Wolseley UK. The handbook summarises key elements from the Company's safety and environmental policies and highlights methods of best practice with regard to safety and environmental matters. The new handbook helps to further improve existing safety related communications as well as serving as a knowledge source for employees which should help to minimise the potential for accident occurrence.

10.15 HSE Team Re-alignment

The Wolseley UK Health, Safety & Environmental team has recently been realigned to ensure that resources are being utilised more effectively. Each field based Manager is now responsible for providing functional support to a particular business unit with a formal safety improvement plan devised for each. This process ensures that a consistent approach is being taken towards managing to all business units across the Wolseley portfolio and each business has a single point of contact for all HSE related matters.

10. HEALTH & SAFETY

10.16 Health and Well-being programme

Each year, Wolseley UK develops a health, safety & environmental strategic planner to identify key programmes and strategies aiming to reduce the Company's accident rate and improve the well-being of our staff.

To aid this process, Wolseley UK have benefited from an Occupational Health Service offering via their insurers for a number of years. However, they has recently reviewed provisions for health surveillance and now additionally include health screening as part of the pre-employment process.

Such initiatives and programmes enable the Company to identify individuals that may require additional support during their employment. They also offer rehabilitation services to help employees return to work duties as quickly as possible following an accident at work helping the Company to achieve both its health and well-being goals.

10.17 Occupational Health & Safety Recognition Programme

A key element of Wolseley UK's people plan and health and safety strategy was to implement an internal Occupational Health and Safety recognition programme to recognise outstanding health and safety performance, identify best practice and achieve further engagement across the area.

As well as the aims outlined above, the internal recognition programme would deliver recognition to our people and the business units they work for by recognising individual and team outstanding contributions and the occupational health and safety performance of the different operating brands.

The programme was launched in the 2007/08 financial year with awards available in five different categories and forms an important part of Wolseley UK's desire to develop and embed a positive safety culture through the engagement of its people.

10.18 "Don't Walk By" Campaign

As part of our commitment to ensure the health and safety of all our employees, customers and members of the public, Wolseley UK has introduced a 'Don't Walk By' Campaign. This initiative is geared towards empowering employees to take ownership for health and safety matters and to encourage the reporting of all incidents, near-misses and hazardous situations to their line manager immediately.



10.19 Safety Communications

Wolseley UK recognises that an essential part of an effective occupational health and safety management programme is regular and consistent communication on safety related matters. To support this philosophy a regular safety article now features in all editions of the Wolseley UK employee magazine Connections.

10. HEALTH & SAFETY

10.20 RoSPA Gold Award

Wolseley UK has been awarded the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for Occupational Health & Safety. This is a prestigious award, recognised across British industry for achievements in high standards of Health & Safety at work. The award is not just about Wolseley UK reducing the number of accidents employees have whilst at work, or reducing the number of cases of ill health resulting from work related activities. It recognises the Occupational Health & Safety management systems put in place and is an award for everybody in the business who supports the company's business objectives by working safely.

10.21 Carbon Monoxide Consumer Awareness Alliance (COCAA)

Wolseley has strengthened its commitment to gas safety by becoming the first distributor to join the Carbon Monoxide Consumer Awareness Alliance (COCAA), which is co-ordinated by CORGI and aims to raise awareness about the 'silent killer', carbon monoxide.

Steve Ashmore, managing director of Plumb and Parts Center, said: "It is crucial to highlight the dangers of this gas. We have promoted the range of carbon monoxide alarms available from our branches, as well as support various awareness initiatives, but by joining this group we believe we can do more.

"This follows our recent announcement that from 1 January 2008, all of our branches will only sell safety critical gas parts to CORGI members, as part of our drive to raise safety standards and discourage cowboy HVAC installers."

Dan Caesar, COCAA chair, added: "COCAA members currently include representatives from the major energy retailers, victim support charities and manufacturers of carbon monoxide alarms.

"Until now a distributor was the missing link in the chain and we are delighted to have Wolseley on board. With all members working closely together we can continue to raise public awareness of carbon monoxide poisoning, including advice on how to spot symptoms and how to keep safe."



10.22 Parts Center Launches Gas Safety Initiative

Parts Center, part of Wolseley plc, is saying no to cowboy HVAC installers by backing a gas safety initiative, developed in partnership with CORGI.

From 1 January 2008, 200 Parts Center branches across the UK will limit the sale of safety critical gas parts to CORGI members, as part of a move to raise safety standards across the industry.

Julie McLean, Part Center's brand marketing manager, said:

"This is the first time that a merchant has teamed up with CORGI to restrict the sale of specified industry parts in order to promote safety. This decision hasn't been taken lightly and by restricting the sale of safety critical gas parts to CORGI members, we are demonstrating our commitment to safety and supporting legitimate gas installers."

From the start of 2008, installers visiting Parts Center branches will bring along their CORGI ID card if they intend to buy safety critical gas parts. By showing their card, installers will be doing their bit to raise safety standards.

Julie McLean added: "We have held CORGI days at all our branches and produced literature to help communicate the policy change to customers in each area. All the installers I have spoken to welcome the move and believe it will make a difference to safety standards.

"We want to take the industry with us and encourage other merchants to adopt a similar policy."

CORGI's director of professional services, Keith Needham added: "This is a great idea and provides an opportunity for installers around the country to help us to help them by halting the sale of parts to illegal installers who are not CORGI registered. We hope more suppliers follow Parts Center's example."

11. EMPLOYEE LEARNING & DEVELOPMENT

11. EMPLOYEE LEARNING & DEVELOPMENT

11.1 Introduction

Wolseley UK believe if we recruit great people, then train and develop them to be motivated and enthusiastic, the business and our customers will get great service. When the need for training or development is identified, the line manager organises this on the employees behalf. Learning is then provided either through on-the-job coaching and support, or is arranged by their manager through our in-house training & development team. It is our belief that people learn best if the environment is right and the learning is enjoyable. Wolseley aim to make sessions engaging and interesting, to bring out the best in people and provide them with knowledge that will help them to carry out their role effectively to the best of their ability. This is a people to people business, so meeting others, learning from each other and building a network of contacts is very important. When you join a Wolseley UK event, you will meet people from other parts of the business and have the chance to build strong relationships for the future.

11.2 Training@

'Wolseley Training@' offers online learning to enable flexibility of training. Employees can enhance their self-development by completing courses at a time that suits them, at their own location, at their own desk and at their own pace.

The courses are divided into modules, which are then broken down into bite-size chunks to ease employees learning. Once they have completed a course, they can complete a practical assignment to challenge themselves further. The training is certified, providing evidence of employee's learning path.

'Wolseley Training@' courses are designed to empower employees with all the skills and knowledge required, not only to provide good customer service, but to also help their personal career development; giving them the opportunity to advance and to help drive Wolseley UK forward as a successful business.

11.3 Foundation Programme

The Foundation Programme is designed specifically for school leavers. It has been operating for over 14 years, and is directly responsible for developing a growing number of successful careers at Wolseley UK.

The programme is currently under review and will be re-launched to start in September 2008. The main aim of the programme is to train and develop young people to achieve their full potential and grow within the business.

Throughout the two years, the trainees will meet others who seek employment and add value to the business. Wolseley believe that to achieve this the business needs to provide them with the skills and knowledge that will help them to carry out their role to the best of their ability.



11. EMPLOYEE LEARNING & DEVELOPMENT

Training is provided on a one to one basis between the trainee and their manager and they will also attend off site skills days in groups.

All training is arranged by a dedicated in-house training and development team who will help and support throughout the programme. The Foundation trainees will also be assessed to gain a National Vocational Qualification (NVQ) level 2 in Warehousing and Distribution and NVQ level 3 in Customer Service.

Trainees will also be given the opportunity to learn about the products we sell. This is vital to not only do our jobs effectively and achieve job satisfaction, but also to increase sales for the company as a whole.

11.4 Graduates - The Two-Year Management Trainee Programme

Each year Wolseley UK embarks on a recruitment campaign to bring recently graduated university students into our business. As a group, Wolseley is one of the largest recruiters of graduates from UK universities, offering more than 50 places annually. The graduate programme operates across all UK business units and opens up a wide range of opportunities in many different aspects of the UK business to both external graduates and suitably qualified internal employees.

The purpose of this annual recruitment is to generate fresh talent by encouraging young, highly educated people to join our company and thereby become a source of intellectual capital for the future.

The two-year programme has been devised to fast track graduates into a supervisory or management post. However, this programme is not about job creation. Each graduate can apply for any suitable post and will be measured against any other internal or external candidate that applies.

The continued training and development of staff is key to the continued success of the company. Each individual joining Wolseley is provided with the opportunity of not only receiving quality training in line with their specific job requirements, but also the availability of extensive development programmes enabling them to pursue a wide and varied career within the company.



The recruitment drive proves increasingly successful attracting more than 1,000 applications from high quality graduates this year, looking for one of 50 places on our general management graduate programme. The two year programme allows graduates to maximise their experience of UK branch businesses, gaining basic knowledge and hands-on training within the business.

11. EMPLOYEE LEARNING & DEVELOPMENT

Graduate fairs take place throughout the country, including Glasgow, London, Manchester and Birmingham. The scheme is also advertised through recruitment initiatives such as Milkround and Prospects Online.

Throughout the two years as a graduate, one is expected to complete a series of management courses, some of which relate specifically to the business. The programme involves undertaking courses to acquire sales techniques, people management skills, product knowledge and internal company systems and procedures. Training will include classroom sessions as well as practical experience of the operational side of the business. After the two years, graduates gain the Chartered Institute of Management qualification.

11.5 Wolseley UK MBA Sponsorship programme

Further to Wolseley UK's commitment to people development, up to three Warwick Business School distance learning MBA Scholarships (each worth approximately £15,000) will be awarded for 2008. The MBA scholarship programme is open to all Wolseley UK permanent employees, with a minimum of one year's tenure and has been running for the last few years. The MBA is a highly regarded general management qualification that helps participants reach their full potential as a well rounded manager in a rapidly changing environment. The aim is to provide the individual with skills, knowledge and confidence to lead and motivate others, to advance their career and enhance the business.

11.6 Career progression- pay and grading

For the first time, Wolseley UK is implementing a clear path for career progression within a number of its businesses, giving employees the means to develop their career and improve their pay in the future.

New arrangements, being introduced within the Plumb, Parts, Build, Drain, Pipe, Climate and Maintenance businesses, provide a clear and transparent structure of job roles, the core skills and knowledge requirements for their roles, and how these are linked to pay and career progression. The structure also provides managers in these businesses with a clear framework for future branch network recruitment.

Additionally, Wolseley UK is improving the basic salaries of thousands of branch network employees in the affected businesses. The new arrangements are some of the most fundamental changes the business has ever introduced, and show Wolseley UK's long-term commitment to pay salaries that are competitive within the marketplace and sustainable for the company.

The changes focus on the largest employee group in the business, where the review found the least-competitive salaries and the greatest inconsistency. The company believes the new arrangements being introduced are fairer and more equitable.

Managing Director Nigel Sibley said: "The company is continuing to deliver on its promises. We announced what we were going to do in July 2007 and we have now implemented the changes, as I promised we would."

11. EMPLOYEE LEARNING & DEVELOPMENT

Overall, the majority of non-manager branch employees in the affected businesses have gained as a result of the review through an increase in pay rates. The remainder of employees will not have their pay reduced, and all will also continue to be eligible for consideration in the annual pay review in August 2008.

All employees covered by the review within the seven affected businesses are having individual one-to-one meetings with their branch manager, to discuss how the changes affect them and to receive an individual letter. Employees within these businesses are also receiving a simple career workbook to help them identify what they need to do to develop their careers, including moving to other roles.

HR Director Bob Mason added: "This is about so much more than a fair salary for our employees. The pay and grading structure gives us a blueprint for the future, in which our people can drive their own career development. These changes are just the first steps in our journey to make Wolseley UK a great place to work."



12. EMPLOYEE INVOLVEMENT

12. EMPLOYEE INVOLVEMENT - SHARESAVE

Sharesave is a low-risk cash saving scheme available to all Wolseley employees in the (UK and other participating countries), where they save money from net pay into a savings contract for a period of 3, 5 or 7 years. Their savings will earn interest in the form of a tax-free bonus to be paid at the end of the savings period. Employees then have an 'option' (a right but not an obligation) to buy Wolseley plc shares (a part ownership in the company) with all or part of their savings (including the tax-free bonus) at the end of the savings period; or they can simply withdraw their savings and tax-free bonus in cash.

The price employees pay for these shares (the 'option price') is the market price on 20 March 2007 less 20% and is fixed at the start of the savings period; if they choose to buy shares at the end of the savings period, they will still pay the option price for them, regardless of what the market price is at that time.

13. COMMUNICATION

13. COMMUNICATION

13.1 Introduction

Communications remains a key enabler and factor for Wolseley UK's success and will continue to help the company deliver its growth plans through the development and successful execution of best practice communications strategies and programmes.

Wolseley UK continued the execution of its internal communication strategy this year through the roll-out of further communications processes and programmes aimed at informing, engaging and motivating its workforce. The now established, and newly created processes and programmes in place comprise:

- A clear leadership structure for cascading information – established three tiers with specific responsibility for cascading information to their teams, and to reinforce messaging and solicit and take ownership of any questions employees have about the communication.
- A clear dissemination process for reaching all employees
- A Communications Plan template and standard approach for Acquisitions and Business Initiatives
- An established Crisis Communications approach and process
- Established evaluation tools for each communications programme



13.2 Engaging and motivating our People

Following Wolseley UK's second annual company-wide employee opinion survey in 2006, the company conducted a tracker survey of 20% of the total employee population in 2007, to gauge employee engagement and overall satisfaction.

Encouragingly, the Engagement score has continued to improve.

The company has also continued to address areas for improvement identified in last year's tracker survey.

A full suite of communications programmes are now in place, which have proven to be successful with target audiences and several have been recognised externally. New and established programmes include:

- The re-launched, award-winning Connections magazine, which has been expanded to 20 pages per edition to meet the demand for more information from its target branch-level employee audience
- The award winning monthly Live and Online employee chat sessions via the Intranet with members of the Leadership Team
- Established face-to-face meeting forums for employees and managers, including:
 - Quarterly meetings of the Senior Management Team to review progress and discuss future opportunities
 - Yearly meetings of the complete management population. The second was held on 13 November, 2007
 - Two-hour bi-monthly breakfast meetings of up to 40 managers (branch manager level and above) with members of the Leadership Team
 - New, two-hour monthly meetings of 40 non-management branch network employees with a member of the Leadership Team
 - The Back to the Floor Programme, with all office based staff (900) spending time in the branch network to develop closer links and improved understanding. Around 40 office employees a month are participating in this two-year programme

13. COMMUNICATION

- The WOW Factor – Winners of Wolseley – recognition programme was launched to enable branches and individual employees to be recognised and rewarded for outstanding performance. The programme comprises two company-wide awards schemes, the Branch of the Year and Customer Service Champion of the Year Award

During 2007, the company won a number of communications awards including the 'Best Internal Communications Strategy' award in the 2007 FEIEA Awards, which included entries from 11 European countries, as well as an Award of Excellence in the 'Best Internal Communications Team' class of the 2007 CiB National Communications Excellence Strategy Awards, one of Europe's largest corporate communications competitions.

13.3 Green Day at RLS

As part of Wolseley UK's commitment to raising the profile of environmental issues, an environmental awareness day- 'Green Day'- was held at the head office in Leamington Spa. Representatives from organisations Lyreco, Greenstar, GE Fleet Services and The Energy Saving Trust were on hand to showcase some of their company's initiatives, as well as answer any questions presented by Wolseley UK employees. Items such as energy efficiency, fleet challenges, waste management and stationery were just a few of the topics discussed during the event that proved extremely successful. A stand was also set up by the Wolseley UK Environmental Team to update employees on all environmental matters as well as creating a forum where all suggestions and ideas could be aired. Following on from the event, a number of employee suggestions and ideas have been implemented and ongoing progress will be communicated to staff.



14. COMMUNITY LINKS

14. COMMUNITY LINKS

14.1 CRASH

Wolseley UK has become a partner of construction industry charity CRASH, which supports projects designed to improve the lives of homeless people. In particular, they concentrate on improving and refurbishing hostels, day- centres, training centres and move- on accomodation: their aim is to provide the homeless with a home from which they begin to reconnect with normal society.

The company will become a patron of CRASH. Patrons fund CRASH's running costs, meaning that all money raised by supporters goes to CRASH-supported projects.



It brings together the expertise and help of professionals and companies from the UK construction and property industries to help reduce the construction costs of projects that help the homeless.

Wolseley UK talked to several charities before selecting CRASH as its national charity partner. CRASH was chosen because of its alignment with the company's business, and the range of potential engagement for Wolseley UK, including fundraising, donation of building materials and products and volunteering opportunities for employees throughout the country.

The new partnership builds on the support given to CRASH for many years by Wolseley UK's Encon business.

14.2 Wolseley UK presents lifeboat to RNLI

Wolseley UK has formally presented a new lifeboat to the RNLI. Sunderland was only the second lifeboat station in the north of England to receive an Atlantic 85 class lifeboat, which is one of the lifesaving charity's most technologically advanced vessels.

The lifeboat, named Wolseley, went on service in May and has already launched over 20 times, rescuing over 50 people.

Wolseley raised £125,000 to fund the Atlantic 85 by encouraging its 15,000 UK employees, its customers and suppliers to support the RNLI with a number of fundraising events.



14. COMMUNITY LINKS

Wolseley director Paul Gordon, who named the lifeboat at a formal ceremony at Sunderland Marina said: "As a long-established British company, Wolseley is delighted to have been able to sponsor a new RNLI lifeboat to be based at Sunderland. Thanks are due to our staff, customers and suppliers, who have contributed generously to this lifeboat, which will be saving lives for many years to come."

The Atlantic 85 is the first RNLI inshore lifeboat to have radar, which means it can operate more effectively in reduced visibility. It is also faster and bigger than its predecessor, with room for a fourth crew member as well as more space for casualties.

Sunderland RNLI senior helmsman Paul Nicholson said the Wolseley RNLI lifeboat has already proved her worth on the North East coast.



He added: "We have already carried out twenty-four rescues in the lifeboat and the increased speed together with the radar and VHF direction-finding equipment have definitely made a difference to our operational effectiveness. On behalf of everyone at Sunderland lifeboat station I would like to thank Wolseley for their wonderful fundraising efforts which have resulted in the donation of our very special new lifeboat."

14.3 Wolseley to support British Gymnastics

Wolseley UK has announced details of an exciting partnership with British Gymnastics, as part of the FTSE- British Olympic Association initiative. Part of the British Olympic Association's contribution to achieve its goal of fourth place in the London 2012 Olympic Games medal table, this initiative partners a FTSE 100 company with an individual National Governing Body (NGB) of an Olympic Sport to provide the NGB with skills and knowledge to enable it to develop into a truly world class organisation.

It is expected that this will become a long term partnership, but there will be an initial focus on agreed and specific projects including - executive level consultation, strategic marketing guidance, commercial proposition development, customer research and targeted marketing activities. In particular Wolseley will help British Gymnastics to research in detail what services its 150,000 members most value, and to develop an exciting customer proposition to meet their demands. Another area in which British Gymnastics will benefit from Wolseley's expertise is in negotiating competitive deals for purchasing a range of goods and services, such as flights and hotel accommodation.

Alan Sommerville, CEO of British Gymnastics commented: "British Gymnastics is delighted to be able to take advantage of the unique opportunities presented by the FTSE - BOA initiative. The ability to link into the vast resources and experiences of such a prestigious International Corporate Organisation will be an immense benefit to us as a rapidly modernising Governing Body. In particular, initial discussions with Wolseley UK have identified a number of projects relating to the development of customer/member satisfaction and corporate governance development. I look forward to working up these ideas further and to working with Wolseley in a mutually beneficial relationship."

14. COMMUNITY LINKS

In a related initiative, Wolseley is working with British Gymnastics and other interested parties grouped under the banner of Lilleshall Sporting Futures, to secure the future of the National Sports Centre at Lilleshall in Shropshire. Lilleshall is a flagship residential training centre, and centre of excellence for many of the UK's top sportsmen and women.

"We are delighted to have the opportunity to support British Gymnastics." said Nigel Sibley, managing director, Wolseley UK. "Gymnastics is a popular sport in the UK, especially with the young, and its participants reflect the broad social mix. We are committed to playing our part in increasing participation in the sport at all levels, and, we hope, helping British Gymnastics to achieve ever greater competitive success."

"Wolseley is excited by the partnership and the opportunity to support a major British sporting body in the build-up to the Olympics in Beijing, London and beyond. A cross section of Wolseley people will benefit from their involvement, and it will raise the profile of gymnastics within our 15,000 employees in the UK. The partnership with British Gymnastics will form an integral part of our future Corporate Responsibility programme."

14.4 Champion School

Wolseley UK is keen to promote the benefits of volunteering opportunities and to encourage staff to play active roles in the communities where Wolseley UK has a substantial presence.

To this end, Wolseley UK have been involved in several projects allowing staff to participate in schemes which are appropriate and relevant to our business. One example of such a successful scheme is the Wolseley – Champion School partnership in Leamington Spa.



Champion is the closest secondary school to Spa Park in south Leamington, where Wolseley UK established its headquarters in 2005. The school provides for students in the age range from 11 to 18 and has specialist college status for Business, Enterprise and Visual Arts. Champion School takes students from a wide range of age groups and social backgrounds, and until recently had enjoyed a mixed reputation. Champion was chosen as Wolseley UK's partner because of its proximity, but also because of the effect Wolseley UK could have in transforming pupils' lives.

Life skills

ASDAN offers a wide range of Awards for young people of all abilities. They aim to recognise and reward their skills as they complete 'Personal Challenges' in such areas as sports, healthy living, community involvement, work experience, expressive arts, relationships, citizenship, personal finance and enterprise. Wolseley has provided staff to provide students with real job interview experience to gain merits toward their awards. The intense programme aims to recreate the scenarios that students can expect to experience the real outcomes of success or failure.



14. COMMUNITY LINKS



Business Studies

Wolseley play an active part in the business studies curricula of several age groups by providing content, speakers and facilities allowing teachers to bring the subject to life using practical examples. Experiences may happen in school or on Wolseley premises.

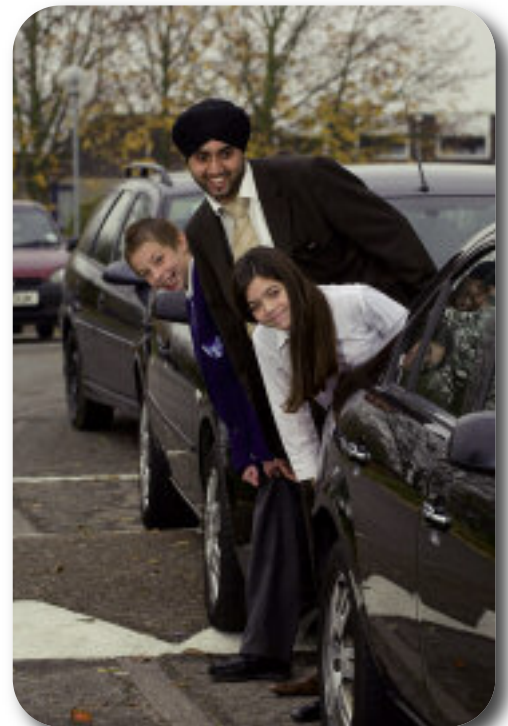
Art

Wolseley has provided materials to enable students to participate in creative subjects and most recently students have completed an art module utilising plumbing fittings to great effect. The resulting paintings have been on display in Wolseley UK's head office building.

Road safety

To demonstrate Wolseley UK's commitment to road safety for local communities, the company arranged six road safety awareness workshops for Champion School students to attend during Brake's (Road Safety Charity) National Road Safety Week 2007 campaign. The sessions were taught as part of the curriculum timetable at the school and were attended by over 150 students of all year groups (year 7 to year 11).

In addition to the practical road safety tips which were passed on to the students during the sessions, awareness packs were distributed to all attendees with additional information and guidance relating to road safety to help ensure that the learning continued 'away from the classroom'.



The interactive presentation session was endorsed by the Department for Transport and all students and teachers that attended also signed up to the 'funding for 20mph zones around schools' petition organised by Brake. Additionally, the commercial fleet department based at Wolseley UK's Distribution Center in Melmerby also organised road safety sessions at schools within their local community.

14.5 MITIE Skills Centres

Since spring of 2007, Wolseley UK has supported one of our largest customers, MITIE, and their Skills Centres. Wolseley UK provides building materials to MITIE Skills Centres within 8 schools across the UK. These Skills Centres allow students to focus their studies on elements of the construction industry with the ultimate aim of these students helping to address the skills and employment gap within the construction industry. Wolseley UK is also going to look toward students who complete the programmes within the Skills Centres as potential candidates for the newly launched Foundation programme.



15. CR KPI'S

15. CR KPI's

A number of Key Performance Indicators (KPI's) have been identified relating to different core areas of the business such as Energy, Utilities Consumption, Health & Safety, Transport and Waste & Recycling. These KPIs are used to quantify objectives and reflect the strategic performance of the organisation. They will help us to define and measure progress towards our organisational goals. They can be used as a Performance Management and improved tool by focusing employees on achieving the business goals.

Whilst every care has been taken to ensure that the information included in this document was accurate at the time of printing, we reserve the right to change specifications at any time. The photographs reproduced in this publication are within the constraints of the printing process and are NOT to be used for matching purposes. E&OE.