Our purpose

Here to help build better communities and enrich lives.

The Group enables customers to build, repair and maintain the buildings and infrastructure that touch all of us, every day.

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For more and the latest information please visit the Group's website at: **www.travisperkinsplc.co.uk**

Purpose

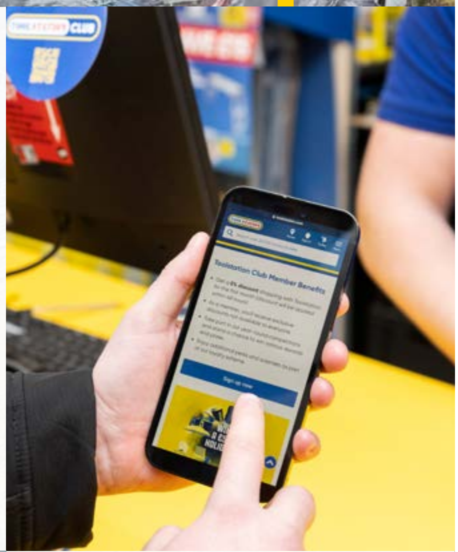
Travis Perkins plc is a purpose-driven organisation with its values, commitment to 'Doing the Right Thing' and goal of helping to build better communities and enrich lives, underpinning everything the Group does.

p4

Strategy

Toolstation UK's platform for growth, TF Solutions' category expansion and Managed Services' unique offering to the repairs and maintenance sector illustrate the Group's strategy.

p18



Markets

The Group's advantaged businesses hold market-leading positions in an attractive £73bn market for construction materials which has long-term structural growth drivers.

p10

Sustainability

As sustainability continues to grow in importance for stakeholders, the Group is uniquely able to convene the supply chain to collaborate and co-create solutions, influencing and supporting the sustainability changes the construction industry needs.

p30

2023

A challenging year in weak market conditions, with the Group driving actions to support profit recovery and enhance cash generation.

Revenue

£4,862m

2022: £4,995m

Adjusted operating profit

£180m

2022: £295m

Dividend per share

18.0p

2022: 39.0p

Profit after tax

£38m

2022: £192m

Net debt/adjusted EBITDA

2.6x

2022: 1.8x

Return on capital employed

6.3%

2022: 10.8%

Graduated apprentices

414

2022: 370

Carbon emissions (kt of CO_2e)

8,004

2022: 8,294

Protecting market position in challenging conditions

- Progressive downturn in new build housing and private domestic RMI markets leading to Group revenue 2.7% lower than prior year
- Combination of lower volumes, overhead cost inflation and rapid commodity price deflation in H2 resulted in full year adjusted operating profit of £180m (2022: £295m)
- Invested to protect and build market positions with market share gains in both Toolstation and Travis Perkins General Merchant

Transforming the operating model to build a stronger business

- Step change reduction in non-branch cost base delivered with £35m annualised savings
- Working on a plan for a potential exit of Toolstation France; strategic review of options for Toolstation Benelux
- Optimising Benchmarx branch network with focus on integrated offer within destination
- Continued rationalisation of legacy Toolstation UK supply chain, following successful opening of the new Pineham distribution centre
- Delivering profit enhancements through simplification of group structures, lowering supply chain costs and harnessing benefits from new technology
- Operating profit of £110m (2022: £285m) reflects trading performance and adjusting items of £60m recognised in 2023, of which around £16m is cash, related to impairments in Toolstation France and Benchmarx together with restructuring actions

Enhancing cash generation to support future capital allocation

- Reduced capital expenditure requirements in near term; £80m guidance for 2024
- Review of working capital opportunities underway
- Refinancing completed, supporting robust balance sheet; no funding maturities before 2026
- In line with policy, 2023 proposed full year dividend of 18.0 pence per share (2022: 39.0 pence per share)

Purpose

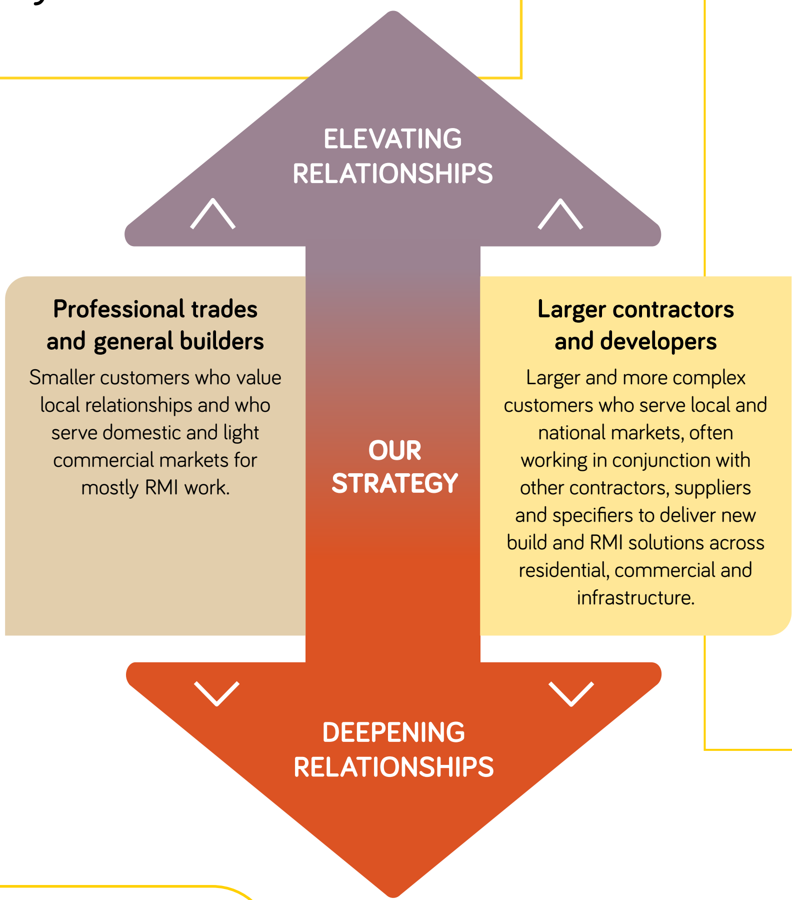
To help build better communities and enrich lives

Ambition

To be the leading partner to the construction industry

Strategy

The Group's strategy is to grow the share of its market-leading businesses by offering customers attractive propositions which mean they spend more with the Group. The Group seeks to elevate customer relationships through the addition of value-added services, solving customer pain points and moving up the value chain. In addition, the Group is deepening its customer relationships by winning a greater share of customer spend through the addition of digital channels, new ranges and relevant offers.



Sustainability priority

Decarbonising the industry

Building for better

Changing the game

- Modernising construction
- Sourcing responsibly
- Operating sustainably
- Developing the next generation

Doing the right thing

- Safety and wellbeing
- Colleague voice
- Diversity, equity and inclusion
- Reward
- Charity and community
- Legal compliance
- Modern slavery and human rights

Values

The values reflect what matters and how the Group does things.

- We care
- We give our best to be the best
- We're better together

Delivering shareholder value

Travis Perkins is the largest distributor of building materials in the UK

A trade-focused Group, serving generalist and specialist trades with products and services that are designed to help customers grow their businesses in new and established markets.

Large and varied customer base

200k

Trade credit customers

Broad geographical spread in the UK

£4.9bn

Revenue

Engaged colleagues in the UK and Europe

19k

Colleagues

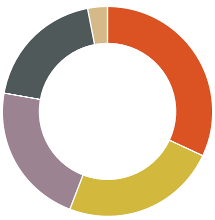
Evolving branch network

1,509

Branches

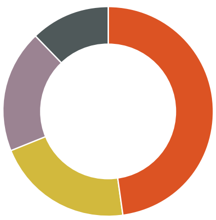
The Group's goal is to deliver exceptional customer service from advantaged businesses operating from well-positioned networks in chosen geographies. The Group offers a range of high-quality products and gives customers the choice of a range of channels, fulfilment options and ways to pay.

Geographic split



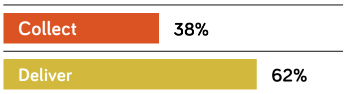
South-East	32%
Midlands	24%
North and Scotland	22%
Wales and South-West	19%
Europe	3%

Product mix

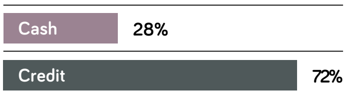


Heavyside	48%
Lightside	21%
Plumbing & Heating	19%
Timber	12%

Channel



Product mix



Merchanting

Travis Perkins

The market-leading general merchant, offering a destination for heavyside products, complemented by lightside convenience. Serving general trades and specialist contractors with 60% delivered products from 622 national locations. Contains a comprehensive tool hire offer plus innovative Managed Services solutions.

BSS

Market-leading supplier of commercial and industrial heating and cooling solutions, supplying specialist contractors with a wide variety of products from 69 branches and two distribution centres. BSS offers customers a tailored tool hire service and contains TF Solutions, a specialist provider of air-conditioning products and heat pumps.

CCF

Distributes insulation and interior building products from 36 branches to contractors throughout Great Britain. CCF supports the construction and renovation of both domestic and commercial buildings with service and specialist knowledge.

Keyline
CIVILS SPECIALIST

A civils specialist, Keyline supports housebuilders, groundworkers and infrastructure contractors to build and redevelop facilities which are vital to the nation. Delivering heavy products from 42 branches in a safe and accurate manner, Keyline works as a partner to its specialist customers and is developing new areas of expertise in roads and highways.

Go to page 66 to see more

Toolstation

TOOLSTATION

Offers customers an innovative lightside proposition. With a wide range of products available in-branch and for next-day delivery, long opening hours, a strong digital offering and a committed customer service ethos, Toolstation is changing the purchasing experience of trade and DIY customers. Toolstation operates from 570 branches across Great Britain and is growing quickly in the Netherlands, Belgium and France.

Go to page 68 to see more

> Dynamics impacting the Group's end markets resulted in 2023 being a difficult year with earnings down notably, but I am confident that we are taking the right decisions to drive profit recovery, enhance cash generation and strengthen the business for the long term.

Jasmine Whitbread
Chair

Distributions to shareholders

In 2021 the Group laid out clear guidance on shareholder returns and I am pleased to reiterate those principles here. The Group will deliver returns to shareholders by:

- Achieving the best earnings number available, given market conditions and in accordance with our values and long-term views.
- Paying out 30–40% of those earnings each year as an ordinary dividend.
- Ensuring that we fund this through strong cash conversion, disciplined capital allocation and remaining within our published leverage targets of 1.5–2 times net debt/EBITDA.

2023 was a challenging year for the Group as a combination of macroeconomic uncertainty, progressively weakening end market demand, sharp deflation on commodity products and overhead inflation made business planning difficult, weighing heavily on the Group's earnings performance during the year. Whilst some good progress has been made against our strategic priorities, management's primary focus is now to drive efficiencies through the transformation of the Group's operating model and prioritise capital allocation to support the recovery of profitability and reduction of leverage in the medium term.

Taking into account all of these factors, I am confident that we are taking the right decisions to drive profit recovery, enhance cash generation and strengthen the business for the long term, and for 2023 the Board recommended a final dividend of 5.5 pence per share (2022: 26.5 pence per share) to give a full year dividend of 18.0 pence per share (2022: 39.0 pence per share), in line with the Group's previously communicated policy.

This reduction reflects the reduction in earnings and the Board's clear commitment to ensuring that the Group swiftly returns leverage to the target range.

Go to page 12 to see more

I ended my statement in the 2022 review with a thought on how it would be very hard to predict the shape of the UK economy in 2023 and what level of recovery, if any, we would see in the construction sector. During the last year we have seen a number of dynamics impacting the Group's end markets that have resulted in 2023 being a difficult period with earnings down notably which is reflected in the Group's share price. At a macroeconomic level, persistently higher consumer inflation, leading to elevated interest rates has resulted in a pronounced slowdown in the new housebuilding market. In addition, deflationary pressures on commodity products and a sustained slowdown in the domestic RMI market have led to declining revenues throughout the year.

Throughout 2023 the Group's businesses have adapted to address near term trading conditions while continuing to build a stronger business for the future and ensuring that we balance the needs of our investors, customers, suppliers and colleagues. Stronger and more urgent focus on using customer data to help retain and win back customers helped protect and grow our market share, while the modernisation of branches and processes in the Travis Perkins General Merchant contributed to efficiencies.

In September, the Group held a Toolstation UK Capital Markets Update. The update set out the pathway for the Toolstation UK business to deliver £1bn of revenue at a high single digit operating margin by 2027. We shared the Group's confidence in the underlying economic model and the platform we have created for future profitable growth. Toolstation UK is integral to the Group as a highly complementary offer for UK tradespeople with an excellent opportunity to continue to grow share in a large and fragmented market.

People and culture

Our colleagues adapted to changing market conditions, embracing new technology and processes to deliver better customer service. Recognising the importance of a skilled workforce in delivering great customer service and expertise, the Group updated its knowledge, learning, and development offering via a new learning management system called Thrive, complementing its industry-leading apprenticeship programme.

There was continued focus on colleague voice and engagement. A Group-wide engagement survey was completed, yielding a score of 73, two points higher than in 2022 and the external benchmark. Louise Hardy assumed the role of the designated workforce engagement Non-Executive Director. Externally, the Group a founding member of The Construction Inclusion Coalition (CIC), focusing on raising standards for equity, diversity, and inclusion, particularly regarding gender representation in its first year.

Board and leadership

During the course of the year we have been able to inject new and relevant public company and industry experience and perspectives to the Board managing anticipated Executive and Board changes.

Jez Maiden was appointed to the Board in June as a Non-executive and Senior Independent Director. Jez brings significant public company and diverse industry experience.

After nearly nine years as Non-executive Directors, Pete Redfern and Coline McConville stepped down from the Board in December. Coline and Pete's departure necessitated changes to the membership of the Board's Committees and other responsibilities which are set out on pages 88 to 89.

Alan Williams retired as Chief Financial Officer and stepped down from the Board in January 2024 after seven years in the role. In July the Board announced the appointment of Duncan Cooper, to succeed Alan and Duncan started with the Group on 9 January 2024. Duncan has industry experience from his time as Chief Financial Officer at Crest Nicholson plc and retail experience from roles at J Sainsbury plc. In addition to a strong finance background he has experience in corporate communication, strategy, design and implementation of large scale technology change.

My thanks to Pete, Coline, and Alan for their significant contributions and service to the Group and a warm welcome to Duncan and Jez.

After 20 years with the Group Chief Operating Officer, Frank Elkins decided to leave the Group to pursue other leadership opportunities. The Executive Leadership team under Nick Roberts was further strengthened by the appointment of Dave Castle as the new managing director of BSS. Dave was previously Regional Managing Director for South West and Wales in the Travis Perkins General Merchant business.

Dave's move to BSS, Angela Rushforth's move to Toolstation in March 2023 and James Mackenzie's move to Travis Perkins General Merchant demonstrate the Group's ability and intention to cross fertilise ideas and to develop senior leadership talent.

Summary and looking forward

A recovery in the UK construction sector is unlikely to gather any momentum before the UK general election is concluded with the Group's customers, large and small, inevitably waiting to see if there is a post-election government stimulus package for the sector and also seeking clarity on the future direction of interest rates.

Mindful of these challenges, management is planning for another year of weak demand, with decisive actions taken with regards to overheads and cash management actions. Lead indicators and customer feedback will be closely monitored to inform further actions during the year. I am confident that we are taking the right decisions for 2024 and beyond.

The Group operates in a £73bn market

The market for construction materials is approximately £73bn with £56bn coming through distribution channels. The Group serves four major end markets, with half of revenues coming from private domestic housing and the balance being split between the commercial and industrial market and the public sector.

Private domestic and new build

Market mix

23%

Group revenue mix

17%

Growth drivers:

- Growth in the UK's population
- A shortage of housing
- Sales incentives and support for first-time buyers
- Ongoing desirability of home ownership over renting

Private domestic repair, maintenance and improvement ('RMI')

Market mix

16%

Group revenue mix

33%

Growth drivers:

- Disrepair of housing stock
- ECO+ Requirement for retrofit and cladding remediation works
- Need for decarbonisation and improvement for EPC ratings in the rented sector
- Reconfiguring homes for more space and home-working
- Cost of moving and shortage of new homes has given rise to a 'Don't move, improve!' trend

The market mix and market size figures are based on 2022 data.
The Group mix figures are based on 2023 Group estimates.

Commercial and industrial

Market mix

25%

Group revenue mix

24%

Growth drivers:

- Growth in warehousing and logistics space
- Refurbishment of office and retail space around hybrid working and new patterns of retail
- Cladding remediation on commercial buildings

Public sector

Market mix

36%

Group revenue mix

26%

Growth drivers:

- Hospital and school rebuilding programmes
- Offshore wind growth
- Ongoing requirements for public sector affordable housing
- Significant need to improve the condition and thermal efficiency of existing public sector housing through retrofit programmes

The Group's ambition is to be the leading partner to the construction industry

A compelling investment proposition

1

Well-invested businesses with market leading positions

2

Long-term structural growth drivers

3

Merchanting returns driven by network investment and value-added services

4

Substantial Toolstation growth potential

5

Robust balance sheet providing financial flexibility

6

Attractive and sustainable returns for shareholders

A strong and dynamic model

Robust balance sheet and focused allocation of capital

Merchanting leadership and Toolstation expansion driving above market growth

Strong cash conversion from disciplined working capital management

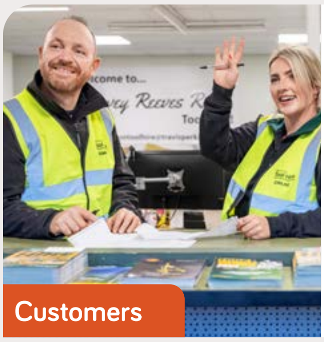
Incremental cash release from freehold property development

- ✓ Well-set for future earnings growth
- ✓ Ordinary dividend of 30–40% adjusted earnings
- ✓ A clear focus on cash generation

People are at the heart of the business model. The Group's businesses bring together customers, suppliers and colleagues into mutually-beneficial relationships which can last many years. The Group cares deeply for the people within its broader community and for the impact it has on the environment.

Inputs

Competitively-advantaged resources and relationships



Customers

- Deep customer relationships and understanding of needs
- Elevating customer relationships by offering value added services
- Working with all customers from professional trades to larger contractors and developers

Resources

- Nationwide branch network embedded in communities
- 19,000 engaged colleagues with a unique and open culture
- Industry-leading supply chain
- Market-leading data platform to enable informed decision making
- Strong balance sheet
- Disciplined capital allocation
- 200-year heritage and businesses that are #1 or #2 in their market

Suppliers

- Deep and lasting supplier relationships with the ability to connect customers across the country
- Enabling suppliers to see live stock information in order to maximise product efficiencies

What we do

Collaborative value chain

Requirements

- Collaborate, specify and quote
- Negotiate, convert and sell
- Range and source
- Assort and procure
- Fulfil collect and deliver

Products and services

Underpinned by

Responsible and sustainable approach

Go to page 30 to see more

Outputs

Self-reinforcing model generating growth and value to stakeholders

- Fulfilled customers
- Engaged colleagues
- Enriched communities
- Satisfied shareholders
- Valued suppliers

Purpose goals

Decarbonising the industry

- Modernising construction
- Sourcing responsibly
- Operating sustainably
- Developing the next generation

Group ambition

Leading partner to the construction industry

Sound corporate governance

Go to page 90 to see more

Robust risk management

Go to page 74 to see more

> Whilst external markets will be challenged throughout 2024, the actions we are taking, alongside the previous investments we have made to build long-term competitive advantage, will ensure that the Group is well positioned to benefit when demand recovers.

Nick Roberts
Chief Executive Officer

A challenging year

Continued macroeconomic uncertainty and weak market conditions significantly impacted the Group's trading performance during the year with notable volume weakness across new build housing and domestic RMI as well as challenging deflationary dynamics on commodity products.

We are taking tough but necessary decisions to navigate these challenging market conditions including addressing our cost base and finding solutions to reduce the impact of our loss-making businesses. We are also transforming our operating model to capitalise on our scale and create a simpler and more efficient business. These actions will be underpinned by a highly disciplined approach to overhead management and capital expenditure that will enhance cash generation and ensure that the Group continues to benefit from a strong balance sheet.

Our teams are continuing to grow market share in both Toolstation UK and the General Merchant, reflecting our market leading positions and positive customer response to our differentiated offer.

Whilst the timing of any recovery remains uncertain, the structural drivers for the Group, including the acute shortage of both public and private housing and the increasing need to decarbonise the UK's built environment, remain compelling. The actions we are taking, alongside the previous investments we have made to build long-term competitive advantage, will ensure that the Group is well positioned to benefit when demand recovers.

Q What are your thoughts on the Group's performance in 2023?

A: It has been a difficult year for the Group with volatile market conditions making business planning challenging. We had expected a tough first quarter with September 2022's "mini-budget" driving up interest rate expectations and significantly reducing new build housing volumes. However, we had also anticipated an improvement into the second quarter which did not materialise as persistently high consumer inflation raised interest rate expectations further.

In the second half we saw the market price of timber – the Group's largest product category – fall sharply, leading to overall price deflation on our basket of goods, placing pressure on trading margins. We focused on ensuring that we passed this through to customers to win work and were rewarded by market share gains in the second half, although the impact on overall profitability was significant. We also experienced high levels of overhead inflation through the year as we sought to protect our colleagues from the cost-of-living impact with, firstly, a one-off payment in January to all colleagues earning under £50,000 and then a minimum 6% pay award in April for all but senior management.

Towards the end of 2023 it became clear that market conditions would remain subdued in 2024, so we accelerated plans to continue the transformation of the business, starting with a reduction in central and regional headcount alongside efficiencies realised within the Group's supply chain. These actions will deliver annualised savings of around £35m and resulted in a one-off restructuring charge of £17m in 2023.

Throughout the year we sought to balance short-term trading actions with long term strategic priorities but the combined impact of these factors on trading has led to the Group delivering a financial performance notably below that which we had envisaged at the start of the year.

Q **Although this has clearly been a very challenging year in terms of trading, what progress has the Group made towards long-term strategic goals?**

A: We had to adapt our trading stance, maintain competitive pricing and service levels and adjust our costs and operations to the conditions. While near-term conditions necessarily occupied much of our focus we did continue to make progress on modernising the business with the introduction of digital branch processes in our Merchant businesses and enhancing our future distribution capacity and capability with our new Pineham distribution centre for Toolstation UK. Internally we progressed updates to our core technology systems to support more agile decision making by business managers. Culturally our data literacy has improved, colleagues have embraced the changes and it's making service quicker and easier for our customers. From a market share, modernisation, technology and safety perspective I think we're ahead of our competition and that means we can emerge more strongly when the market recovers.

Q **Have you seen different dynamics in the end markets the Group serves?**

A: That has certainly been the case with marked differences across our end markets. New house building activity has fallen sharply, driven mainly by increasing interest rates. This has significantly impacted on our CCF, Keyline and Staircraft businesses. Domestic RMI, the bedrock of our Travis Perkins General Merchant business, has remained subdued. Although Toolstation is also exposed to this market, alongside DIY, the business has delivered good revenue growth during the year, driven by the benefits of its maturing store network and the compelling value and service proposition that we have developed.

Other end-markets – namely public sector, commercial and industrial – have been more resilient which has been reflected in a more robust performance in BSS and a good performance in our Managed Services division which services social housing. We've also seen an excellent performance from our Hire division, reflecting the investment we've made in the business and the benefit this service provides to our customers who enjoy the flexibility of this service given the current pressures on their businesses.

Q **How have you had to adapt?**

A: Every colleague in the business has had to be absolutely focused on meeting our customers' needs and using data and information to predict and respond to customer behaviour and competitor activity. We can still get better at this and it will be even more critical for 2024. Our sharpened customer propositions will always be competitive on price: not always the cheapest, but ahead of others on the depth, breadth and quality of our service and solutions. For these reasons we will continue to invest in areas such as digital processes, delivery management, destination branches, in the skills of our people and in reducing waste and carbon in our operations.

Q **Looking across the wider construction industry have you seen any changes in behaviour attitudes that you expect to endure?**

A: I joined the Construction Leadership Council Board as Industry Sponsor for People and Skills. This has enhanced my view that there are still compelling and long-term positive drivers of growth within the construction industry in our markets, the need for more homes, to retrofit them and the need for enhanced economic and social infrastructure.

I have heard an increased recognition among policy makers of the need to get beyond the political and economic turmoil of the last year and give more clarity and certainty about long term policy and incentives. For People and Skills our challenge is one of absorption and retention within the industry, how we attract more young people or career changers and retain and up-skill those who have already chosen construction in the right competence standards and future skills. We as a Group, powered by our LEAP Apprenticeship infrastructure which in 2023 was rated Good by Ofsted, will keep a focus on developing the next generation workforce as we see this as crucial to sharpening the quality of our customer service here and now, as well as vital for our long term productivity and differentiation.

Q **What are your views on market dynamics in 2024 and the outlook for the Group?**

A: We believe that our end markets will remain challenging throughout 2024. A UK general election is probable this year and geopolitical instability will continue to bring uncertainty to markets for a sustained period of time. Against this uncertainty we must focus on what we can control and ensure that we execute our decisions well and at pace.

We announced the first phase of a structural reorganisation predominantly across our central and regional operations at the end of 2023 which has resulted in a £35m overhead reduction. We will be disciplined in our capital allocation with a reduction in investment from previously guided levels, and we will focus on our working capital to ensure that every pound invested provides a robust return.

From a customer perspective we will continue to provide a greater focus on the 'deepening' element of our strategy as we use our internal and external data to support our customers through the year ahead. Making sure that we are there to provide great prices, great availability and great project support to our existing and new customers.

A platform for growth and profitability

The Group strategy is to grow its businesses by elevating customer relationships through value-added services and by deepening existing and new relationships to win a greater share of customers' spend.

Elevating relationships by adding services and new areas of added value

The Group is committed to finding ways of adding incremental value for customers by working hard to grow the value-chain by identifying customers' needs and pain points and by working collaboratively to bring innovative solutions that serve them in the most effective way.

Deepening relationships to earn a greater share of spend

Recognising that customers face a choice between different suppliers for their materials, the Group is committed to earning a greater share of spend by deepening relationships and delivering solutions which make the purchasing process as smooth and integrated as possible.

Overview of strategic initiatives

- Tool Hire growth
- Managed Services expansion
- Retrofit
- Regional housebuilders proposition development
- Staircraft integration

- TF Solutions: growth and integration
- Keyline: Economic infrastructure support
- CCF: Technical sales capability
- CCF: Carbon reporting launch

- Optimisation of distribution capability in UK
- Enhanced trade proposition
- Continued improvements to customer experience

Elevating relationships

Travis Perkins
Staircraft

BSS
Keyline Civils Specialist
CCF
tf solutions

Toolstation

Deepening relationships

- Data-driven customer segmentation
- Network investment

- Own-brand investments
- Increased trade-focused range

- Ongoing digital investment
- Network rollout

Sustainably lower-cost organisation

The strategy is underpinned by a commitment to streamlining operations and modernising technology and infrastructures, to ensure a solid foundation for future growth.

TOOLSTATION

A platform for growth and profitability

Toolstation is an integral part of the Group, particularly for the small and general builder. There are 570 stores and 5,000 colleagues across Britain, supplying customers with over 31,000 SKUs and with more store openings planned in 2024. A 2023 Capital Markets Update clearly articulated the pathway to a business generating £1bn sales at an 8% operating margin.

Significant value opportunity

Increasing the focus on trade customers is a key driver for future growth. Currently 60% of sales are derived from our trade customers who spend on average 5x more than DIY customers. Toolstation's goal is to increase the participation of trade customers through the following initiatives:

- Dedicated Business Development Managers
- Utilising the breadth of the Travis Perkins Group
- Holding stock depth of key trade lines
- Loyalty benefits
- 10-minute click-and-collect offer
- Targeted digital experience

Digital is at the heart

Digital capability is core to the success of Toolstation: 80% of journeys start online and almost 50% of sales are transacted digitally. The app represents over 25% of ecommerce spend and the website has nine million hits each month. The aim is for the customer to have an enhanced digital experience and, through the use of data and digital profiles for each customer, an enhanced experience is ensured.

A core investment focus

Toolstation UK represents a significant source of growth for the Group as careful investments continue to be made in the business. The network plan is to add a further 80 branches by 2027, ensuring that Toolstation provides an excellent service to trade customers with 91% of customers being less than 20 minutes from a branch.

The recent investment in Pineham, the new distribution facility for Toolstation, will future-proof the growth of the business beyond the current target of £1bn of sales. The investment in the automation of the facility enables a 33% reduction in labour requirements, providing a market-leading, innovative and cost-effective facility for the Group.


A platform for growth and profitability
Margin range
Average sales growth
Trial Period
Initial TP investment
Steady growth
Investing for the future
Profit growth and maturity
Average store openings per annum
60
40
20
0
150%
nm
68%
nm
22%
6-7%
18%
3-6%
8-10%
Rising to c.8%
2002-2007
2008-2013
2014-2018
2019-2022
2023-2027
Stores
Sales
8
£21m
148
£164m
335
£355m
563
£672m
650
£1bn

Category expansion

TF Solutions is a distributor of refrigeration, air conditioning and heat pumps. The business was acquired by Travis Perkins in 2017 and has grown from three branches to a 15 branch network covering the UK.

The business works closely with the Group, especially BSS and both businesses have benefited from the acquisition. This is a great example of the Group acquiring an adjacent business to expand existing product ranges and provide additional solutions to existing and new customers, especially in retrofit.

Optimal estate plan

With the investment and backing of the Group, the business has accelerated from three to 15 branches, from Glasgow to Exeter, attracting the best people and continuing to develop its technical know-how. The Group's support has enabled the expansion of TF Solutions' range into new air heating and cooling sectors like refrigeration, commercial and applied heat pumps, providing further growth opportunities.

Synergies within the Group

Collaborating with their strategic partners in BSS, TF Solutions brings the technical expertise needed to solve large-scale and complex heat pump projects for customers, delivering against Travis Perkins' sustainable ambitions. One-third of the projects that BSS supports could benefit from TF Solutions' products and expertise, giving significant opportunity for cross-selling and further profitable growth.

Retrofit

TF Solutions has invested in its technical capability in heat pumps to enable it to address the challenge of retrofit, positioning the business as a value-added partner to the Group's industrial and commercial customer base. The heat pump market in the UK is expected to be in excess of £3bn by 2027, with TF Solutions well-positioned to benefit from this growth and establish itself as a market-leader.


solutions
AIR CONDITIONING AND REFRIGERATION
Sales growth
£80m
£60m
£40m
£20m
0
2017
2018
2019
2020
2021
2022
2023

Travis Perkins Managed Services

Managed Services

Travis Perkins Managed Services is a leading supply chain and service solutions provider, supporting customers to build and maintain safe, healthy, and sustainable homes. Established in 2004 to support the renewal and retrofit of social housing, it has grown to be the UK's largest specialist team dedicated to the repairs and maintenance industry. With the right resources and experience, the business has developed to meet the needs of landlords across the UK and has built partnerships in social housing, facilities management and defence.

Strength of the Group

Being part of the Travis Perkins Group gives TP Managed Services a unique position in the UK market. With over 1,250 branches, access to more than 40,000 products and specialist advice from other Group businesses, Managed Services is able to provide unparalleled supply chain solutions. Curating service, product and knowledge elements from across the Group, Managed Services shares expertise with customers as part of its value proposition.

Growth from the core

Growth within Managed Services has been driven by engaging with customers to tackle critical problems like damp and mould, fire safety, and decarbonisation. Understanding customers and sharing new and innovative technologies for updating properties has been integral to delivering on responsible retrofit improvement. Understanding customers' experiences, empathising with their challenges, and leveraging the collective strength of the Group to provide assistance and enhance value, as housebuilders work towards the Future Homes Standard and social housing landlords tackle the goal of reaching EPC C by 2030.

Decarbonisation

Analysing customers' purchasing data and fostering strong collaborations with suppliers has enabled the business to champion innovative products that significantly enhance the energy efficiency of homes. Providing digital ordering solutions and optimising the product mix on customers vans, supports a reduction in journeys needed to restock on materials and contributes to a reduction in emissions.

“”

Our supply chain and procurement solutions enable our partners to achieve more for less by increasing the productivity of their repairs and maintenance operations, whilst reducing the costs associated. Importantly this is delivered alongside our commitment to support the social, economic and environmental well-being of the wider communities in which we work.

Case Study – Halton Housing

Halton Housing provide over 7,000 homes across Cheshire and the Northwest of England. As well as utilising TPGO Order, which enables the repairs team to place orders from their mobile devices, Travis Perkins Managed Services supply materials via the Group's fulfilment hub in Widnes. The hub satisfies materials orders, allowing for click-and-collect, typically in under 30 minutes. The digital and fulfilment tools have helped Halton Housing to drive efficiencies in repairs and maintenance, which in turn benefits tenants.

Go to page 37 to see more

A data-driven business

Technology and data is at the heart of the Group. It is driving efficiencies, improving distribution and reducing the Group's carbon footprint. The impact of technology and data does not stop there, with apprenticeships offered to colleagues to help them and the Travis Perkins Group stay at the forefront of the industry.

Customers

In 2023 the deployment of a new delivery management system started, providing a best-in-class experience for customers. By loading the data provided by this solution into the Group's new data-lake, the Group unlocked operational efficiencies in the use of its fleet and provided customers with award-winning carbon reporting.

Better data analysis has enabled a step change in the Group's understanding of customer behaviour, with Sales teams able to proactively segment, engage and improve the customer experience across multiple brands.

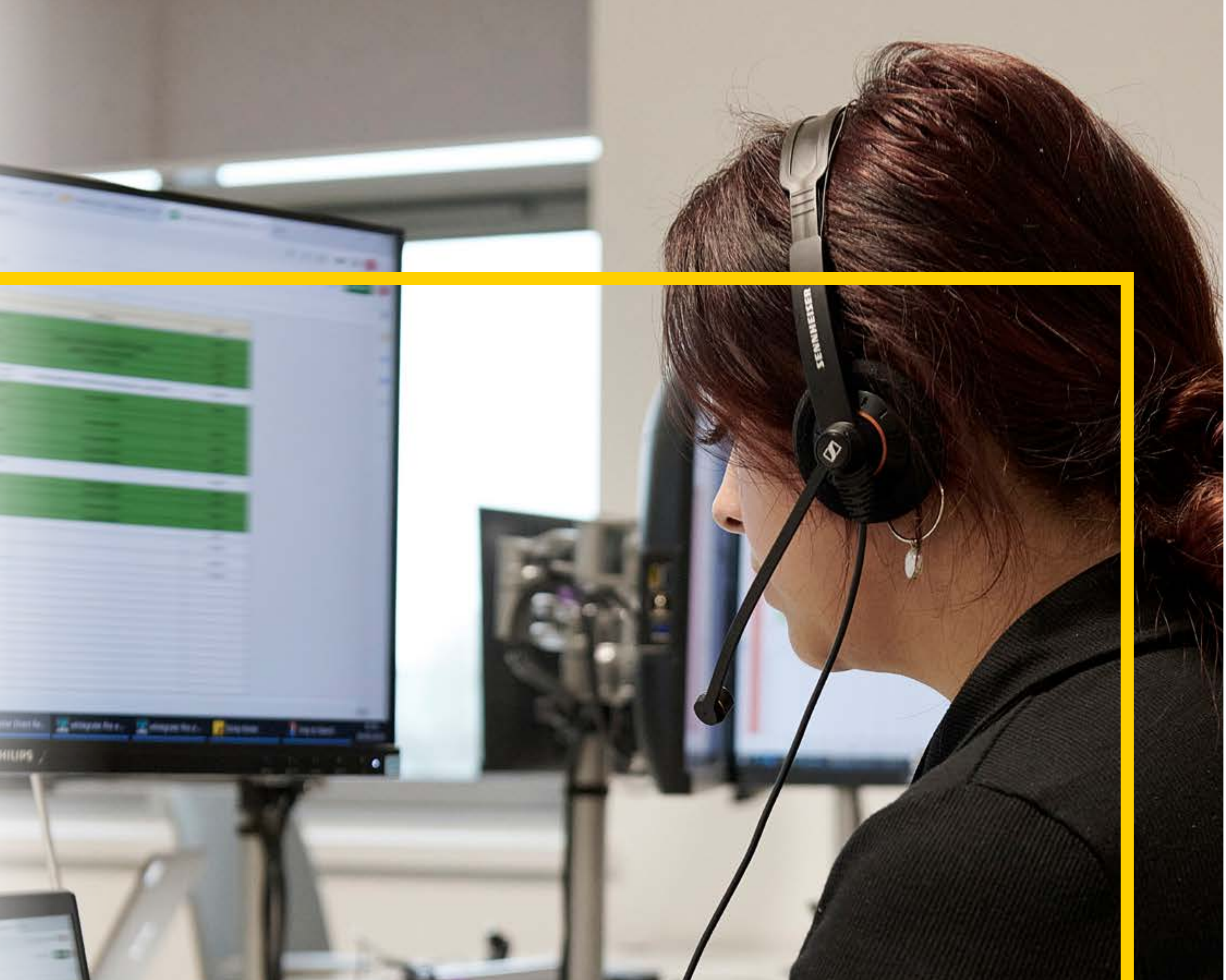
Suppliers

The Group is utilising data to deepen its relationships with suppliers. The I-Supply data portal available to them for a subscription fee providing up-to-date information on sales, stock, deliveries and invoices. This allows suppliers and the Group's Commercial and Operations teams to use a shared dataset to work together to grow sales and manage costs, as well as reducing manual reporting. This industry-leading portal expanded in 2023 with Toolstation and BSS data added and additional insight dashboards added to the platform.

Colleagues

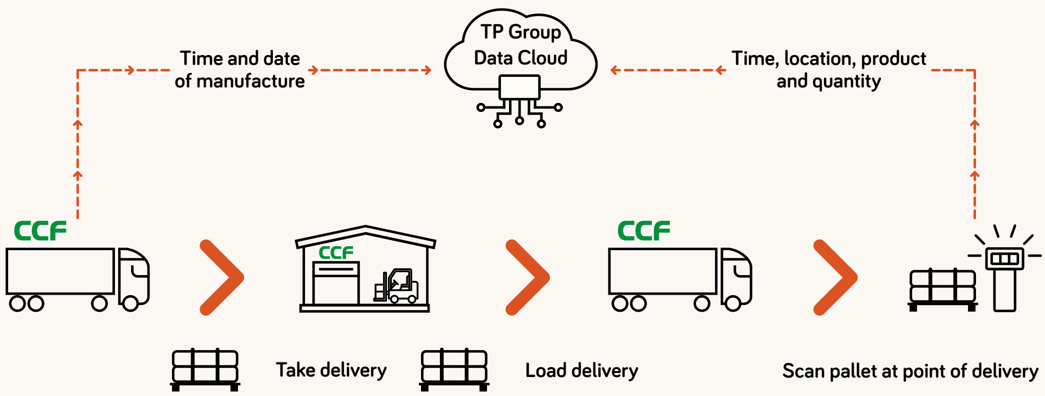
In branches new mobile devices have digitised critical stock management and yard sales activities, improving stock accuracy and removing friction from the customer journey.

Progress has been made in modernising back-office technology with the first phases of the implementation of new finance systems into the merchanting businesses. Further efficiency focused work has also been performed, with a number of pilots of Robotic Process Automation demonstrating opportunities for further operational efficiencies.



CCF Product Traceability

CCF has developed a process to provide a detailed "end-to-end" report that tracks products from the manufacturer, at manufacturing batch level, through the distribution process to the goods-in location on a site, giving customers greater visibility on the journey products take from manufacture to site.



Key performance indicators (KPIs)

Operational

Adjusted operating profit

2023	£180m
2022	£295m
2021	£353m
2020	£128m
2019†	£442m

Definition (note 2b)
Profit before tax, financing charges and income, amortisation of acquired intangibles and adjusting items.

Reason
Adjusted operating profit excludes adjusting items and the amortisation of intangible assets arising on the acquisition of a business, so management can monitor the Group's underlying performance.

Sales growth

2023	(2.7)%
2022	8.9%
2021	24.0%
2020	(10.8)%
2019†	3.2%

Definition (note 1b)
Total revenue growth.

Reason
Sales growth helps management monitor the performance trend of the business and gives a good indication of its overall health compared to its competitors. Using growth in total revenue, rather than like-for-like growth, ensures that actions such as the consolidation of branches do not distort the KPI.

Financial

Leverage ratio

2023	2.6x
2022	1.8x
2021	1.2x
2020	2.0x
2019†	2.5x

Definition (note 24)
The ratio of net debt to earnings before tax, interest, depreciation, amortisation and adjusting items ("EBITDA").

Reason
The leverage ratio is an indicator by management and lenders of the Group's ability to support its debt. The Group has a target of 1.5x–2.0x.

Free cash flow

2023	£44m
2022	£95m
2021	£65m
2020	£241m
2019†	£195m

Definition (note 23)
Net cash flow before dividends, freehold property purchases and disposals, pension deficit repair contributions, adjusting cash flows and financing cash flows.

Reason
The Group needs to generate strong free cash flows to enable it to invest, expand its operations and pay dividends to shareholders. Freehold investments are financed by property disposals and enable the Group to access the best property locations.

Return on capital employed

2023	6.3%
2022	10.8%
2021	14.1%
2020	5.3%
2019†	10.1%

Definition (note 25)
Adjusted operating profit divided by the combined value of balance sheet debt and equity excluding pension assets.

Reason
This ratio allows management to measure how effectively capital is used in the business to generate returns for shareholders.

Non-financial

Accident frequency rate

2023	3.9
2022	4.7
2021	5.6
2020	5.4
2019	5.6

Definition
The number of lost-time incidents ("LTIs") per million hours worked.

Reason
Keeping people safe is the Group's first priority. This ratio allows management to measure progress in ensuring a safe workforce.

Carbon emissions (Scope 1, 2 and 3)*

2023	8,004
2022	8,294
2021	9,111
2020	8,546

Definition
Total Scope 1, 2 and 3 carbon emissions (kilotonnes of CO_2e). Data is presented for 2020 onwards as that is the period for which sufficiently accurate Scope 3 data is available. Figures for all years reflect continuing businesses only.

Reason
The Group has a responsibility to take action to prevent the worst impacts of climate change. This measure allows management to measure progress in the decarbonisation of the business. This includes Scope 3 in addition to Scope 1 and 2, as Scope 3 represents over 99% of the Group's carbon footprint and the Group has set a target of reducing Scope 3 emissions by 63% by 2035 from a 2020 baseline.

* Carbon emissions have been restated for prior years to reflect improvements in the quality of available Scope 3 data.

† KPI figures for 2019 include the Retail and Plumbing & Heating segments that were disposed of in 2021.

Building for better

As sustainability continues to grow in importance for the Group's stakeholders, Environmental, Social and Governance leadership remains at the core of the Group's strategy. It is delivered through the "Building for Better" agenda and is a key driver in achieving the Group's Purpose and Ambition. The Group's market-leading businesses and position in the supply chain between thousands of customers and suppliers means it is uniquely able to convene the supply chain to collaborate and co-create solutions, influencing and supporting the sustainability changes the industry needs.

PURPOSE
We're here to help build better communities and enrich lives

AMBITION
Leading partner to the construction industry

SUSTAINABILITY PRIORITY
Decarbonising the industry

BUILDING FOR BETTER

Changing the game

Modernising construction
Provide sustainable products and services to support Modern Methods of Construction, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.

Sourcing responsibly
Ensure safe and quality products from ethical, traceable and resilient supply chains. Support the Golden Thread of data.

Operating sustainably
Lead by example within our own operations. Deliver net zero carbon and reduce operational waste.

Developing the next generation
Upskill our people and the wider industry in green and future skills to help facilitate sector improvements.

Doing the right thing

Safety & Wellbeing | Diversity, Equity & Inclusion | Colleague Voice | Reward
Charity & Volunteering | Modern Slavery & Human Rights | Legal Compliance

Leading partner to the industry on ESG

In 2023 the Group made progress towards its targets and engaged with customers, suppliers, the government, trade bodies and strategic partners to move forward on shared sustainability challenges for the industry. With decarbonisation and skills as primary areas of focus, the Group is catalysing and contributing to the change needed in the sector. Nick Roberts, CEO, became the Construction Leadership Council ("CLC") Industry Sponsor for People and Skills, to support delivery of the agreed workstreams and energise colleagues, attract diverse talent, enhance skills for the future and ensure policy development addresses the sector's business requirements.

The Group joined industry working groups on decarbonisation, including the National Retrofit Hub, Future Homes Hub and Supply Chain Sustainability School, and hosted forums for customers and suppliers. Collaboration is key to decarbonisation and to finding ways to remove complexity and duplication. The Group made progress towards its ambitious carbon reduction targets, reducing Scope 1 and 2 carbon by 7% and Scope 3 by 3% in 2023. Against the 2020 target baseline this is a 33% improvement for Scope 1 & 2 and a 6% improvement for Scope 3. The ratio of Scope 3 carbon emissions to revenue has improved by 28% against the 2020 baseline.

A total of 414 colleagues and industry partners graduated in apprenticeships facilitated by LEAP, the Group's Early Careers and Apprenticeship provider. This contributes towards the Group's skills goal of 10,000 graduated apprentices by 2030. Work in all other focus areas has moved forward and progress is reported in the following pages.

Continually monitoring the material focus areas

In 2023 the Group engaged extensively with its stakeholders on ESG. These interactions demonstrated that the material focus areas for the Group remain unchanged from those that were determined in 2022 through an in-depth ESG double materiality assessment. Ongoing engagement with all stakeholder groups ensures that the Group's strategic choices and reporting remain focused on the most important issues. The assessment undertaken in 2022 was supported by a third-party expert and involved the refinement of key ESG topics, stakeholder engagement and strategic analysis.

The output of the assessment is shown in the Double Materiality Map which illustrates key priorities for the Group based on double materiality. The Group will continue to review the material focus areas so that the most important topics for the Group and for its stakeholders are in scope.

The Double Materiality Map illustrates the Group's key priorities based on double materiality, taking into account impacts on the Group and the Group's impacts on the environment, society and the market.

The Group will continue to review the material focus areas to ensure that the most important topics for the business and for its stakeholders are in scope.

DECARBONISING THE INDUSTRY

MODERNISING CONSTRUCTION
- Access to sustainable and resilience-improving solutions
- Biodiversity, nature and forestry
- Water use
- Product packaging and circularity

SOURCING RESPONSIBLY
- Responsible sourcing and relationships with suppliers
- Human rights and modern slavery
- Data use and responsibility
- Product safety and quality

DEVELOPING THE NEXT GENERATION
- Carbon emissions
- Operational waste management
- Air quality

OPERATING SUSTAINABLY
- Developing skills and knowledge in the community
- Skills, apprenticeships and training

Solid box: Identified as a top ten priority for impact in. An issue that can materially impact Travis Perkins plc.

Dotted box: Identified as a top ten priority for impact out. An issue that Travis Perkins plc has a material impact on.

DOING THE RIGHT THING

- Employee safety and wellbeing
- Culture and purpose
- Responsible and transparent business
- Responsible marketing and selling
- Pay and reward
- Employee engagement and relations
- Diversity, equity and inclusion
- Community impacts of our business and operations

Building better communities and enriching lives: 2023 social value impact

The Group delivers value to its communities in many ways. Below are some of the highlights from 2023. The Group works closely with customers on its social value commitments and will continue to improve its disclosures in 2024.

Skills development

Graduated apprentices

414 359 for Group colleagues, 55 for the industry

Enrolled apprentices

876 693 for Group colleagues, 183 for the industry

Female apprentices

29%

Apprentices under 25 years old

21%

Apprentices from ethnic minorities

7%

Hours of ESG training completed in-house or through the Supply Chain Sustainability School

51,823

Operational impact

Transport carbon reduction

11%

Revenue from products with Environmental Product Declarations

10.7%

Spend on goods-for-resale with SMEs

47%

Employed colleagues (FTE)

18,680

Investment in colleague total reward packages

£623.5m

Total tax contribution

£410.4m £137.1m taxes borne, £273.3m taxes collected

Community investment

Amount raised for charity

£1.3m

Volunteer-it-yourself (“VIY”) projects supported

5

Engaging with stakeholders

The Group actively engages with stakeholders to share progress, inform plans, listen to feedback and seek views. The key stakeholder groups, their ESG concerns and the Group's engagements with them in 2023 are detailed in the Section 172 statement on pages 94-97.

Governance of sustainability

The Board has overall responsibility for sustainability. The Group Sustainability Director supports the Group in developing, governing and delivering against its sustainability strategy. Each of the material focus areas has a Group lead and nominated leads and leadership sponsors in each business. Progress is reported to the Group Leadership Team and the Board on each material focus area to monitor and improve performance. The Stay Safe Committee of the Board oversees performance in health and safety. Objectives and targets are set for each material focus area.

Climate-related financial risks and opportunities

The Group has submitted an annual climate disclosure to the Carbon Disclosure Project ("CDP") since 2010, including a financial assessment of climate-related risks and opportunities. The Group has prepared its third full disclosure against the Task Force for Climate-related Financial Disclosure ("TCFD") recommendations on pages 50 to 54. During 2023 the Group further enhanced its climate risk and opportunity assessment and engaged Inspired ESG to support in developing climate scenarios and conducting a deep dive assessment of the Group's timber supply chains.

Alignment to UN Sustainable Development Goals

Through the Building for Better ESG agenda, the Group directly supports delivery of a number of the 17 UN Sustainable Development Goals ("SDGs"). The most relevant six goals are detailed in the table on pages 34 to 35. With the Group's sustainability priority being to decarbonise the industry, Goal 13 on Climate Action is taken into account across all ESG focus areas and influences decision-making. Other SDGs are more directly aligned to one specific focus area. Several of the remaining SDGs have some relevance to the Group, however on review of the specific targets underpinning these goals they were determined to be less directly aligned to the Group and therefore are not listed.

Sustainability priority	Material focus areas	Commitment	2023 key actions	
Decarbonising the industry **1.5 degree-aligned, SBTi-approved carbon reduction targets** Good progress Some progress	**Modernising construction**			
	Sustainable products and services to support Modern Methods of Construction, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.	**63% reduction in Scope 3 carbon by 2035**	Scope 3 and product sustainability supplier engagement programme, supporting suppliers to calculate their carbon footprint.	
	Sourcing responsibly			
	Safe and quality products from ethical, traceable and resilient supply chains, supporting the golden thread of data.		Evolve the Group's due diligence approach by bringing into scope lower-spend product suppliers and goods-not-for-resale suppliers.	
	Operating sustainably			
	Net-zero carbon and reduced operational waste. Leading by example in the Group's operations.	**Net-zero for Scope 1 and 2 carbon by 2035, with at least 80% reduction**	Upskill key colleagues in the businesses and Group functions in order to influence colleague behaviour and expand the network of expertise on sustainability and carbon.	
	Developing the next generation			
	Upskilling colleagues and the wider industry in green and future skills to help facilitate sector improvements.	**10,000 graduated apprentices by 2030**	Deliver a development curriculum aligned to talent management processes that offers career development opportunities to all colleagues, enabling the development of the next generation workforce and helping to change construction.	
	Doing the Right Thing			
	Safety and wellbeing: Getting everyone home safe and well, every single day.		Drive a culture of "Calling it out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily team briefings take place at all locations.	
	Diversity, equity and inclusion: Creating an environment where everyone can be themselves.		Build the skills, knowledge and behaviours of our leaders to enable them to create the conditions for a diverse and inclusive workplace.	
	Colleague voice: Listening to colleagues to make better decisions and increase engagement.		Engage colleagues in the Group's purpose, values and strategy, using the Group story to build colleague connection to their role in the Group's success.	
	Charity and community: Taking pride in helping others and making positive change happen.		Use the experience we gained in 2022 to deepen and elevate existing partnerships.	
	Reward: Improving the financial health of colleagues.		Further the reach and impact of financial wellbeing and employee benefits support to colleagues, particularly those on the front-line.	
	Modern slavery and human rights: Eliminating modern slavery from the Group and its supply chains.		Continue to roll out ID checks for third parties coming to site, addressing higher risk organisation types first.	
	Legal compliance: Complying with all relevant laws.		Further awareness raising and training to make sure the Code of Conduct, policies and tools that have been launched are fully understood and embedded.	

Progress	2024 key actions	Supporting the Group's strategy	SDGs[1]
	Develop a definition of sustainable products based on robust criteria and launch within at least one Group business. Increase the percentage of sales backed by Environmental Product Declarations from today's 10.7%.	By providing sustainable products and value-add services to customers, the Group can earn a greater share of spend and become a key partner.	13 Climate Action 11 Sustainable Cities and Communities 9 Industry, Innovation and Infrastructure
	Develop the Group's due diligence approach, with a target of the supplier assessment programme covering 90% of Group spend on products-for-resale by the end of 2024.	Customer relationships are underpinned by trust in the Group to source responsibly and meet changing data transparency requirements.	13 Climate Action 12 Responsible Consumption and Production
	Continue with carbon training to enable colleagues to drive energy and fuel reduction and better support customers by sharing best practice.	All of the Group's stakeholders expect credible action on operational carbon and waste. Performance can influence the outcome of customer tenders.	13 Climate Action 8 Decent Work and Economic Growth
	Introduce a flexible apprenticeship which will include placements with other businesses in the sector. Launch a suite of micro-qualifications: short, focused learning programmes for job-related skills and knowledge.	To best support customers in a changing market, green and future skills are critical. As a trusted and leading partner to the construction industry, customers value the Group's expertise and advice.	13 Climate Action 4 Quality Education
	Continue to embed the growing culture of "Calling it out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily team briefings take place at all locations.	Doing the Right Thing deepens relationships with customers as expectations around responsible business increase.	13 Climate Action
	Target an engagement survey score for the statement "I feel a sense of belonging at this Company" above the provider's global average by 2025.		
	Develop action plans to address the priorities and issues that have the biggest impact on engagement and therefore on overall business performance.		
	Grow colleague volunteer hours and build charity and community partnerships that deliver on the Group's impact goals and use these partnerships deliver social value.		
	Continue to explore ways to support colleague long-term financial resilience and wider wellbeing.		
	Extend in-person ID checks, currently conducted on higher-risk labour agency workers, to other third parties.		
	Develop the internal Doing the Right Thing portal to increase understanding of legal compliance policies and guidance.		

1. More information on the United Nations Sustainable Development Goals ("SDGs") is included on page 33.

Modernising construction

Providing sustainable products and services to support Modern Methods of Construction, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.

The Group's purpose and sustainability priority

To help change construction and decarbonise the construction industry, the Group needs to provide the right products, data and services to customers. With 99% of the Group's carbon footprint in the supply chain, due to manufactured carbon and in-use product emissions, innovation is essential. Enabling sustainable construction and retrofit supports the building of better communities and improves the living standards and comfort of all.

Progress in 2023

2023 saw further development of value-add solutions for customers, and increased engagement with suppliers to drive carbon reporting and reduction. Customer interest in and requirements on sustainability continue to grow and the Group is mobilising to meet their needs.

Working with suppliers, customers and wider industry to modernise construction and reduce carbon

99% of the Group's emissions are in its supply chain and 40% of the UK's emissions are from the built environment. This is due primarily to the embodied carbon from manufacturing the products sold and the operational carbon of some of those products in use, such as gas boilers. Reducing Scope 3 requires the Group to engage with suppliers, customers and the wider industry to influence and drive change.

Suppliers

The Group works with manufacturers to encourage them to calculate and reduce their own emissions, develop new materials and products and provide product-level sustainability data, typically Environmental Product Declarations ("EPDs").

- 57% of the Group's spend is now with suppliers who have calculated their carbon and set reduction targets.
- 87 suppliers joined carbon workshops hosted by the Group.
- The Group was ranked in the top 8% of companies globally by CDP for its engagement with suppliers on climate change.
- 11% of sales were backed by Environmental Product Declarations.

Customers

The Group works with customers to help them build and operate more sustainably, providing the products, data and services they need to decarbonise.

- CCF launched a delivery carbon reporting service, enabling customers to better understand and reduce their Scope 3 emissions.
- WholeHouse® was launched, enabling regional builders to reduce construction and operational carbon.
- New product ranges were listed and stocked to fulfil customers' requirements for delivering retrofit.

Wider industry

The Group leads working groups and engages with government and trade bodies to move forward decarbonisation across the industry.

- Nick Roberts, CEO, became the Construction Leadership Council ("CLC") Industry Sponsor for the skills challenge in the industry, one of the main barriers to decarbonisation at scale.
- The Group became a partner of the National Retrofit Hub, with representation on all of its working groups, helping to shape retrofit planning for the UK.
- The Group is represented in sustainability working groups with the Builders Merchant Federation, Future Homes Hub, West Midlands Combined Authority Future Homes Taskforce and the Supply Chain Sustainability School.
- The Group hosted ESG Forums for the top national house-builders, and separately for regional house-builders, to discuss how best to work together on decarbonisation and product-level carbon data.

Harnessing the power of the Group on retrofit solutions

The Group is focused on delivering growth and market-leading solutions for customers through the collective power of the Group. One such opportunity is retrofit: the process of upgrading homes and commercial buildings to make them more energy efficient, reduce carbon emissions and create buildings that are healthier and cheaper to live in. According to market estimates, the demand to retrofit 30m UK properties in the next 15 years will be worth over £300bn.

What's next?

Develop an internal sustainable product definition based on robust criteria and launch it within at least one of the Group's businesses.

Increase the percentage of Group sales backed by Environmental Product Declarations (currently at 11%).

Case study

A community approach to retrofit

Travis Perkins Managed Services has jointly invested in a site in Penygroes alongside Adra, one of its social housing landlord customers, to enable the development of a unique approach to retrofit. Besides moving a local branch into the new site, Travis Perkins Managed Services has worked closely with Adra, who have developed a Decarbonisation Hub on site. Partners to the hub include a local college and Bangor University and it is intended to enable swift retrofit and local spending:

- Local suppliers can showcase their products
- Local installers can receive training on new products
- The college and university can deliver courses and research
- Tenants can see the new technologies going into their homes
- The Group can supply goods locally and showcases products

The first of its kind to bring the community together in this way, it is a fantastic example of how delivering retrofit requirements can also deliver strong local economic and social value.

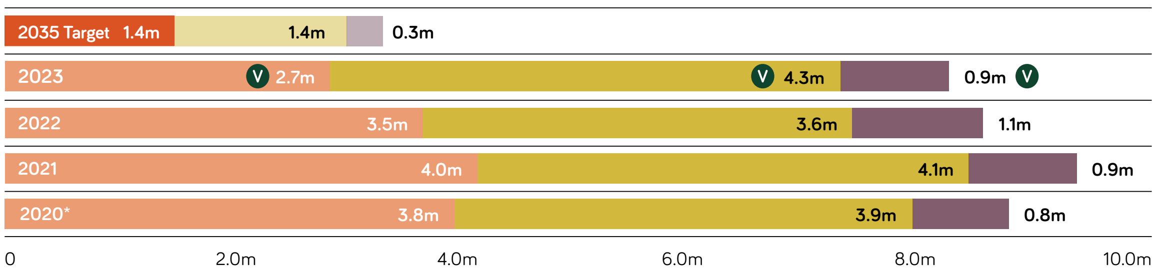
Case study

Improving the efficiency of SME builders

Travis Perkins launched WholeHouse® in March 2023 to address major challenges faced by regional house builders. It is a digital platform which takes care of everything from creating the designs, producing all the plans, elevations and sections, to material schedules and costing information. It provides a new way of working and helps house builders build quality homes faster, more easily and without wasting time or materials.

Lack of design-visibility up front can cause challenges when it comes to planning, financing, legislation and sustainability. WholeHouse® addresses these issues by creating a design freeze early within the project, allowing for bespoke designs and upfront access to construction information and material costs. There are now 275 companies registered on the WholeHouse® portal, with the first two plots already being constructed and sold off plan. WholeHouse® has already won two awards and been shortlisted for seven others.

Tonnes of CO_2e (Absolute) – Scope 3



Tonnes of CO_2e (Absolute) – Scope 3

* Baseline year for target.

Category 1 Category 11 All other categories

Carbon reduction (Absolute Scope 3, 2020 to 2023)

6%

V indicates that the data point has been assured. Please see page 41 for more information.

Sourcing responsibly

Ensuring safe and quality products from ethical, traceable and sustainable supply chains. Supporting the Golden Thread of data.

The Group's purpose and sustainability priority

The way products and services are sourced has a material impact on the environmental and social sustainability of construction. By requiring and supporting suppliers to evolve and to improve their operations, the Group can enhance sustainability and decarbonise supply chains. Improved data and traceability of products will bring more accountability and effective decision-making to the construction sector.

Progress in 2023

The primary objective for 2023 was to bring more goods-for-resale ("GFR") and goods-not-for-resale ("GNFR") suppliers and service providers into scope for assessment. The Group works with thousands of suppliers and complex supply chains and it is critical for the Group and its customers, investors and supply chain that this is managed well.

Due diligence on product suppliers

The Group's Online Risk Assessment ("ORA") was updated in 2023, with the questions and scoring criteria assessed and revised to reflect changing supply chain risks. ORAs were submitted by 357 suppliers in 2023 with 1,382 suppliers now engaged in the ORA programme.

Own-brand product manufacturing sites are subject to in-person ethical and technical audits, with all ethical audits completed by a third-party auditor. In 2023, 220 factory audit gradings were completed. Where issues were identified, time-bound corrective action plans were used to support suppliers to resolve these. Suppliers resolved 7,806 non-conformances through engagement with this programme. The Group's supplier assessment programme accounts for in excess of 85% of total Group spend on goods-for-resale.

A short version of the assessment has been developed for lower spend suppliers and this will be applied to all new accounts created in the Group's new finance system in 2024.

Bespoke assessments for GNFR suppliers

A new questionnaire was launched in 2023 for GNFR suppliers, using the same assessment system hosted by Verisio as is used for the Group's suppliers of goods-for-resale. The supplier list has been risk-profiled to allow the business to prioritise assessments in 2024 using either this system or the short GNFR assessment. The short GNFR assessment was trialled on technology suppliers to better understand risks across this supplier type.

New training launched for colleagues

A new training module on responsible sourcing was launched in 2023 and has been completed by 90% of nominated colleagues from Commercial, Purchasing and Service Management teams, providing an in-depth insight to the subject, the risks and their role.

Maintaining safe and sustainable timber supply chains

90.2% of timber purchased by the Group in 2023 was certified. The business continues to operate a robust timber chain of custody system in order to pass the "chain of custody" safely onto customers.

Certified timber purchased in 2023

90.2% V

V indicates that the data point has been assured.
Please see page 41 for more information.

Case study

Collaboration across the industry

There is significant duplication and complexity in the way suppliers are assessed at present. Manufacturers receive assessments from merchants, house-builders, contractors, social housing landlords and more, none of which are the same but all of which have significant overlap.

The Group has led customer working groups and consulted with trade federations to enable the development of a shared approach that removes duplication for suppliers and improves transparency of the sustainability of organisations operating in the supply chain. A shared question set is well-developed and work will continue on this in 2024.

Case study

Upskilling the supply chain

Based on the results of supply chain assessments, there is a knowledge gap on modern slavery and human rights and how to manage these risks. When the Group requires that suppliers address challenges in this area, it also provides support so the suppliers can better understand and manage key risks.

The Group ran a series of online supplier workshops to raise the profile of these topics, share insights and best practice and publicise links to external resources. The sessions were well-attended and the Group will continue to run workshops for suppliers in 2024.

What's next?

Continued development of the Group's due diligence approach, with the supplier assessment programme to cover 90% of Group spend on goods-for-resale by the end of 2024.

Operating sustainably

Leading by example within the Group's own operations.
Delivering net-zero carbon and reducing operational waste.

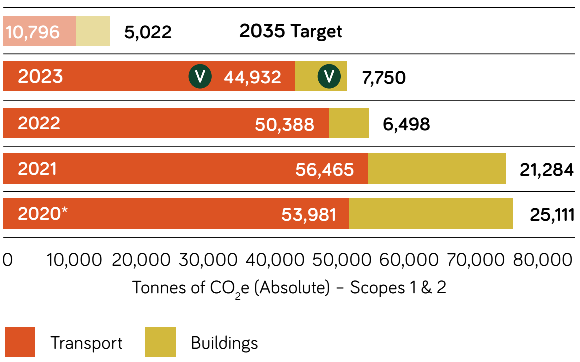
The Group's purpose and sustainability priority

The Group has committed to reducing Scope 1 and 2 carbon – relating to the Group's fleet and estate – by 80% by 2035 and offset any remaining emissions. Whilst 99% of the Group's footprint is in the supply chain, to have integrity in asking suppliers and customers to decarbonise the Group must address its own direct emissions. The Group generates waste in its operations, primarily relating to added packaging or obsolete products, and takes its role in preventing, reusing, recycling and recovering waste seriously in order to protect the natural environment and the communities within which it operates.

Progress in 2023

The Group's main priority for 2023 was training colleagues and increasing expertise on sustainability and carbon. Operating sustainably means managing the Group's estate and fleet well and transitioning them to net-zero carbon. The Group has a science-based target to reduce Scope 1 and 2 carbon by 80% by 2035 from a 2020 baseline and so far has achieved a 33% reduction. For more detailed carbon data, and for information on the Scope 3 target, please see pages 62-63.

Tonnes of CO_2e (Absolute) – Scopes 1 and 2



* Baseline year for target.

Carbon reduction (Absolute Scopes 1 and 2, 2020 to 2023)

33%

V indicates that the data point has been assured.
Please see page 41 for more information.

Decarbonising the fleet

The Group continued to use Hydrotreated Vegetable Oil ("HVO"), a low-carbon alternative to diesel, in 270 vehicles across the Group during 2023. The use of HVO saved 1.4 million litres of diesel, saving 3,500 tonnes of carbon. The Group continues to work closely with Logistics UK and the Department for Transport to drive change and keenly awaits the publication of the Low Carbon Fuels Strategy. In the absence of this and in a difficult economic climate, use of HVO may slow in 2024. The Group remains committed to its decarbonisation goals and the fleet roadmap can be found on the Group's website.

Decarbonising the estate

A pilot project was conducted in 2023 to understand the potential impacts of fully decarbonising one branch in each business. The project identified the types of renewable energy systems and low-carbon technologies, including PV solar panels, heat pumps and LED lights, needed to reduce carbon at each location. The findings will inform the long-term decarbonisation strategy.

Expanding colleague knowledge

Carbon Awareness, Reduction & Management training was delivered across the Group in 2023, outlining simple ways to improve energy efficiency in branches and stores. This has been supported by a trial of automated energy alerts which warn branch managers when energy usage is above its normal level. This enables the Group to target inefficiencies and take quick actions to deliver savings.

A "Carbon Change Makers" initiative has been developed and is available to colleagues. It explains the terminology used in discussing carbon and climate change in order to build confidence and encourage informed discussions with customers.

Reducing packaging

In 2023 the Group reduced plastic packaging by removing air pillows and packing peanuts, replacing foam door corners with cardboard and changing shrinkwrap to a lighter grip film which requires less material.

The Group's new Toolstation distribution centre ("DC") is at the forefront of packaging optimisation. Machinery in the DC processes the cardboard packaging based on the type and size of product which ensures safe, efficient packaging and minimises waste. The Group continued to operate its backhaul system, enabling branches to return 3,200 tonnes of paper and cardboard, 400 tonnes of plastic and 2,400 tonnes of wood.

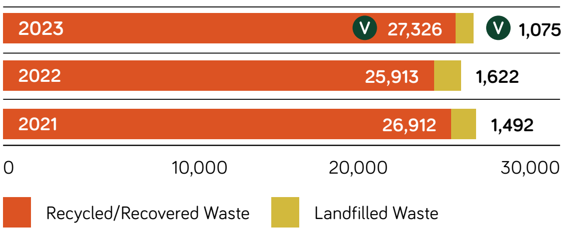
Environment Incidents

In 2023 the Group recorded 23 environmental incidents with six classed as 'reportable' and 17 "non-reportable". Of the six reportable incidents, three were a result of third-party sources such as spillages from supplier or customer vehicles. Most incidents related to spillages such as hydraulic oil or paint.

Assurance

Specific data points in the Sustainability (or "Building for Better") section, marked with the logo V, have been assured against LRQA verification procedures which are based on AA1000AS (2008) and ISAE 3000. A copy of their verification statement is available at www.travisperkinsplc.co.uk.

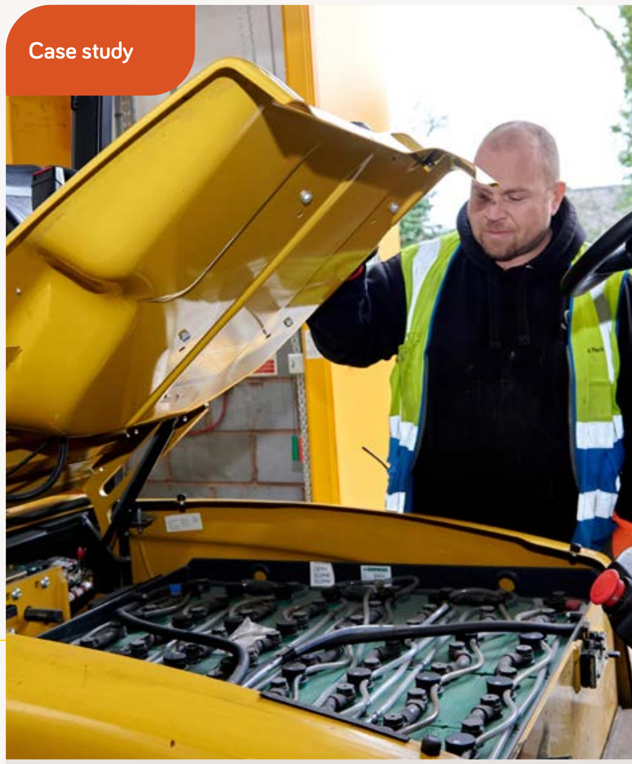
Total Waste (Tonnes)



Percentage of waste diverted from landfill – 2023

96%

Case study



UK's largest electrification forklift programme

The Group is switching up to 1,100 diesel forklift trucks with electrics trucks by mid-2024. This multi-million pound investment is one of the largest forklift truck change programmes of its kind.

Once the new forklift trucks have been rolled out across the branch network, it is estimated that this programme will reduce the Group's Scope 1 carbon emissions by 6,600 tonnes per annum, equivalent to the carbon emissions of 4,000 cars.

This is just one of the actions implemented by the Group to achieve a 27% reduction in vehicle and plant fleet emissions by 2027. Other steps include trialling alternative fuels and providing training for drivers to ensure they operate machinery and trucks in the most energy efficient way.

Decarbonising the fleet is a core part of the Group's detailed plan on how to meet its ambitious 1.5°C aligned carbon reduction targets, which were announced by the Group in 2021 and are accredited by the Science Based Targets initiative ('SBTi').

What's next?

Continue with carbon training for colleagues to drive energy and fuel reduction and better support customers by sharing best practice.

Doing the Right Thing

Protecting against modern slavery and complying with all relevant laws.

The Group's purpose and sustainability priority

The establishment of the Group's Code of Conduct and a strong legal compliance framework helps to ensure stakeholders can rely on the Group to continue to "Do the Right Thing". Whether managing key compliance topics such as anti-bribery and corruption, anti-money laundering, data protection or anti-competition, or reducing the Group's risks relating to modern slavery and human rights, the Group underpins its work on the strategic sustainability focus areas with a responsible approach to business.

Progress in 2023: Modern slavery and human rights

Construction remains one of the industries most exposed to modern slavery and the Group works to ensure the fair treatment of all workers in its own businesses and supply chains.

- The key objective for 2023 was to roll-out identity checks for third parties coming to site. In-person identity checks have been introduced during second-line construction reviews, to assess right-to-work and worker access to identity documents and to report any red flags of modern slavery. A branch app to register those coming to site was trialled in 2023 and will inform future plans.
- A new human rights policy was published to ensure that internal and external stakeholders understand the Group's commitments.
- Two modern slavery training modules launched in December 2022 have been completed in 2023: an all-colleague "bite-sized" module and a key-colleague training module for those in roles more likely to observe or manage modern slavery risks.
- The Group sits on the Supply Chain Sustainability School's Modern Slavery Working Group, whose purpose is to help the sector identify, prevent, mitigate and remediate modern slavery risks and labour exploitation, and on the Slavery and Trafficking Risk Template Development Committee, which develops tools and assists efforts to comply with human trafficking and modern slavery legislation.
- A review of labour agency use has been conducted and is being used to develop better controls over temporary labour usage, with modern slavery controls forming part of the tender process assessment.

Progress in 2023: Legal compliance

The legal compliance modules listed below were launched in December 2022 and completed in 2023 to improve foundational understanding on key legal topics, supplemented by more advanced courses such as Anti-Bribery and Corruption and Competition Law.

- Code of Conduct and Whistleblowing Line
- Anti-Bribery and Corruption
- Anti-Money Laundering
- Competition Law
- Corporate Criminal Offences
- Market Abuse and Insider Trading
- Sales of Restricted Products

The Group's completion rate for colleagues allocated these legal compliance modules is 82%, providing comfort that an understanding of legal compliance permeates through the Group.

What's next?

Further develop in-person ID checks, currently conducted on higher-risk labour agency workers, to include other third parties working at the Group's sites, based on risk.

What's next?

Further development of the Doing the Right Thing internal webpage to enhance access to and understanding of legal compliance policies and accompanying guidance.

People

Travis Perkins is a skills and apprenticeships powerhouse and I'm delighted that, since training its 1,000th apprentice, the Company is not resting on its laurels and is aiming for an amazing 10,000 apprentices by 2030. This is exactly the kind of initiative which will extend the ladder of opportunity to people from all backgrounds across the country and help them to secure sustainable, fulfilling work. I hope other businesses follow this blueprint for success as I continue to work with employers to incentivise people to learn the skills which are crucial to keeping our economy and our country moving.

Robert Halfon MP
Minister for Skills, Apprenticeships and Higher Education

Developing the next generation

Upskilling colleagues and the wider industry in green and future skills to help facilitate sector improvements.

The Group's purpose and sustainability priority

The Group is committed to building better communities and a stronger business through the development and deployment of talent and the next generation workforce. The development and apprenticeship programmes upskill colleagues in their current roles and introduce new colleagues to the business and the wider construction sector.

Development is not only about construction sector skills but also life skills including digital skills, maths and English. New colleagues are introduced to the merchanting sector and often bring enhanced digital capability. The Group is helping existing colleagues develop their digital skills to enable modern merchanting. In the majority of programmes, colleagues are taught about modern construction methods to help customers to build better. In this way the Group is developing the next generation for the construction supply sector.

Progress in 2023

The Group remains focused on enabling the development of the next generation workforce and helping to change construction.

More apprenticeships, better apprenticeships

The 1,000th apprentice graduated through the apprenticeship programme run by the Group in 2023, a major milestone on the journey towards **10,000 graduated apprentices by 2030**.

The new apprenticeship target was unveiled at an inaugural apprenticeship graduation ceremony, held at Franklin's Gardens stadium, home of Northampton Saints Rugby Club, which celebrated the success of this year's 414 apprentice graduates.

Successful assessment by Ofsted

The Group was awarded a "Good" Ofsted rating across all aspects of its Apprenticeship programme. The report found that:

- Apprentices enjoy their courses and are positive about their experience, with many gaining promotion.
- Programme leaders have a good understanding of the construction sector and ensure apprentices receive insights into key drivers in the industry, such as sustainability and retrofitting current housing stock.
- Apprentices benefit from experienced and well-qualified staff who guide them carefully through their learning and value the high-quality of their learning materials, training and online sessions.
- There is a commitment to raising the profile of groups that are underrepresented in the construction industry, resulting in an apprentice population increasingly reflective of the UK's diversity.

External recognition

The Group was ranked 38th at the Apprenticeships Top 100 Employers 2023 and 23rd in Rate My Apprenticeships Best 100 Employers in 2023.

Case study

Transformation of Bradby Youth Club in Rugby

In June 2023 colleagues from across the Group joined forces with social enterprise VIY and their 17 young volunteers from disadvantaged backgrounds to transform a youth club in Rugby. All of the VIY participants were awarded a City and Guilds accreditation in painting and decorating by the end of the course, which created an updated entrance area and refreshed interior, making a more inviting and vibrant space for the local young people who access it on a daily basis.

In addition to the donation of materials and time, colleagues from the Group apprenticeships and early careers team delivered career and employability talks to provide insight into work opportunities in construction.

2023 apprentice graduates

414

2030 graduated apprentices target

10,000

What's next?

In 2024 the Group will introduce a 'flexi-job' apprenticeship which includes placements with other businesses in the sector. A suite of micro qualifications – short, focused learning programmes that provide specific, job-related skills and knowledge – will be launched.

Diversity, equity and inclusion

Creating an environment where everyone can be themselves.

The Group's purpose and sustainability priority

- Leading the way in building a culture of belonging where everyone has the skills, confidence and ambition to be their best.
- Creating diverse teams with the diversity of thought needed to help the Group and the industry to innovate and change.

Progress in 2023

The Group is committed to building the skills, knowledge and behaviours in its leaders that will enable them to create the conditions for a diverse and inclusive workplace. Progress on this continued in 2023.

New industry coalition to tackle lack of diversity

Travis Perkins plc is a founding member of The Construction Inclusion Coalition ("CIC"), which was established by CEOs at leading organisations, including Aliaxis, Baxi, Bradfords, Highbourne Group, Ibstock plc, Knauf, Wavin, Wolseley, the Builders Merchants Federation and the National Merchant Buying Society, to raise standards on equity, diversity and inclusion, with an immediate focus on gender representation.

A survey of 2,000 adults highlighted the opportunity for the construction industry, with 46% saying they'd be more likely to seek employment in the sector if it showed a stronger commitment to diversity and inclusion.

A foundation for strong governance and leadership

The diversity, equity and inclusion ("DE&I") policy developed in 2022 informed DE&I activities in 2023, which included the development of colleague and leader knowledge to support the roll-out of the policy. A supporting governance framework is in place to allow the businesses and DE&I networks to track progress and prioritise next steps. The improvement in the Group's DE&I culture was shown in an engagement survey score of 70 (2022: 68) for colleagues' sense of belonging at this company and a score for equal opportunity five points above the global benchmark.

"The future of our industry is at risk if we can't attract and retain talent from a diverse pool of people because too many think the construction sector is not for them. This is an industry-wide challenge that requires industry-wide solutions, which is why the CIC has been set up to improve equity, diversity and inclusion. We are calling on businesses across the sector to join the coalition and take action."

Angela Rushforth
Construction Inclusion Coalition Chair and Toolstation Managing Director

What's next?

The Group is targeting an engagement survey score for the statement "I feel a sense of belonging at this company" in excess of the provider's global average by 2025.

Gender diversity 2023 – by role type	Female	%	Male	%	Total
Director	4	44	5	56	9
Senior Manager	70	28	182	72	252
Colleague	4,652	25	13,767	75	18,419
Total	4,726	25	13,954	75	18,680

Gender diversity 2023 – by business segment	Female	%	Male	%	Total
Group and shared service	421	48	447	52	868
Toolstation	2,456	36	4,465	64	6,921
Merchanting	1,849	17	9,042	83	10,891
Total	4,726	25	13,954	75	18,680

Safety and wellbeing

Getting everyone home safe and well, every single day.

The Group's purpose and sustainability priority

Keeping people safe and well is the Group's number one priority. Helping colleagues look after their wellbeing has a positive impact on their lives, at work and outside work, and on their communities.

Progress in 2023

The Group's priority for 2023 was to continue to create a culture where colleagues "call it out" and take time to "Stop, Step Back, Think. Then Act." by ensuring daily team briefings take place at all locations.

Stay Safe.

Advancing a safety culture through colleague engagement

The "10B410" (10 minutes before 10am) team briefings established in 2022 continue to gain traction across the Group. Branches are engaging well with the process and this has led to an improvement in colleague perceptions on safety culture in the colleague engagement survey.

A data-led "safety beacon" drives targeted action

The Group is using the power of data to predict safety risk, allowing intervention if it shows increasing risk levels. This data-centric approach to safety is being developed through a test and learn process in Travis Perkins, CCF and Keyline.

Leading partner to the industry on safety

The Group HSE and Fleet Director, Richard Byrne, is the Chair of the Builders Merchant Federation Health and Safety Working Group. This provides an opportunity for the Group to share best practice and raise standards across the sector and beyond.

Case study

Virtual GP and other digital wellbeing services

In 2023, the Group introduced a new health and wellbeing benefit, Aviva Digicare+, which can be accessed by all colleagues and their families. This includes virtual GP advice, health checks, second medical opinions and mental health and nutritional support. 25% of colleagues have registered for the health and wellbeing benefit and the services are rated 4.7 out of 5.

> I have used the Digicare app a few times now and every time has been a seamless process. After applying to complete the health check, the kit came in the post a few days later and I completed the tests and popped it in the post. After expecting this to take a few weeks to process I was shocked to see I had an email with my results only a few days later. I had a quick virtual follow up with a GP to go over the results thoroughly. I was really impressed.

Colleague testimonial

Case study

Industry leading research on driver behaviour to enhance fleet safety

The Group announced the findings of a groundbreaking study which identified three areas to focus on to improve driver safety:

- Skill decay.
- Stress and performance.
- Attention lapses and distractions.

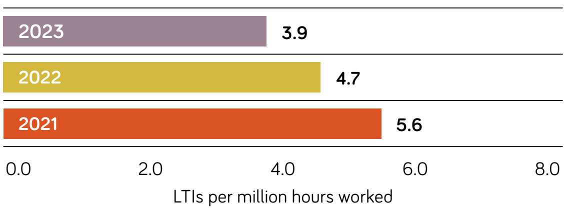
With one of the largest fleets in the UK and around 3,000 drivers, drivers are at the forefront of the Group's business. They deliver building materials to customers across all segments of construction and are often required to drive specialist vehicles including light commercial vehicles and heavy goods vehicles.

As part of the Group's commitment to continuous improvement, the business commissioned research from Dr Lisa Dorn, Associate Professor of Driver Behaviour at Cranfield University and Founder of PsyDrive; a company that specialises in accredited training for road safety professionals, research, assessment and interventions for improved road safety.

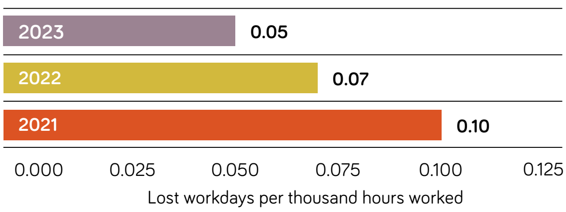
The study involved a comprehensive literature review of existing research and took into consideration studies in other industries, such as aviation, emergency services, marine, military and the rail industry to review their experiences and adapt them for use with the Group's fleet and drivers.

The results of this study were first presented by Karl Wilshaw, the Group's Technical Fleet Director, and Dr Lisa Dorn at the recent Chartered Institute of Logistics and Transport ("CILT") Annual Safety Forum Conference, in the company of CILT patron, Her Royal Highness The Princess Royal.

Lost time incident frequency rate



Severity rate



The figures reported do not include Toolstation Europe

What's next?

The objective for 2024 is to continue to create a culture of "calling it out", taking time to "Stop, Step Back, Think. Then Act." by ensuring daily team briefings take place at all locations.

Colleague voice and reward

Listening to colleagues to make better decisions.
Improving the financial health of colleagues.

The Group's purpose and sustainability priority

Listening to colleagues enables the Group to make better decisions, leverage diversity of thought and be responsive to colleagues' needs.

Progress in 2023

In 2023 the Group committed to use its strategy, purpose and values – "Our Story" – to build colleagues' connection to their role in the future success of the Group.

Further embedding the Group's purpose and values

The Group has continued to share stories through its communication channels and newly implemented knowledge management system. Many of the business conferences held in 2023 ran exercises to explore how each team is demonstrating the Group's values. New awards were used to recognise colleagues who had embodied the Group's values.

Learning from colleagues and benchmarking progress

The Group issued an engagement survey via Glint for the second time in 2023. This provides the opportunity to compare scores against 2022 and against other industries, giving rich insight into strengths and weaknesses. 79% of the Group's colleagues responded to the survey, a 3% improvement on 2022 and 4% higher than the global benchmark. 38% of colleagues provided a comment, which is above the Glint global average of 33%. The Group's engagement score in 2023 was 73, which is two points higher than 2022 and two points higher than the global benchmark. Headlines from the survey included:

- Most improved scores were for work-life balance, values, equal opportunities, contribution success and a belief that the Group cares.
- Scores for safety culture and equal opportunity are furthest above the global benchmark.

Managers have access to their team's results and a framework to develop action plans.

Engagement survey response rate

79%

Survey engagement score

73

The Group's purpose and sustainability priority

Improving the financial, physical and emotional health and wellbeing of colleagues contributes towards stable communities and enriches the lives of colleagues and those around them.

Progress in 2023

The core objective for 2023 was to develop the reach and impact of the financial and wellbeing benefits offered to colleagues.

Supporting colleagues manage their finances

2023 saw the continued enrolment of colleagues into Wagestream, a financial management and wellbeing app, which lets colleagues access a portion of their salary each month before pay day or set up a savings fund directly from their pay at a competitive interest rate. One-in-three colleagues have enrolled with Wagestream and the short term savings built up by colleagues across the Group exceeds £1m.

Colleague support in a tough economic climate

Recognising the difficult economic climate, the Group made an £8m 'cost of living' payment in January 2023 to the majority of the workforce and in April 2023 awarded an average pay rise of 6%, with those on lower incomes receiving a larger award and a lower award for senior executives.

The Group introduced a free mortgage advice service via Coreco, the UK's largest mortgage broker, rolled out an extensive communication programme aligned with national campaigns, such as pension awareness season and talk money week, and ran targeted webinars including pre-retirement for colleagues aged over 50. A total of 500 colleagues participated in financial wellbeing webinars in 2023, with recordings available for other colleagues to access "on demand".

New total reward statements have been launched online for colleagues, to help them understand and access the benefits available to them. To ensure that non-office-based colleagues such as drivers receive benefits news, videos have been created for driver hand-held devices.

What's next?

The Group will develop action plans to underpin the strategic priorities and local team issues that have the biggest impact on engagement and therefore overall business performance.

What's next?

The Group will continue to help colleagues build their financial resilience and support their wellbeing needs.

Charity and community

Taking pride in helping others and making positive changes happen.

The Group's purpose and sustainability priority

The Group's colleagues sit at the heart of the communities where they live and work. The Group's culture and "we care" value means that great pride is taken in helping others and making positive changes happen.

Progress in 2023

In 2023 the core objective was to deepen and elevate existing partnerships, scaling up cross-Group volunteering opportunities, and to improve data capture and social impact reporting.

The business makes an important contribution to the local and national economy, and supports the community in a range of different ways:

- Donations made in the form of funds, products or services
- Charitable social events
- Fundraising
- Strategic partnerships
- Corporate sponsorship
- Volunteering
- Disasters and humanitarian emergencies support

Colleagues across the Group continued to run and support a great range of charitable events, many of them in collaboration with customers and suppliers. These included charity golf days and walks for Mind and the Teenage Cancer Trust Unit at Leicester Royal Infirmary, as well as coffee mornings, auctions and Tough Mudder and Marathons for Macmillan Cancer Support and much more.

Charity and social enterprise partners	2023 contributions (£000)
Macmillan Cancer Support	1,023
Mind	101
Prostate Cancer UK	24
Centrepoint	7
VIY	83
Cynthia Spencer Hospice	3
Variety	18
Leicester Hospitals Charity	14
Scottish Association for Mental Health	3
May Name'5 Doddie Foundation	4
Youthbuild	5

Framework to encourage colleague participation

The Group published a new Charity and Communities policy and supporting framework. This sets out how all colleagues from across the Group can get involved in initiatives, join networks, access resources and support best practice learning.

Expansion of VIY partnership

In 2023 the Group expanded its partnership with social enterprise Volunteer it Yourself ("VIY") by supporting five flagship community renovation projects across the country to provide young people at risk of unemployment with vocational trade skills to boost their employability. Support included a mixture of donations of funds and materials, volunteering, mentoring and career development sessions.

Case study

Netball tournament for Macmillan

Over 100 colleagues from Travis Perkins, Benchmarx, BSS and Staircraft raised £8,000 in a mixed netball tournament at Kings High School in Warwick for charity partner Macmillan Cancer Support. The mixed tournament had been organised to reflect the Group's diversity, and Sharon Cottam, who is Partnership Manager for Travis Perkins at Macmillan Cancer Support, said:

We cannot thank the team enough for organising such a brilliant event. It has taken months of planning, and we are delighted it was such a success. Everyone absolutely threw themselves into it, the team spirit on the day was fantastic.

It costs £33 to fund a Macmillan Nurse for one hour, the incredible amount raised by this tournament could fund 242 nursing hours, helping to provide emotional, practical, and financial support where it is needed most. I cannot thank you enough, it was certainly one of my highlights of 2023.

What's next?

Increase colleague volunteer hours and build charity and community partnerships that deliver on the Group's impact goals and use these partnerships to deliver on customer social value commitments.

TCFD Disclosure

Compliance statement

The following disclosure is consistent with the recommendations and recommended disclosures of the Taskforce for Climate-related Financial Disclosures (TCFD) as stated in the listing rule LR 9.8.6(8)R. Similar content can be found in the Travis Perkins Group CDP Climate disclosure which is available for public review.

The disclosure covers the whole business and its supply chain and all climate-related risk and opportunity types, over three time periods, all of which is detailed in the pages that follow. This is the third year of disclosure under TCFD for the Group. Further improvements have been made and more are planned to enhance the disclosure, including more in-depth scenario analysis by material type to have greater insight to physical climate risks and opportunities in the supply chain and to further assess transitional risks and opportunities. This will be shared in the 2024 Annual Report and TCFD Report. During 2023 a deep-dive climate risk assessment of timber supply chains was completed in addition to a refresh of UK physical risk and the Group's transition risks.

TCFD disclosure requirement		Location in Annual Report	Page(s)
Governance			
Disclose the organisation's governance around climate risks and opportunities	Describe the Board's oversight of climate-related risks and opportunities	TCFD report – Board Oversight and Engagement	52
		Principal Risks report – Climate Change and Carbon Reduction	81
	Describe management's role in assessing and managing climate-related risks and opportunities	TCFD report – Board Oversight and Engagement	52
Strategy			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	TCFD report – Principal Risks and Opportunities	52 – 53
		Principal Risks report – Climate Change and Carbon Reduction	81
	Describe the impact of climate-related risks and opportunities on the organisations businesses, strategy and financial planning	TCFD report – Principal Risks and Opportunities	52 – 53
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2C° or lower scenario	TCFD report – Scenario results	57
Risk management			
Disclose how the organisation identifies, assesses and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	TCFD report – Risk and Opportunity Management	55
	Describe the organisation's processes for managing climate-related risks	TCFD report – Risks and Opportunity Management	55
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	TCFD report – Risk and Opportunity Management	55
		Principal Risks report – Climate Change and Carbon Reduction	81
Metrics and targets			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	TCFD report – Metrics and Targets	62 – 63
		Sustainability report – Operating Sustainably	40 – 41
		Sustainability report – Modernising Construction	36
		Remuneration Report	106 – 122
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	TCFD report – Metrics and Targets	62 – 63
		Sustainability report – Operating Sustainably	40 – 41
		Sustainability report – Modernising Construction	36
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	TCFD report – Metrics and Targets	62 – 63
		Sustainability report – Operating Sustainably	40 – 41
		Modernising Construction	36

Governance

Scope and sphere of influence.

The Group's addressable market for construction materials is £73bn with three-quarters coming through distribution channels. The Group has a 6% share of this addressable market, serving generalist and specialist customers that range from the smallest jobbing tradesperson to the largest national contractor or housebuilder. The Group operates over 1,500 distribution sites and has a turnover of £5bn and a fleet of 2,388 HGVs and LCVs

Leadership role

Decarbonisation of our own business and our supply chain is the Group's sustainability priority. For further information see page 40.

The Group has sector-leading commitments to reduce carbon in line with a 1.5°C pathway across the value chain. To monitor delivery of this commitment, the Group has two key long-term targets which have been verified by the Science-Based Target initiative ("SBTi"). For more information on the Group's carbon agenda see page 34.

Page 62-63 provides details of the metrics and measures used by the Group to assess progress.

The Group's targets are SBTi approved as being in line with a 1.5°C pathway. By 2035 the Group will have reduced Scope 1 and 2 GHG emissions by 80% and Scope 3 emissions by 63% from a 2020 baseline.

Advocates for change

The Group is proactively engaging with the sector to drive forward the decarbonisation agenda. Sitting in the middle of the supply chain, the Group recognises and takes seriously the role of convenor, bringing the industry together to share best practices, collaborate and co-create solutions.

During 2023 the Group Chief Executive joined the board of the Construction Leadership Council as industry sponsor for People and Skills, one of the big barriers to decarbonisation at scale. The Group also became a partner of the National Retrofit Hub to help to shape solutions and accelerate change. As 80% of the properties that will exist in 2050 exist today, it's critical to address the current housing and commercial stock if the Group is to reduce its Scope 3 carbon relating to carbon in-use (from gas boilers). Two ESG forums were hosted by the Group for the top National House Builders to agree and act upon key priorities. Online workshops were hosted for 87 suppliers to support them to understand the journey we are on and their role in delivering reduced carbon. This included guidance on tools to use to calculate carbon and insights to customer product and data needs.
For more information on stakeholder engagement see page 31.

The scenario analysis conducted by the Group each year for the last three years has identified that an early adoption pathway has the lowest risk and best financial opportunities for the Group. Consequently the Group will continue to advocate for progressive action on climate change in line with these scenarios.

Accountabilities

Climate change is a Board room topic with the CEO setting the agenda. Carbon strategy is directed by the CFO with delivery steered by the Group's Sustainability Director, Head of Environment and Fleet and Property departments along with nominated leads in each of the Group's businesses, including the Group Commercial Board. The Managing Director for CCF Ltd is the Group Leadership Team sponsor for modernising construction, including Scope 3 carbon reduction.

Board oversight and engagement

The management reporting cycle on the Group's climate goals and targets is at least quarterly, with five sessions with the Group Leadership Team or plc Board during 2023. The Group has developed carbon roadmaps (Scope 1 and 2: Buildings and Fleet, and Scope 3: Product Decarbonisation) against which progress is monitored by the Group Leadership Team (GLT) and the Board. Moreover, the GLT and Board consider the principal climate risks and opportunities identified via the company's risk identification activities. The Company's risk identification activities consider risks emerging from three future scenarios and over the short, medium and long term. The Board has recognised the strategic importance of managing climate-related risks and opportunities due to the Group's ongoing materiality and contextual analysis.

For more information on how the Board is apprised of climate related risks and opportunities, see the climate change principal risk on page 81.

The GLT and Board consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and divestitures. For example in 2023 the GLT and Board approved the costs to transition the remaining diesel fuelled Mechanical Handling Equipment to electric or Hydrotreated Vegetable Oil ("HVO") by the end of 2024 and continued investment in HVO for 270 HGVs.

Alignment of incentives to carbon commitments

The 2023 bonus targets for the Group Leadership Team included a Scope 3 carbon engagement target, aiming to increase the amount of our spend which is with suppliers who have calculated and set reduction targets for their carbon (see page 114). In addition, the restricted stock scheme includes a climate-related performance underpin (see page 114).

Strategy

Principal risks and opportunities

Risks and opportunities are identified via an assessment approach which aligns not only with the Group principal risk process and rating tables but also uses the risk drivers and types published by CDP. Internal stakeholders are invited to advise on the relevant risk and opportunity types, level of impact and speed of risk materialisation. External stakeholders have shared their insights on what is material to them and where commercial opportunities might exist in relation to the decarbonisation agenda. The impacts from risks and opportunities have been considered in relation to products and services, supply chain and/or value chain, investment in research and development, operations (including type of operations and location of facilities), acquisitions or divestments and access to capital. The risk and opportunity identification process is iterative and informed by scenario analysis which the Group is developing but recognises is not yet complete.
For more details on the principal risk process see pages 74 to 75.

Across all three assessed time periods, geographies, scenarios and risk types the Group does not consider its direct operations to be very highly exposed to impacts from climate change. The Group is predominantly a UK-based distributor of products, with limited non-UK activity and limited manufacturing activity. Accordingly, the majority of the climate-related financial risks and opportunities relate to what is purchased and sold, rather than how it moves through the Group's businesses. The table below summarises the Group's principal risks and opportunities.

L	Low	P	Proactive
M	Medium	R	Reactive
H	High	I	Inactive

Top climate-related financial impacts

RISK – TECHNOLOGY: TRANSITIONING TO LOWER EMISSIONS TECHNOLOGY

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Decarbonisation of the HGV fleet *(c.1600 HGVs to transition away from diesel)*	H	P R	Medium	In-house: Travis Perkins Group

RISK – PHYSICAL: RISING SEA LEVELS AND EXTREME WEATHER EVENTS

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Decreased asset values *(assumes some branches affected)*	L M	P R I	Long	In-house: Travis Perkins Group

RISK – REGULATION: MANDATES ON AND REGULATION OF EXISTING PRODUCTS AND SERVICES

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Product carbon pricing *(assumes a small portion of carbon-related cost price increases are not passed through)*	L	P R	Medium	Downstream and Upstream: Customers and Manufacturers

RISK – MARKET: CHANGING CUSTOMER BEHAVIOUR

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Obsolescence of product *(assumes some product lines are no longer of interest to customers aligning with net zero)*	L	P R	Long	Upstream: Manufacturers *(particularly manufacturers of gas boilers or high-carbon building fabric materials)*

OPPORTUNITY – PRODUCTS AND SERVICES: DEVELOPMENT AND OR EXPANSION OF LOW EMISSION GOODS AND SERVICES

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Rising demand for new product mix and new technologies *(to meet changing building regulations and low-emission targets)*	H	P R	Short	In-house: Travis Perkins Group

OPPORTUNITY – RESOURCE EFFICIENCY: USE OF MORE EFFICIENT MODES OF TRANSPORT

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Increased revenue opportunity *(assumes large customers move business towards merchants with decarbonised transport options)*	L	P R	Short	In-house: Travis Perkins Group

OPPORTUNITY – PRODUCTS AND SERVICES: DEVELOPMENT AND OR EXPANSION OF LOW EMISSION GOODS AND SERVICES

Description:	Risk for TP Group*	Scenario in which this impacts:	Time period in which this impacts	Parts of the value chain most impacted:
Rising demand for new product mix and new technologies *(to adapt to climate change (i.e. strengthening flood resilience), and to react to climate events (i.e. extreme weather))*	L	P R	Short	In-house: Travis Perkins Group

* Risk ratings are in line with those in the Principal Risks Section on pages 74 – 85.

A number of other less-material climate-related risks and opportunities are mapped and monitored internally.

Timeline considered

The timelines considered and why they were selected is detailed in the table below.

Time Horizon	Description	Why chosen
Short	1-5 Years (2022-2027)	This time horizon was chosen to ensure impacts being felt now and their potential escalation are understood
Medium	5-15 Years (2028-2037)	This time horizon was chosen to reflect that scenarios show limited divergence prior to this point
Long	15-30 Years (2038-2052)	The physical impacts from climate change will magnify over a longer time period than usual business planning

Climate-related financial disclosure continued

Strategic response to risks and opportunities

The material considerations in achieving the Group's strategic commitment to the transition to a low carbon economy include:

- Accelerated trends in product replacement and the associated changes to the Group's business model, including the move away from fossil-fuel boilers.
- The need to adapt the Group's branches and fleet to be low carbon or no carbon.
- Changes to customer projects and locations that may impact the Group's estate.
- Strong customer and supplier partnerships remain key in achieving a successful transition.

Our low carbon transition plan

The Group has shared the roadmaps to 2035 for Scopes 1, 2 and 3 on its corporate website and these now all include interim targets. Key activities include:

Reducing the embodied and in-use carbon of products sold
(Scope 3 represents 99% of the Group's footprint with Category 1 (Purchased Goods and Services) and Category 11 (Use of Sold Products e.g. gas boilers) representing 89% of this)

- Working with the whole value chain to phase out the majority of fossil-fuel boilers from sales by 2035. This primarily relates to commercial gas boilers sold by the BSS business.
- Reducing the embodied carbon in the goods the Group sells. This will be achieved through influencing supplier action and supporting their uptake of new technologies such as carbon capture and storage and introducing alternative materials or products where carbon reduction is not viable. Improving in-use product efficiencies at a higher rate than International Energy Agency modelling.

Decarbonisation of the Fleet and Estate
(Scopes 1 and 2 represent 1% of the Group's footprint)

- Phasing in the use of hydrotreated vegetable oil ("HVO") fuel for diesel engines as a transition fuel. 270 HGVs used HVO instead of diesel in 2023.
- Introducing electric or alternate technology HGVs from 2026 at the latest. The first electric HGV was deployed in 2021 as a pilot to inform the Group's roadmap and the Managed Services fleet now has nine electric vans.
- Taking action to improve the energy efficiency of both freehold and leasehold buildings.
- 100% renewable energy tariff for all UK sites. This tariff was introduced in October 2021.
- Continuing to move from gas boilers to air-source heat pumps and other low-carbon technologies to heat the Group's branches and offices.

Our climate adaptation plan

The Group reviews the physical impact risk across different warming scenarios for both its own estate, UK infrastructure and its supply chains. This information is used to inform:

- Commercial strategy for the medium to long term to ensure both continuity of supply and a just transition.
- Group property decisions and planning for new site locations and existing site adaptation.
- Group insurance planning to best manage future risks and business continuity.

Physical climate risk impacts are rated as low to medium. Early conversations are underway on this and plans will evolve more in the coming year.

With 99% of the Group's carbon emissions in the supply chain, predominantly due to carbon from manufacturing products or carbon from products in-use, it's critical that each of our businesses has a bespoke Scope 3 roadmap which is owned and actioned by Commercial and Sales teams. We will be further evolving these roadmaps in 2024.

Heinrich Richter
Head of Commercial – Sustainable Products and Services.

Risk and opportunity management

As climate governance is integrated into business decision-making, the principal risks and uncertainties are recorded and reported with other business risks and uncertainties on page 74. The identification of risks and opportunities around climate change uses the same complementary likelihood and impact criteria as other Group risks and the assessment covers direct and indirect physical and transitional impacts. In addition, risks and opportunities over the Group's three chosen scenarios (Proactive, Reactive and Inactive), as well as over three timelines (five years, 15 years and 30 years) are added by referencing the results of the scenario analysis. A detailed risk assessment process is conducted annually to identify any emerging risks and ensure the assessment of impact from all risks and the selection of management approach is appropriate. A risk report is presented to the Group Leadership Team and Board. The Group's principal risk list, which includes climate change risk, is also scrutinised by the Board and the Group's financial auditors. Details of the most material climate risks and opportunities have been published annually for the last fourteen years in the Carbon Disclosure Project ("CDP") climate disclosure.

The uncertainties around the impacts are considered via scenario analysis which is detailed on the next page.

Sizing and scaling of risks and opportunities is performed in conjunction with internal and external stakeholders and uses the outputs from the Group's scenario analyses, materiality assessments and the professional judgement of the internal sustainability team together with external advisers. Decisions to mitigate, transfer, accept, or control the risks are made by the risk owners (nominated Group Leadership Team members) with confidence to make decisions provided by a clear carbon strategy, target and roadmaps.

In 2023 the Group followed up the scenario analysis undertaken in the previous two years with a deep-dive investigation of the possible physical climate impacts on its timber supply chains, in partnership with Inspired ESG. The UK estate and infrastructure physical climate impacts were also revisited along with the Group's transition risks.

Scenarios and modelling process†

The scenarios modelled outline possible physical and transitional impacts out to 2050 and beyond. The transitional scenarios used are from the Network for Greening the Financial System ("NGFS") and are the same scenarios used by the Bank of England in its Climate Biennial Exploratory Scenario publication which explores the financial risks from climate change. The Group selected the scenarios below to illustrate the best and worst outcomes and the sensitivities involved when identifying future impacts from changes to the climate and society's response to that change.

	Proactive Early Action	Reactive Late Action	Inactive No Additional Action
Transitional	Action taken early and effectively. Global net zero CO_2 emissions are achieved by 2050. Transition risks are low.	Action is delayed until 2031 and is more sudden and disorderly. Higher transition risk and short term macroeconomic disruption.	No further action is taken on climate change and even current obligations are not met. Hence GHG emissions grow unchecked. Transition risks are low.
	<2 degrees mean global warming	Between 2-3 degrees mean global warming	>3 degrees mean global warming
Physical	Using RCP 2.6. Global CO_2 emissions peak by 2020 and decline to around zero by 2080. Concentrations in the atmosphere peak at around 440 ppm in mid-century and then start slowly declining.	Using RCP 4.5. Emissions peak around mid century at around 50% higher than 2000 levels and then decline rapidly over 30 years and then stabilise at half of 2000 levels. CO_2 concentration continues on trend to about 520 ppm in 2070 and continues to increase but more slowly.	Using RCP 8.5. Concentrations of CO_2 in the atmosphere accelerate and reach 950 ppm by 2100 and continue increasing for another 100 years.
Scenario assumptions which apply to all three scenarios	• The retention of current market share in all categories where the Group is active • The use of a blended construction and manufacturing GVA to project revenue. This assumes the sector moves from unsustainable manufacturing processes to new, as yet unknown, processes and materials • A 0.5m rise in sea levels is effectively mitigated by sea defence adaptations • Cost price inflation caused by supply chain mitigation of physical and transitional risks can be substantially passed on to customers • The 166 UK sites, in 166 different towns and cities, assessed for physical climate risk are representative of the Group's UK sites and infrastructure and inferences about the portfolio risk can be made from the sample • The expected number of days of business interruption from physical climate change impact are modelled with the Gumbel distribution to best represent extreme events		
Scenario assumptions which apply to specific scenarios	• Full international implementation of country-level commitments on climate change action	• Price parity for non-fossil fuel delivery will not be achieved before 2040	• Current commitments by countries and businesses to GHG reductions are not met

Scenario risk lenses

The climate change impact under each of the three scenarios was considered across a number of risks and opportunities for the Group, including the following examples.

The **transition risk and opportunity assessment** considered:

Policy and Legal risks

- carbon pricing
- enhanced emissions-reporting obligations
- mandates on and regulation of existing products and services
- exposure to litigation

Market risks

- increased cost of raw materials
- changing customer behaviour

Reputation risks

- stigmatisation of the sector
- shifts in consumer preferences
- increased stakeholder concern or negative stakeholder feedback

Technology

- costs of lower emissions technology
- unsuccessful investment in new technologies
- substitution of existing products and services with lower emission options

The **physical risk and opportunity assessment** considered:

- rising mean temperatures
- changing precipitation patterns
- sea level rise
- extreme weather
- wildfire

This was taken into account for the Group's UK estate as well as UK-wide infrastructure (roads, ports, railways, utility supply, IT infrastructure), selected supply chain locations and comprehensive timber supply chain locations. Impacts on the UK workforce due to physical climate risk were also reviewed.

In future reporting periods the Group will conduct deep dive assessments on other material types in its supply chains.

Scenario results

Resilience over the 3 Scenarios

Scenario	Proactive	Reactive	Inactive
Future costs (resilience)	LOWEST The proactive scenario aligns with the Group's own SBTi approved targets and roadmaps. Transitional costs (fleet and estate) have been considered in line with this roadmap. Product-related carbon costs are assumed to be substantially passed through to the market. Costs from physical impacts of climate change are expected to be low to moderate.	HIGHER The reactive scenario introduces more risk as policy around climate change is either too late or too weak, exposing the Group to higher transitional costs and a supply chain with less mandate to change. Costs from physical impacts remain low to moderate for the UK but may be higher in the Group's supply chains.	HIGHEST The inactive scenario introduces reputational risk around target achievement as there would be no further changes from the government, leaving the Group unsupported by policy to meet its SBTi targets. The Group's UK infrastructure will be impacted by rising sea levels and flooding by 2050. There will be supply chain disruption.

The Group's exposure to financial stress from physical climate change or transitional climate change impacts can be successfully mitigated by following the adopted strategy and roadmaps outlined in this disclosure. Transitional impacts are expected to be far greater than physical impacts and the ability to pivot away from some construction materials and technologies and towards the supply of other materials will be key to the future success of the Group.

The proactive scenario delivers a decarbonised business model in the most efficient way with the best financial outcomes. The Group's SBTi approved targets and roadmaps are aligned to this early action pathway.

Summary of Transitional Risks

There are two predominant transitional risk implications of climate change for the Group – both of which are rated as high-risk. Firstly, impacts on the ongoing relevance of the **products and services** that the Group sells to the market. Secondly, impacts on the pace and methods of upgrading the Group's **own fleet**, in line with or ahead of UK policy.

With regard to **products and services**, the Group's businesses will need to evolve their product mix and develop services to meet the product, data and service requirements of a low carbon construction sector. The analysis has identified a risk of product obsolescence, for example gas boilers in some markets, and changing customer demand towards materials, products and solutions that reduce lifetime GHG emission levels from buildings. The Group measures product sales that contribute to a low carbon economy and is looking at ways of promoting more sustainable construction in the medium and longer term.

Carbon pricing will introduce a **cost to embodied emissions** and climate experts are calling for carbon pricing across more sectors and on high-emission materials such as steel, plastic, cement and bricks. In 2023, the EU implemented the Carbon Border Adjustment Mechanism trial phase, placing a cost on the embedded emissions in certain materials. The UK will likely follow and introduce a similar mechanism. Whilst the Group has a policy to pass price increases through to customers, thereby not directly taking on these costs, **the market will consider alternative materials, and the Group will need to adapt to remain relevant**.

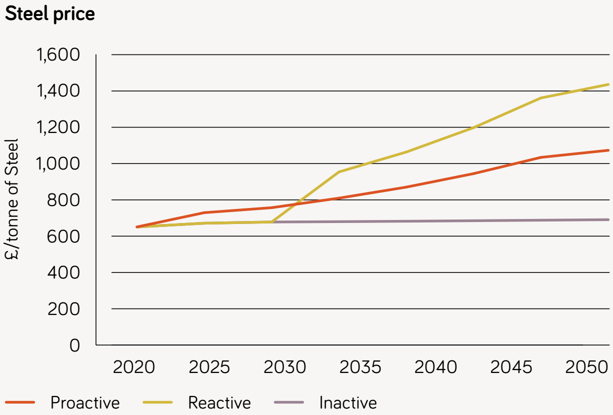
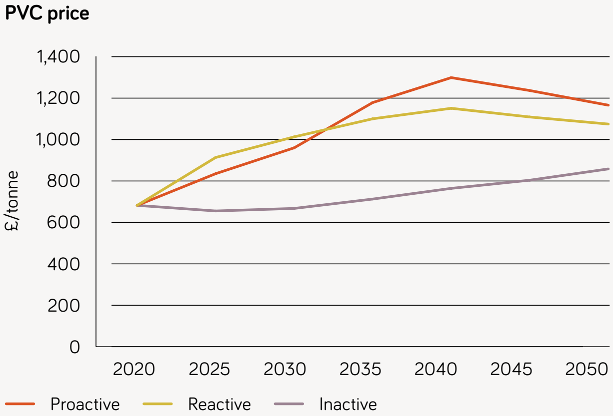


Figure 8: The price of steel after the introduction of a carbon border mechanism across each climate scenario and timeframe.

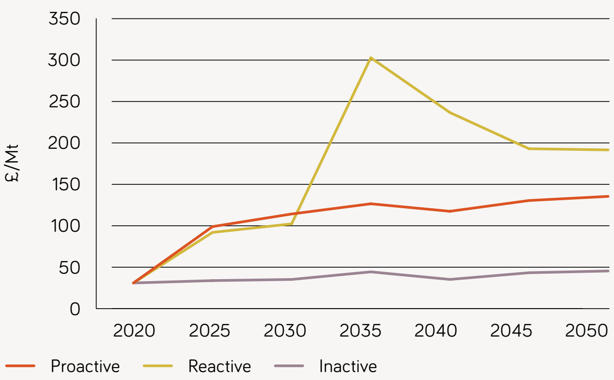


The price of PVC across each scenario and timeframe.

† Climate scenarios make projections on hypothetical futures and as such come with a degree of uncertainty. While some of the information obtained from existing climate models have a high degree of accuracy, there is still a level of uncertainty. As a result, scenario analysis should only be used as a guide for climate-related risks and opportunities.

Climate-related financial disclosure continued

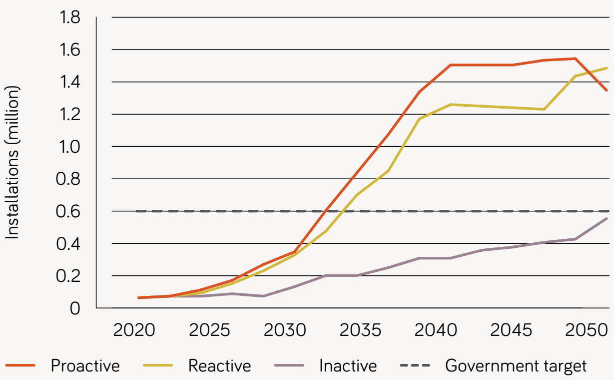
Cement price



The price of cement across each scenario.

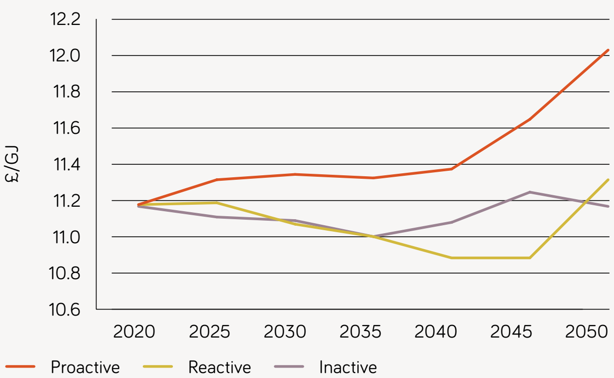
In addition to the cost increase of high-embodied carbon products, there will also be a **move to heating technologies with a lower carbon impact in-use**, such as heat pumps instead of gas boilers.

Heat pump installation projections



Heat pump installation projections.

Oil price



Pricing for Oil under each of the three scenarios.

The Group's climate change strategy means it asks more from its value chain partners in terms of compliance and innovation than its peers. Over the medium term, the Group's engagement strategy with its supply chain will become more targeted on lowering lifetime impacts. For example, in promoting innovative and sustainable products to customers and developing packaging waste solutions. The Group has expertise in developing low carbon solutions that other parts of the value chain will require and is looking for ways to develop this into a service. The Group appointed a new Head of Commercial for Sustainable Products and Services and Sustainable Product Data Analyst in 2023 to accelerate this work.

With regard to the Group's heavy fleet, the investment required to **decarbonise the Group's heavy fleet** is affordable and is most effectively deployed in a phased manner starting immediately. In the last two years, capital spend requirements to deliver efficiency programmes have been approved and have proven to decrease direct costs. In 2023, £39.5m was invested in replacement or new delivery vehicles and an additional £1.2m on plant assets across the network. £600k was invested into HVO fuel purchase, based on average costs compared to diesel in 2023. Transport-related carbon reduced by 11% in 2023 as compared to 2022.

As a non capital-intensive business with 99% of emissions in the value chain, an internal carbon price is not a tool that has been adopted by the Group to date. Although this will be considered in future years as a tool to support the business case for change, particularly in light of the projected costs for oil under the three scenarios.

Summary of physical risks

The physical risk from climate change to the **Group's estate in the UK** and the **UK transport, utility and IT infrastructure** is low to medium as the Group assets are large in number and geographically spread providing resilience to the physical impact from a changing climate.

The physical risk from climate change to the **Group's supply chain** (causing business interruption) is also forecast as low to medium due to the Group's ability to adapt to new supply routes and suppliers and the assumption that transactions with customers are not lost but delayed.

The assessment of physical climate risks to the estate informs the decisions of the Group Property team with regard to adaptation of existing sites and the location and design of future sites.

Nick Pinney
Group Property Director

A deep-dive on physical risk to the Group's UK estate

The scenario analysis for physical risks (temperature, precipitation, fire and extreme weather) to the Group's estate in the UK suggests broadly similar impacts (low to moderate) for each of the three warming scenarios. The likelihood of moderate risks increases in the reactive or inactive scenarios over time. The analysis suggests that not all regions will be impacted equally by changing precipitation, temperatures, wildfire risk or extreme weather events.

- Direct flood impacts (damages to the Group's property, stock and machinery) will likely increase in the inactive scenario. 45 branches are at direct risk from river flooding and 73 branches will be exposed to indirect risks of flooding i.e. affected transport networks. Annually, Wales, Scotland and the Northwest receive the most rainfall.
- Heatwaves are predicted to become more likely as the UK temperature is predicted to rise between 0.67°C and 1.45°C by mid-century (from a 1980-2010 baseline). Extreme temperatures can disrupt transport networks, reduce employee productivity, increase the risk of wildfire and decrease the efficiency of electrical products. Greater London, the South East and South West will experience the most significant temperature increases under all three scenarios.
- A forecast 0.5m rise in sea levels would not impact on all of the Group's coastal sites and shipping ports used in the supply chain equally. Sites and ports in the east of the UK are forecast to be the most vulnerable to sea level rise. Twenty-one Group sites could be impacted by 2050 under the Inactive scenario.

	Proactive	Reactive	Inactive
Timeframe for 0.5m sea level rise to impact	2110 (86 years)	2080 (56 years)	2070 (46 years)

- 15% of the Group's current estate was at risk of impact from wildfires within 10km of the branch between 2018–2022, although none directly impacted the estate or operations. The Group will keep monitoring wildfires as, whilst less common than flooding events, they could have a higher impact per event.

Regions likely to experience the highest temperature increases under the three scenarios.

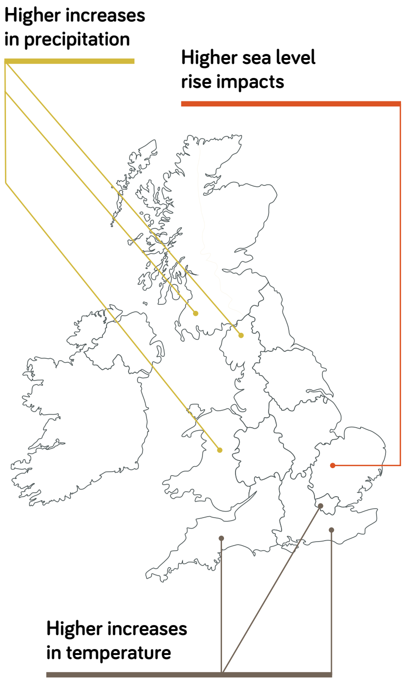
Region	Reference period (1980–2011)	Average daily temperature projection by 2052 (°C)		
		Proactive	Reactive	Inactive
Greater London	10.77	11.44 (6%)	11.76 (9%)	12.22 (13%)
South East	10.69	11.36 (6%)	11.68 (9%)	12.14 (14%)
South West	10.48	11.15 (6%)	11.47 (9%)	11.93 (14%)

Regions likely to experience the highest precipitation increases under the three different scenarios.

Region	Reference Period (1980-2011)	Annual Precipitation Projection by 2052 (mm/yr)		
		Proactive	Reactive	Inactive
Wales	1032	1056 (2%)	1082 (5%)	1066 (3%).
Scotland	1028	1029 (0.1%)	1029 (0.1%)	1053 (2%)
North West	937	962 (3%)	972 (4%)	970 (4%)

The analysis confirms that overall physical risk across the Group's UK-based estate increases over time but never gets beyond medium in any region. Once impacts are monetised and seen in the context of the entire estate, the overall impact is considered to be low to moderate.

The Group will use the insight provided by the scenario analysis to refine its property and insurance strategies.



Climate-related financial disclosure continued

A deep-dive on physical risk to UK infrastructure

In 2023, scenario analysis included a review of the physical climate risks affecting the UK infrastructure. The headlines of this analysis are as follows:

- **Roads** will be affected by increased precipitation due to landslide risks and closed roads, in addition to increased surface water runoff. Extreme heat can also cause roads to melt. Road disruption affects both distribution of goods and the ability for employees and customers to travel to sites.
- **Ports** will be affected by sea level rises, storm surges and damage to port infrastructure. Shipping fees may increase as ports raise handling fees for repairs after storm damage and port closures will cause bottlenecks at other ports across the UK.
- **Railways** will be affected as heat waves can buckle tracks and flooding prevents trains from accessing tracks. Secondary risks include landslides and rock falls which can damage tracks and other rail infrastructure.
- **Electricity supply** will be affected as increased temperatures cause lower efficiency in electrical products, including solar panels. Storms can damage transmission lines and cause wind turbines to cut out. Storm damage to transmission lines left over 1 million people and businesses without power for a week in 2022. Extended droughts can impact water availability for hydroelectric power.
- **IT infrastructure** will be affected as increased flooding can corrode buried electrical cables and high-flowing flood water can damage telephone masts and other IT infrastructure. High temperatures impact wi-fi speeds as routers struggle to send and receive data.

The analysis confirms that the overall risks are low to medium, and the Group is well placed to balance the risk with the opportunity to sell products which prevent or remediate climate impacts.

The Group will use the insight provided by the scenario analysis to inform its approach to property locations, energy resilience, logistics planning, commercial strategy and business continuity.

A deep-dive on physical risk to timber supply chains

In 2023, scenario analysis included a deep-dive review of the physical climate risks to timber supply chains. Globally, climate change is expected to increase the frequency of extreme weather events, exposing the timber industry to varying degrees of risk. Key takeaways from the analysis were as follows.

- Increased carbon in the atmosphere will benefit tree growth, providing other factors also increase (water availability, soil nutrients, etc.).
- There is a risk to timber quality as increased carbon can promote faster tree growth, potentially making the timber unsuitable for construction grade requirements.
- Increased heat waves can directly damage foliage on trees and bake soils, affecting growth rates.
- Drought events limit water availability for tree growth and can cause reduced yields or tree mortality.
- Wildfire events will be more frequent, damaging forests.
- Flooding, due to increased precipitation, can prevent access to forests.
- Warmer climates favour invasive pest and disease species, threatening trees and ecosystems.
- Storm damage will increase, damaging forests and also potentially requiring timber to be treated before it can be used in construction.

The Group is protected in general by its spread of supply chain partners, enabling continuity of supply when parts of the supply chain are affected. The risks of supply chain disruption are rated as low-medium over the three scenarios. The Group will use the insight provided to inform its commercial strategy in order to ensure supply chain resilience and to work with suppliers to enable them to act early and ensure a just transition.

“ ”

Timber is an important product category for the Group, and one which is likely to increase as customers seek to decarbonise construction and comply with the UK government's 'Timber in construction roadmap'. We work closely with our suppliers and use scenario analysis insights to understand risk, inform our commercial plan and develop key mitigation actions.

Rosie Wise
Category Director – Timber and Joinery

2023 transport-related carbon reduction

11%

2023 investment in fleet decarbonisation

£41m

Metrics and KPIs

The Group sets out performance against a number of environmental KPIs below, including absolute carbon reduction and performance against targets and additional detail on energy consumption. During 2022 the Group introduced interim targets to the three carbon reduction roadmaps (buildings, fleet and Scope 3).

KPIs and metrics which more directly align to the material risks and opportunities set out in this disclosure have been added to the table.

The 2023 Scope 3 engagement target for the GLT was almost achieved. In total 57% of product spend was with suppliers who have calculated and set reduction targets for their carbon. More detail on this target can be found on page 125 in the Remuneration Report.

The existing KPIs are measured using the GHG protocol, are independently verified by LRQA and accepted by the SBTi. More details about the methodology can be found on the Group's website (www.travisperkinsplc.co.uk/sustainability). The Group's net zero target follows the UK government's definition of total Scope 1 and 2 carbon emissions that are equal to or less than the emissions the Group removes from the environment.

2023 headline performance

2023 saw reductions across both operational and supply chain carbon and we increased the percentage of our spend with suppliers who have calculated their carbon and set reduction targets. Decarbonisation of the industry remains our sustainability priority.

James Vance,
Group Head of Environment

Scope 1 and 2 carbon reduction

7%

Scope 3 carbon reduction

3%

Spend with suppliers engaged on carbon

57%

		2023 UK	2023 Non-UK	2023 Total
			Energy GWh	
Operational carbon	**GWh energy** Annual energy use relating to gas, purchased electricity and transport fuel (for SECR compliant kWh data see the data table on page 206)	306	6	**312**
			Carbon Dioxide Equivalent (CO_2e) Tonnes	
Operational carbon	**Scope 1** Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution[1]	51,325	501	**51,826** V
Operational carbon	**Scope 2** Indirect emissions from our use of electricity	0	856	**856** V
Operational carbon	**Scope 1 and 2 Absolute**	51,325	1,357	**52,682** V
Operational carbon	**Scope 1 and 2 Intensity** Emissions from Scope 1 and 2 sources per £m of revenue	10.7	11.3	**10.8** V
Operational carbon	% of fleet (inc. MHE) that is low-carbon in use (either electric, hybrid or alternate fuel)			**26%**
Supply chain carbon	**Scope 3 Absolute**[2] Indirect emissions from the supply chain. Including all Scope 3 categories	7,657,832	292,988	**7,950,820** V
Supply chain carbon	**Scope 3 Intensity** Emissions from Scope 3 sources per £m of revenue	1,599	2,442	**1,630** V
Supply chain carbon	% heat generators sold which are low carbon (i.e. heat pumps, solar thermal or electric boilers)			**10.7%**
Supply chain carbon	% of group product spend with suppliers engaged on decarbonisation (carbon calculated and targets set)			**57%**
Total carbon	**Scope 1, 2 and 3 Absolute**	7,709,157	294,345	**8,003,502**

Carbon data table

The Group has reported on all of the emission sources required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013. The numbers reported include data for companies where Travis Perkins plc has operational control. Scope 1 and 2 emissions are calculated using the DEFRA Conversion Factors for Company Reporting 2023 on an operational control basis. Scope 3 emissions are calculated using EcoInvent or DEFRA factors. Specific data points in the carbon chart and the carbon data table, marked with the logo "V", have been assured against Lloyd's Register verification procedures. For a link to the assurance report see page 41.

1. Fugitive emissions from domestic refrigeration and building air conditioning are included but they are not material to the Group's overall emissions.
2. Scope 3 data quality improved in 2023, due to data corrections and the use of Environmental Product Declaration carbon data where available within Category 1: Purchased Goods and Services, instead of estimated emissions factors. A full breakdown of the Group's Scope 3 carbon across the 15 Scope 3 categories is shared on the website https://www.travisperkinsplc.co.uk.

Total emissions Scope 1, 2 and 3 (tonnes CO_2e)	8,003,502
Scope 3 % of total emissions	99.34%

2022			2021			2020			Performance in 2023 vs 2022	Targets (with 2020 baseline)	Performance in 2023 against 2020 target baseline year
UK	Non-UK	Total	UK	Non-UK	Total	UK	Non-UK	Total	%		%
Energy GWh											
314	8	**322**	358	6	**364**	334	5	**339**	(3)%		
Carbon Dioxide Equivalent (CO_2e) Tonnes											
55,218	1,016	**56,234**	63,285	814	**64,099**	60,656	641	**61,297**	(8)%		
0	652	**652**	13,121	530	**13,651**	17,333	461	**17,794**	31%		
55,218	1,668	**56,886**	76,406	1,344	**77,750**	77,989	1,102	**79,091**	(7)%	Net zero by 2035 (min. 80% reduction	(33)%
11.2	16.0	**11.3**	16.9	14.6	**16.8**	21.3	15.7	**21.2**	(4)%		(49)%
		22%			**18%**			**17%**	4 ppt		
8,132,970	103,868	**8,236,838**	8,904,544	128,958	**9,033,502**	8,466,700	424	**8,467,124**	(3)%	63% reduction by 2035	(6)%
1,650	999	**1,637**	1,971	1,402	**1,960**	2,316	6	**2,274**	0%		(28)%
									New KPI		
		54%			**14%**			**1%**	3 ppt		
8,188,188	105,536	**8,293,724**	8,980,950	130,302	**9,111,252**	8,544,689	1,526	**8,546,215**	(3)%		(6)%

Business performance and priorities

Protecting market position in challenging conditions

- Progressive downturn in new build housing and private domestic RMI markets leading to Group revenue 2.7% lower than prior year
- Combination of lower volumes, overhead cost inflation and rapid commodity price deflation in H2 resulted in adjusted operating profit of £180m (2022: £295m)
- Invested to protect and build market positions with market share gains in both Toolstation and Travis Perkins General Merchant

Transforming the operating model to build a stronger business

- Step change reduction in non-branch cost base delivered with £35m annualised savings
- Working on a plan for a potential exit of Toolstation France; strategic review of options for Toolstation Benelux
- Optimising Benchmarx branch network with focus on integrated offer within destination
- Continued rationalisation of legacy Toolstation UK supply chain, following successful opening of the new Pineham distribution centre
- Delivering profit enhancements through greater synergies between Group businesses, lowering supply chain costs and harnessing benefits from new technology
- Operating profit of £110m (2022: £285m) reflects trading performance and a restructuring charge of £60m recognised in 2023, of which around £16m is cash, related to Toolstation France and Benchmarx impairments alongside restructuring actions

£m (unless otherwise stated)	Note	2023	2022
Revenue	1	**4,862**	4,995
Adjusted operating profit	2a	**180**	295
Adjusted earnings per share	19b	**45.7p**	94.6p
Return on capital employed	25	**6.3%**	10.8%
Net debt / adjusted EBITDA	24	**2.6x**	1.8x
Ordinary dividend per share	20	**18.0**	39.0p
Operating profit	2a	**110**	285
Profit after tax		**38**	192
Basic earnings per share	19a	**18.1p**	90.8p

Summary

2023 was a challenging year for the Group as a combination of macroeconomic uncertainty, progressively weakening end market demand, sharp deflation on commodity products in the second half and overhead inflation made business planning difficult, weighing heavily on the Group's earnings performance during the year. Reflecting the expectation of continued challenging market conditions, management's primary focus is now to drive efficiencies through the transformation of the Group's operating model and prioritise capital allocation to support the recovery of profitability and reduction of leverage in the medium term.

2023 Performance

The Group delivered revenue of £4,862m, down 2.7% versus 2022. The decline in revenue was driven by the Merchanting businesses with rising interest rates leading to a significant reduction in new build housing activity. A lack of secondary housing transactions, coupled with weak consumer confidence and pressure on household finances, resulted in the domestic RMI market also remaining subdued. Toolstation saw good revenue growth in both the UK and Europe with maturity benefits being realised and further market share gains.

Adjusted operating profit of £180m was £115m, or 39%, lower than in 2022 with the prior year reported adjusted operating profit also including a £15m restructuring charge. Around £60m of the profit decline resulted from lower sales volumes whilst approximately £25m was attributable to lower gross margins, with deflation on timber products in the second half a significant contributory factor.

Although the Group delivered overhead savings in 2023 of around £35m, the remaining profit reduction was due to these savings being more than offset by overhead increases. The majority of these increases related to inflation, primarily on salaries, and included an £8m cost-of-living payment in January 2023. The increase in overheads also included £(20)m investment in Toolstation, primarily in the new distribution centres at Pineham (UK) and Rotterdam (Netherlands and Belgium) plus the ongoing expansion of the European network.

Transformation of the Group's operating model

Given the significant impact of the macroeconomic environment on the Group's profitability, and with uncertainty remaining as to the timing and speed of recovery in the Group's key end markets, management has commended further significant actions which will transform the business for the future.

The first phase of this review, completed in the fourth quarter, will deliver further cost savings of around £35m in 2024, primarily from a reduction in central and regional headcount and the closure of the Toolstation Bridgwater distribution centre.

The next phase commenced in February 2024 with 39 standalone Benchmarx branches closed as part of a review of the strategy of the business. The focus is now on optimising the profitability of the remaining standalone branches and growing the network through integrated solutions in new General Merchant branches which provide a lower cost model with a convenient customer journey.

In March 2024 the Group announced the proposed closure of the Toolstation Daventry distribution centre which represents the next stage of supply chain consolidation within Toolstation UK.

Work to deliver further structural efficiencies will continue over the medium term and be focused on the following areas:

- Supply chain consolidation – reviewing and optimising the Group's supply chain to take advantage of scale and consolidation opportunities.
- Technology enablement – driving benefits from new technology starting with the implementation of a new Oracle finance system to improve processes, data, and control.
- Simplifying our structures – streamlining the interactions between businesses and with customers.
- Shared procurement capability – consolidating separate procurement functions across business units and leveraging the Group's scale to optimise procurement processes.

Adjusting items

There were £60m of adjusting items in the year (2022: zero):

	£m
Restructuring charge	17
Benchmarx branch closures	10
Toolstation France impairment	33
Total	60

The restructuring charge relates primarily to severance payments made as a result of headcount reductions in Q4 2023, the majority of these roles being in central functions or regional sales and support teams. Also included in the charge are the costs related to the closure of the Toolstation UK Bridgwater distribution centre and other supply chain restructuring activity.

The charge associated with the Benchmarx branch closures related to fixed asset impairments and property closure costs.

The Toolstation France impairment charge relates to the write-down of goodwill, property and right-of-use assets under IAS36.

Capital structure and shareholder returns

The Group has previously set a medium-term leverage target of 1.5x – 2.0x net debt / adjusted EBITDA (on an IFRS 16 basis), this target range being consistent with maintenance of investment grade credit metrics. The Group's balance sheet remains robust with the refinancing of the 2023 bond completed during the year and the renewal of the revolving credit facility of £375m (see "Funding" section for more details); providing adequate liquidity for its future plans.

However, with net debt/adjusted EBITDA rising to 2.6x at the year-end, management has set out the following medium-term capital allocation priorities:

- Maintaining an investment grade credit rating by returning lease-adjusted leverage to the target range as soon as possible
- A disciplined approach to capex and property spend focused on maintaining asset quality and sources of competitive advantage
- Improving working capital management and an ongoing review of loss-making activities
- An attractive and sustainable dividend

Taking into account all of these factors, for 2023 the Board is recommending a final dividend of 5.5 pence per share (2022: 26.5 pence per share) to give a full year dividend to 18.0 pence per share (2022: 39.0 pence per share), in line with the Group's previously communicated policy.

The commitment to lowering leverage will result in a planned reduction in capital expenditure to £80m in 2024 (compared to medium-term guidance of £125m). Property activity will continue in order to enhance the quality of the Group's branch network but with the objective of generating a cash surplus from property transactions in the year.

Property

The Group generated property profits of £15m in the year, with £67m of cash proceeds. The main transaction in the year was the sale-and-leaseback of seven sites in March 2023 for £23m.

The Group continued with its policy of reinvesting freehold sale proceeds with the purchase of a 6.25 acre industrial site in Selsdon, near Croydon for £22m the major purchase during the year.

Outlook

A recovery in the UK construction sector is unlikely to gather any momentum before the UK general election is concluded with the Group's customers, large and small, inevitably waiting to see if there is a post-election government stimulus package for the sector and also seeking clarity on the future direction of interest rates.

Mindful of these challenges, management is planning another year of weak demand, with overhead and cash management actions supporting financial performance. Lead indicators and customer feedback will be closely monitored to inform further actions during the year. Pricing benefit is expected to be minimal in 2024 with lower timber pricing rolling over into H1 and limited manufacturer increases.

Whilst it is still early in the trading year, the Group has seen a continuation of the weak trading environment experienced in the second half of 2023. Accordingly, management's best estimate at this stage is that FY24 adjusted operating profit will be in the range of £160m to £180m, inclusive of around £10m of property profits and around £20m of losses in Toolstation France.

Technical guidance

The Group's technical guidance for 2023 is as follows:

- Expected ETR of around 29% on UK generated profits
- Capital expenditure of around £80m
- Property profits of around £10m

Merchanting

Revenue

£4,036m

2022: £4,220m

Adjusted operating profit

£212m

2022: £314m

2024 priorities

- Drive benefits from technology investments to gain market share and increase margins
- Grow higher margin and value-added services, including Hire and Management Services
- Procurement functions consolidation to harness the buying power of the Group's combined scale
- Tight management of the cost base, including supply chain efficiencies

	2023	2022	Change
Revenue	**£4,036m**	£4,220m	(4.4)
Adjusted operating profit	**£212m**	£314m	(32.5)%
Adjusted operating margin	**5.3%**	7.4%	(210)bps
ROCE	**9%**	15%	(6)ppt
Branch network	**769**	767	2

Segmental adjusted operating profit excludes property profits

The Merchanting segment had a challenging year with revenue down by 4.4% and adjusted operating profit reduced by 32.5% to £212m, reflecting the high operational gearing of the Merchant businesses. Revenue decline was consistent although the drivers moved significantly through the year with pricing starting off at elevated levels due to the rollover of 2022 increases before falling away rapidly. Deflation on commodity products, notably timber, became a major factor in the H2 with overall pricing turning negative, having been +9% in Q1. By contrast, volumes started the year weakly, driven by a reduction in new build housing activity, before levelling off in H2 as comparatives eased and actions on pricing delivered market share gains in the General Merchant.

Throughout a difficult year, the Merchant businesses remained focused on meeting customers' needs, notably in the second half when pricing was adjusted to reflect the weak demand environment and ensure that existing customers were retained alongside winning new work. There was continued progress on the development of digital capability and increased penetration of higher margin, value-added services, particularly Hire which delivered revenue growth of 6%

The private domestic RMI market, the Merchant segment's largest end market which is primarily serviced by the Group's General Merchant business, remained pressed throughout the year. Pressures on household finances, the significant rise in the costs of building materials and labour and the rise in the cost of borrowing have all contributed to lower levels of activity in the renovation and improvement market.

The private domestic new-build market, primarily serviced by Keyline, CCF and Staircraft working with national and regional housebuilders, was significantly impacted by the economic turmoil in autumn 2022 with activity down by around one-fifth in the year. This reduction in activity has weighed heavily on the performance of all three businesses with each deriving at least half of their revenue from this customer base in normal market conditions.

The Merchant segment's other end markets – commercial, industrial and public sector – which represent around half of the segment's revenue, remained relatively stable, supported by long-term projects. This stability was reflected in a more resilient performance in BSS, which derives the majority of its revenue from these sectors, and in the Group's Managed Services business where revenue increased by 5% as the business continues to benefit from its tailored proposition to partner with social housing providers.

Adjusted operating margin reduced by (210)bps as a result of lower gross margins and high levels of operational gearing in the Merchant businesses. Overhead inflation, mainly driven by payroll costs, remained elevated with underlying inflation of around 5%. Cost actions and volume related savings of around £35m in 2023 mitigated the overall cost increase to around 1% for the year.

Toolstation

Revenue

£826m

2022: £775m

Branch network

739

2022: 721

2024 priorities

- Optimisation of the supply chain, taking advantage of the Pineham DC and recovering fixed costs
- Selective network expansion towards long-term target of 650 stores in the UK
- Continue to win share in a difficult market with an enhanced trade customer proposition
- Strategic review of the Toolstation Benelux business

	2023	2022	Change
Revenue	**£826m**	£775m	*6.6%*
Like-for-like growth	**4.0%**	(3.7)%	*7.7ppt*
Adjusted operating profit – UK	**£23m**	£21m	*9.5%*
Adjusted operating profit – Europe	**£(37)m**	£(30)m	*(23.3)%*
Adjusted operating profit – Total	**£(14)m**	£(9)m	*(55.6)%*
Adjusted operating margin	**(1.7)%**	(1.2)%	*(50)bps*
ROCE	**(2)%**	(2)%	–
Store network (UK)	**570**	563	*7*
Store network (Benelux)	**119**	113	*6*
Store network (France)	**51**	45	*6*

Segmental adjusted operating profit excludes property profits

Toolstation made good progress during the year with 6.6% sales growth demonstrating the businesses' ability to win share in difficult markets.

In the UK, where sales grew by 5.3%, network expansion was limited in the year to a net seven new stores reflecting a combination of market outlook, significant investment in the network in recent years and management focus on the opening of the new distribution facility in Pineham, Northamptonshire. Pineham opened in Q3 with 500,000 square feet of capacity and semi-automation technology providing distribution capability as the business grows over the next decade. As a result of Pineham coming on-line, the Bridgwater distribution centre was closed in Q2 2023. A further review of the retail distribution network proposed closing the Daventry distribution centre which was announced in Q1.

UK adjusted operating profit grew by 9.5% to £23m which included around £13m of higher operating costs related to start-up and dual running costs at Pineham. Management expects to recover these costs over the next three years as supply chain efficiencies come through.

In September the Toolstation UK management team set out their vision for the future of the business at a Capital Markets Update with the ambition to grow revenue to £1bn by 2027 with operating margin increasing to around 8% through scale efficiencies and margin enhancement opportunities. The materials from the event can be accessed via the Travis Perkins plc website.

Toolstation Europe

France

Toolstation France delivered sales growth of 29% in the year but losses increased to £18m as six new stores were added alongside further investment in infrastructure. Despite some positive progress in the past year, the business in France faces long-term challenges which significantly increase the time and investment needed to achieve profitability. These challenges include:

- Building brand awareness
- Serving the trade in a less populated region
- Ongoing weak demand in the end market

Taking these factors into consideration, and with forecast losses expected to increase to £20m in 2024, management has concluded that the investment required to reach profitability is no longer sustainable and, today confirms that it is working on a plan for a potential exit of the business. Any decision will be subject to a prior consultation process with the relevant employee representatives.

Benelux

Although sales grew by 10%, performance overall in Benelux in 2023 was significantly below management expectations with a loss of £19m in the year (2022 : £15m). The increase in losses was a result of weak gross margins, cost inflation and the additional costs of the second distribution centres alongside six new branches.

Management forecast losses to narrow to around £12m in 2024 in Benelux and now anticipates that the Netherlands business will reach break-even point, on an annual basis, by 2025 with Belgium expected to reach profitability by 2028. With end market conditions expected to remain challenging in the near term and the delay to reaching profitability, management have commenced a strategic review of both businesses.

Financial review

Revenue analysis

The Merchanting business saw consistently challenging trading conditions across the year, although the drivers of performance varied significantly. At the start of the year price inflation remained high, largely driven by the rollover of 2022 increases. By contrast, volumes were very weak, particularly in the new house building sector following the impact of the "mini-budget" in late 2022.

From May onward, a sharp decline in the price of commodity products, notably on timber, saw the overall basket of goods move into deflation as price reductions were passed on to customers. Volumes stabilised in the second half as comparatives eased and more competitive pricing delivered market share gains in the General Merchant.

Toolstation also gained market share across the year in both the UK and Europe with volume growth despite a declining market and robust pricing. Maturity benefits from the investment in the store network and customer proposition continue to come through.

	Merchanting	Toolstation	**Group**
Price and mix	(1.3)%	5.4%	**1.9%**
Like-for-like volume	(5.7)%	(1.4)%	**(5.0)%**
Like-for-like revenue growth	**(4.4)%**	**4.0%**	**(3.1)%**
Network changes, acquisitions and disposals	(0.4)%	2.3%	**0.0%**
Trading days	0.4%	0.3%	**0.4%**
Total revenue growth	**(4.4)%**	**6.6%**	**(2.7)%**

Quarterly revenue analysis

		Total revenue*		Like-for-like revenue	
		2023	2022	2023	2022
Merchanting	Q1	(3.2)%	17.9%	(4.2)%	15.3%
	Q2	(5.6)%	9.2%	(5.2)%	8.5%
	H1	**(4.5)%**	**13.3%**	**(4.8)%**	**11.7%**
	Q3	(3.4)%	11.5%	(2.9)%	8.7%
	Q4	(5.1)%	4.7%	(5.2)%	2.3%
	H2	**(4.2)%**	**7.3%**	**(4.1)%**	**5.6%**
	FY	**(4.4)%**	**10.3%**	**(4.4)%**	**8.7%**
Toolstation	Q1	8.6%	(6.0)%	4.6%	(11.9)%
	Q2	9.7%	(3.2)%	7.2%	(9.2)%
	H1	**9.0%**	**(4.6)%**	**5.9%**	**(10.6)%**
	Q3	7.3%	6.1%	4.4%	0.2%
	Q4	1.1%	12.7%	0.0%	7.2%
	H2	**4.1%**	**8.9%**	**2.2%**	**3.7%**
	FY	**6.6%**	**1.8%**	**4.0%**	**(3.7)%**
Total Group	Q1	(1.5)%	13.6%	(2.9)%	10.5%
	Q2	(3.3)%	7.1%	(3.3)%	5.6%
	H1	**(2.5)%**	**10.3%**	**(3.2)%**	**7.9%**
	Q3	(1.8)%	10.7%	(1.8)%	7.4%
	Q4	(4.0)%	6.0%	(4.3)%	3.1%
	H2	**(2.9)%**	**7.5%**	**(3.0)%**	**5.3%**
	FY	**(2.7)%**	**8.9%**	**(3.1)%**	**6.6%**

* Trading day adjusted

Operating profit

£m	2023	2022	Change
Merchanting	212	314	(32.5)%
Toolstation	(14)	(9)	(55.6)%
Property	15	25	(40.0)%
Unallocated costs	(33)	(35)	5.7%
Adjusted operating profit	**180**	**295**	**(39.0)%**
Amortisation of acquired intangible assets	(10)	(10)	
Adjusting items	(60)	–	100%
Operating profit	**110**	**285**	

Finance charge

Net finance charges were in line with prior year at £40m.

Taxation

The tax charge before adjusting items was £44m (2022: £55m) giving an adjusted effective tax rate (adjusted 'ETR') of 31.5% (standard rate: 23.5%, 2022 actual: 21.7%). The adjusted ETR rate is substantially higher than the standard rate due to the effect of expenses not deductible for tax purposes, the largest item being unutilised overseas losses.

The statutory tax charge for 2023 was £32m (2022: £53m) giving an effective tax rate of 45.6% (2022: 21.6%). This is higher than the adjusted ETR as a result of the tax effect of the impairment of goodwill.

Earnings per share

The Group reported a total profit after tax of £38m (2022: £192m) resulting in basic earnings per share of 18.1 pence (2022: 90.8 pence). Diluted earnings per share were 17.8 pence (2022: 89.2 pence).

Adjusted profit after tax was £96m (2022: £200m) resulting in adjusted earnings per share (note 19) of 45.7 pence (2022: 94.6 pence). Diluted adjusted earnings per share were 45.0 pence (2022: 92.9 pence).

Cash flow and balance sheet

Free cash flow

£m	2023	2022	Change
Adjusted operating profit excluding property profits	165	270	(105)
Depreciation of PPE and other non-cash movements	100	97	3
Change in working capital	(22)	(76)	76
Net interest paid (excluding lease interest)	(25)	(17)	(8)
Interest on lease liabilities	(26)	(21)	(5)
Tax paid	(41)	(58)	17
Adjusted operating cash flow	**151**	**195**	(42)
Capital investments			
Capex excluding freehold transactions	(109)	(110)	1
Proceeds from disposals before freehold transactions	2	10	(8)
Free cash flow before freehold transactions	**44**	**95**	(49)

The Group delivered free cash flow conversion of 81% in the year (2022: 67%). Working capital increased year on year driven by a reduction in other creditors. Trade debtors and payables reduced in line with volumes and revenue across the Group whilst stock remained flat.

Capital investment

£m	2023	2022
Strategic	51	75
Maintenance	52	28
IT	6	7
Base capital expenditure	**109**	**110**
Freehold property	33	38
Gross capital expenditure	**142**	**148**
Disposals	(68)	(23)
Net capital expenditure	**74**	**125**

Base capital expenditure in cash terms was in line with prior year and below the Group's medium-term guidance (of £125m per annum), reflecting the weaker demand outlook.

Strategic capex was £25m lower than prior year, reflecting a significant slowdown in the Toolstation store rollout in both the UK and Europe, with new 23 stores in 2023 compared to 70 in 2022, and the spend on Toolstation distribution capacity in the prior year.

Maintenance capex increased by £25m, principally as a result of a overdue fleet replacement.

Uses of free cash flow

£m	2023	2022	Change
Free cash flow	**44**	**95**	**(49)**
Investments in freehold property	(33)	(38)	5
Disposal proceeds from freehold transactions	67	12	56
Dividends paid	(82)	(82)	–
Net purchase/sale of own shares	–	(172)	172
Cash payments on adjusting items	(11)	(7)	2
Drawdown of borrowings	100	75	25
Repayment of borrowings	(180)	(120)	(60)
Other	3	–	7
Change in cash/cash equivalents	**(92)**	**(237)**	

Cash and cash equivalents reduced by £(92)m in the year primarily as a result of financing activity. The remaining 2023 bond (£180m) was repaid during the year, being largely replaced with £100m of US private placement notes (details below).

In 2022, the Group repurchased £120m of bonds early via a tender offer as part of the ongoing management of its debt maturity profile, these bonds being partly replaced by a £75m term loan. The Group also completed a £240m share buyback programme in 2022 to return the proceeds of the sale of the Plumbing & Heating division in 2021.

Net debt and funding

	2023	2022	Change	Covenant
Net debt	£922m	£819m		
Net debt / adjusted EBITDA	2.6x	1.8x		<4.0x
Net debt excluding leases	£314m	£(35)m	£(35)m	
Net debt excluding leases/ adjusted EBITDA	0.9x	0.8x	(0.1)x	

Note – All covenant metrics measured post IFRS16

Overall net debt increased by £103m of which £68m related to increased lease commitments. The higher lease commitments were principally a result of the Group investing in a new Toolstation UK distribution centre, a new manufacturing facility for Staircraft and the sale-and-leaseback package of seven sites completed in March 2023.

Funding

As at 31 December 2023, the Group's committed funding of £800m comprised:

- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- £75m bilateral bank loan due August 2027
- A revolving credit facility of £375m, refinanced in November 2023 and maturing in November 2028
- £100m of US private placement notes, maturing in equal tranches in August 2029, August 2030 and August 2031

As at 31 December 2023, the Group had undrawn committed facilities of £375m (2022: £400m) and deposited cash of £102m (2022: £194m), giving overall liquidity headroom of £492m (2022: £594m).

The Group's credit rating from Fitch Ratings was affirmed at BBB-, albeit on negative watch, following a review in October 2023.

Financial risk management

The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the principal financial and treasury risks within a framework of policies and operating parameters reviewed and approved annually by the Board of Directors. The Group does not enter into speculative transactions.

The Group negotiated a revolving credit facility with a syndicate of eight banks in January 2019 with terms renegotiated in November 2023. This facility was reduced to a total value of £375m (2022: £400m) with a maturity date that was extended to 2029. Built into the agreement is an option to extend the maturity date to 2031.

In August 2023 the Group issued £100m of senior unsecured notes to a syndicate of investors. These notes are split into three equal tranches maturing in 2029, 2030 and 2031. The Group has repaid the outstanding £180m principal amount of the 2023 guaranteed notes in September 2023. The original size of this issuance was £300m.

The Group's policy is to enter into derivative contracts only with members of its bank facility syndicate, provided such counterparties meet the minimum rating set out in the Board-approved derivative policy. At the year-end the Group had a £75m interest rate swap outstanding and its borrowings were fixed on 100% of the Group's cleared gross debt (before cash and cash equivalents).

The Group settles its currency denominated purchases using a combination of currency purchased at spot rates and currency bought in advance on forward contracts. It purchases forward contracts for approximately 90% of its committed requirements six months forward based on the firm placement of forward stock purchases. At 31 December 2023 the nominal value of currency forward contracts was €6m (2022: €10m) and US$22m (2022: US$30m).

The Group is a substantial provider of credit to a large portfolio of small and medium-size businesses throughout the UK together with some of the country's largest construction companies. It manages its exposure to credit risk through a strong credit control function that works closely with the business and its customers to ensure the Group offers credit sufficient for the needs of those customers without exposing the Group to excessive risk. The bad debt charge in 2023 was approximately 0.3% (2022: 0.3%) of credit sales.

In summary, the key aspects of the Group's financial risk management strategy are to:

- Run the business to investment-grade credit parameters
- Reduce reliance on the bank market for funding by having a diverse mix of funding sources with a spread of maturities
- Seek to maintain a strong balance sheet
- Place a high priority on effective cash and working capital management
- Maintain liquidity headroom of over £200m and build and maintain good relationships with the Group's banking syndicate
- Manage counterparty risk by raising funds from a syndicate of lenders, the members of which maintain investment grade credit ratings
- Operate banking covenants attached to the Group's revolving credit facilities and term loan within comfortable margins
- Maintain the ratio of reported net debt to adjusted EBITDA in the range of 1.5x to 2.0x. It was 2.6x (2022: 1.8x) at the year-end
- Have a conservative hedging policy that reduces the Group's exposure to currency fluctuations

The financial ratios are calculated under IFRS as adopted by the EU as it was immediately before the adoption of IFRS 16 – Leases, except for the August 2022 loan agreement which has economically equivalent tests that incorporate the impact of IFRS 16 – Leases.

Tax strategy and tax risk management

The Group's objectives in managing and controlling its tax affairs and related tax risks are as follows:

- Ensuring compliance with all applicable rules, legislation and regulations under which it operates
- Maintaining an open and cooperative relationship with the UK tax authorities and with the tax authorities that the Group's overseas businesses operate under, to reduce the Group's risk profile
- Paying the correct amount of tax as it falls due

Tax policies and risks are assessed as part of the formal governance process and are reviewed by the Chief Financial Officer and reported to the Audit Committee on a regular basis. Significant tax risks, implications arising from these risks and potential mitigating actions are considered by the Board when strategic decisions are taken. In particular the tax risks of proposed transactions or new areas of business are fully considered before proceeding. The Group employs professional tax specialists in the UK to manage tax risks and takes appropriate tax advice from professional firms where it is considered to be necessary for both its UK and overseas operations. The Group's tax strategy is published on its website.

Total Tax Contribution

The table below provides a reconciliation of the income taxes paid by the Group in the financial year compared to the tax charge shown in the Group's Financial Statements. Details of the total tax contribution made by the Group in 2023 and tax collected on behalf of tax authorities is also detailed below.

Reconciliation of tax paid to tax charge:

	£m
Total tax charge per accounts	31.9
Deferred tax*	(5.1)
True up of prior periods' tax liability	6.2
Tax deductions in reserves	–
Current tax payable on 2023 profits	**33.0**
Tax paid in 2023 to be refunded in 2024	8.6
Tax refunds received in 2023 relating to years prior to 2022	(1.0)
Total net current taxes paid in 2023	**40.6**
Other taxes paid in 2023:	
Business rates	37.7
National insurance contributions	42.3
Other taxes and duties	16.5
Total tax contribution for 2023	**137.1**
Tax collected in 2023:	
PAYE	64.9
Employee's NI	27.7
VAT	180.6
Construction Industry Scheme	0.1
Total tax collected and paid for 2023	**410.4**

* Certain profits and costs recognised in the Financial Statements do not result in a cash tax effect until a future date. When this happens an accounting entry, called deferred tax, is made to recognise the expected future tax cost or benefit.

Viability assessment

In accordance with Provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in 2018, the Board of Directors has undertaken an assessment of the viability of the Group.

As part of its deliberations the Board undertook a robust review of the Emerging and Principal Risks and Uncertainties facing the Group, how they are managed and the actions that could be taken to mitigate their effect or avoid them altogether. The resulting disclosures, which include those risks that could threaten the Group's business model, performance, solvency and liquidity are shown on pages 18 to 39 of the Annual Report. The Board believes the Group is well-placed to manage those risks successfully.

The Board has decided that it is appropriate to assess the performance of the Group over a three-year period from 29 February 2024, the month-end date closest to the approval of the 2023 annual results.

Three years has been chosen because this is the period that it is reasonably possible to forecast forward with a degree of accuracy. This is because the Group is subject to the vagaries of the economic cycle and property market which cannot reasonably be forecast with certainty further than three years forward. Whilst the Board has no reason to believe the Group will not remain viable over a longer period, the inherent uncertainty involved means three years is the appropriate period over which to give users of the Annual Report a reasonable degree of confidence.

The Corporate Plan, which is prepared annually on a rolling basis, considers the Group's future profitability, cash flows, liquidity headroom, availability of funds and covenant compliance. For the purposes of the viability review, the Board has performed a robust sensitivity analysis to stress test the downside scenario principally based upon the 2008–09 financial crisis and the mitigating actions that would be taken to protect the Group's viability. These actions include reducing costs, capital spend, revenue investment and payments to shareholders, as well as restricting credit to customers. In undertaking this analysis, the Board considered the impact on the wider economy and property market from the current interest rate environment and cost-price inflation in building materials and energy prices, as well as general price levels. Given the Group's trading experience in the Covid-19 pandemic and the nature of the near-term risks to the economy, the use of the 2008–09 financial crisis as a model for a prolonged downturn in the housing market remains appropriate.

Based upon the assessment undertaken, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Statement of principal risks and uncertainties

Maintaining a dynamic and effective risk management process is central to the successful delivery of the Group's strategic objectives and building resilience, as the Group manages the impacts of a challenging external environment, an evolving risk landscape and continued uncertainty.

Risk management framework

The Group takes a balanced approach to manage risks in a proactive, efficient and effective way, targeted at the most significant risks, particularly where there is a low tolerance for risk or uncertainty. The risk management framework considers risk from both a "top down" and "bottom up" perspective, to support a comprehensive and common understanding of the risks and opportunities and their potential impact on the achievement of the Group's strategic priorities, and to provide a multi-layered approach to the review and management of risk. The approach and key responsibilities remain consistent with the prior year, as set out in the diagram below.

Key Activities

Risk appetite – An annual Board exercise to consider the nature and level of risk it is prepared to accept to deliver the strategy

Risk identification – Key review and decision making processes capture risks, including reviews of strategy, major programmes and performance

Risk assessment – Risks are prioritised using a standard scoring mechanism and compared to appetite

Risk response – Action is taken, if possible, for risks outside appetite. Risk acceptance is formalised

Reporting and monitoring – The Board, Audit Committee and GLT receive regular risk reports and challenge and agree the Group's principal risks and mitigation strategies twice a year

Emerging risks and issues – areas of change are monitored through regular risk activities, assurance processes and horizon scanning

Internal control and assurance framework – a "three lines" model to confirm effective risk management

Top Down

Board – Audit Committee – GLT – Risk function

Activities focused on the assessment and mitigation of material risks to the Group's strategy, business models and operations

Bottom Up

Risk Function – Business and Functional Leadership – Major Programmes

Activities across the Group that capture and assess significant risks at a business unit, programme or functional level

The Board

- Overall responsibility for risk management and internal control, reviewing effectiveness annually
- Reviews and selects the Group principal and emerging risks and approves related disclosures
- Sets the risk appetite and monitors adherence

The Audit Committee

- Regular assessment of the risk management framework, and development activities
- Monitors the results of key assurance processes
- Provides assurance to the Board on the effectiveness of risk management and financial, compliance, and operational controls

The Group Leadership Team

- Undertakes regular top-down risk reviews
- Monitors key risks particularly in relation to safety, programmes and performance

Business & functional leadership

- Responsible for control, compliance with minimum standards and the active management of risk for their area

The Risk function

- Maintains the risk management framework
- Co-ordinates 'top down' reporting, horizon scanning and risk disclosures
- Reviews and challenges risk content and the quality of mitigation plans

Further details on the Group's risk management responsibilities and oversight are set out in the Corporate Governance Report on page 93 and in the Audit Committee Report on page 104.

Risk appetite

The Board accepts that, in order to achieve its strategic objectives, and generate suitable returns for shareholders, it must accept and actively manage a certain level of risk. The Board undertakes an exercise, at least annually, to consider the nature and level of risk it is prepared to accept to deliver the strategy and to set its resulting risk appetite. In 2023 this risk appetite was comprehensively reviewed, with participation from the Group Leadership Team and other senior leaders. An updated suite of appetite statements were approved by the Board, which are used to define the appropriate risk-taking parameters for all significant activity within the business.

The risk appetite has been set to balance opportunities for growth and business development in areas that present a clear opportunity for reward, against a low risk tolerance for activities that offer little commercial advantage or that may present a significant safety, legal, regulatory or reputational risk.

The Board also considered the principal risks in the context of its updated risk appetite and assessed current and planned mitigating activities to ensure that these key risks are being managed within the stated appetite.

Development of the Risk Management Framework in 2023

The Group's risk management activities continue to be developed to support management's assessments of threats and opportunities that could materially impact strategic delivery, performance, compliance and reputation.

At the end of 2022 the Group commissioned an external review of its risk management framework. This confirmed the improvements made in recent years to the way risk is identified, considered and reported and supported plans to continue to evolve the framework, drive greater consistency of approach and develop the risk culture across the Group. Alongside the comprehensive risk appetite exercise in 2023, particular focus has been placed this year on risk management within major transformation programmes. In addition to the risk governance provided by the programme steering committees, and oversight from the Group Leadership Team's Programme Board, the Audit Committee has received updates at every meeting on the Oracle implementation programme, which include the current risk profile and results of assurance activities. Another key area of focus, in preparation for UK corporate reforms, has been the Group's fraud risk framework, which is now supported by a fully refreshed policy and quarterly engagement on the key fraud risks facing the businesses.

The continued development of climate change governance and the assessment of related principal risks and opportunities as continued in 2023. This assessment is aligned with the Group's risk management framework, utilising the same impact criteria assessed over short, medium and long term horizons. More detail on the risk assessment process and the principal climate risks and opportunities is set out on page 52 under climate related financial disclosure'.

The Risk function has continued to deliver training and risk workshops in 2023 with a particular focus on supply chain resilience and sustainable products and services. Priorities for the coming year include communicating and monitoring adherence with the updated risk appetite, and refreshing the guidance and materials that underpin the risk management framework.

Principal risks

The Group operates in an industry and markets which, by their nature, are subject to a number of inherent risks. In common with many large organisations, the Group is also influenced by a complex set of external factors, including geopolitical and economic risks, which drove ongoing change and uncertainty in 2023. The principal risks that are considered to have a potentially material impact on the Group's operations and the achievement of its strategic objectives are set out below. Further detail in respect of the potential risk impact and the mitigating actions taken is explored on the following pages. The scope and potential impact of risks will change over time. As such the risks set out below should not be regarded as a comprehensive statement of all potential risks and uncertainties that may manifest in the future. Additional risks and uncertainties that are not presently known, or which are currently deemed immaterial, could also have an adverse effect on the Group's future operating results, financial condition or prospects.

The Board and Group Leadership Team assess the Group's principal and emerging risks at least twice a year. During 2023 the Board has considered the risk environment and/or the selected principal risks at five meetings, including detailed assessments of external and internal developments and influences on the risk set.

No principal risks have been added or removed in the latest risk review and, although all risks and associated mitigations have evolved over the past year, the overarching trends and inherent risk levels are assessed to be broadly consistent year-on-year. As set out in the half year results, the Board no longer considers the risk trend in relation to supply chain resilience to be increasing albeit the inherent risk remains high. The Group has a good track record of navigating through supply challenges and its well established programme of stock monitoring, supplier engagement and independent testing helps to ensure a continuous supply of quality materials. Sourcing options for key materials are regularly evaluated and, where possible, the Group seeks to engage with more than one supplier where materials are sourced from more complex supply chains outside of the UK.

Statement of principal risks and uncertainties continued

Risk Category	Principal Risks	Strategic Objective	Risk Trend 2023	Risk Trend 2022	Inherent Risk
External	1. Long-term market trends	ABCD	↔	↔	High
	2. Macroeconomic volatility	AE	↑	↑	High
	3. Supply chain resilience	BC	↔	↑	High
Strategic	4. Managing change	ABCDE	↔	↔	Medium
	5. Climate change and carbon reduction	D	↔	↔	High
Technological	6. Cyber threat and data security	D	↑	↑	High
Operational	7. Health, safety and wellbeing	D	↔	↔	Medium
	8. Legal compliance	D	↔	↔	Medium
	9. Critical asset failure	BCD	↔	↔	Medium

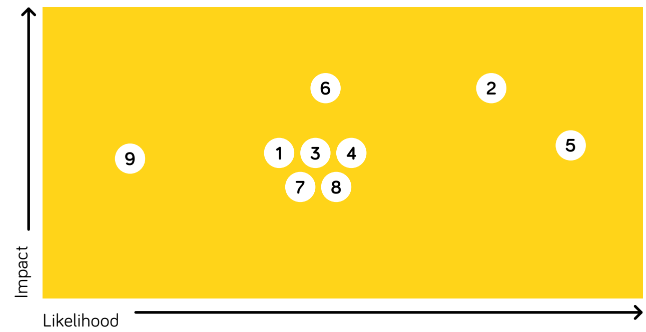
N New
↑ Increasing
↓ Decreasing
↔ Limited change year-on-year

A Operating and leading in attractive markets
B Leading the evolution of the merchanting model
C Maximising the potential of Toolstation
D Leveraging the power of the Group
E Delivering attractive financial outcomes

Key disruptive risks that may impact the viability of a strategy or business model are also identified and managed. The Group does not currently consider any of these to be standalone principal risks. Several of the risks set out below, particularly long-term market trends, include elements that can be considered disruptive in nature, however they are categorised in the table above according to the primary driver of the risk for the Group.

Principal risks heat map:

After mitigating action or controls



Emerging risks

The risk environment in which the Group operates will continue to evolve as a result of future events and uncertainties, therefore awareness of emerging risks arising from these forms part of the overall risk assessment process. The Group seeks to capture emerging risks that do not currently present a significant risk but which may have the potential to adversely impact its operations in the future. This enables the Group to monitor and understand the potential implications and build these into the decision-making processes at the right time. The Group identifies new and emerging risks through a process of horizon scanning that includes assessment of our risk set against a diverse set of external benchmarks, alongside perspectives on emerging risks collated from assessments made by the business and functional leadership teams and the results of assurance activities.

The potential for an escalation of the war in Ukraine continues to be monitored as an emerging risk. The Group continues to ensure compliance with sanctions and that timber purchases are from certified sources and exclude timber from Russia or Belarus. In the event that hostilities escalate in Europe, sourcing and supply could be impacted, so the situation is closely monitored. More generally, the Group is exposed to geopolitical risks across its supply chain, including the direct sourcing operation in China. The Board is watchful of developments in the Middle East and how unrest in the region may create further macroeconomic uncertainty and impact trade relations.

There are no other emerging risks considered significant enough to report at this time.

Long-term market trends

Inherent Risk: High	Relevance: Industry-wide	Risk Trend:
Description The construction sector is changing, driven by both macro and sector-specific factors. A number of longer-term industry trends present both opportunities and risks for the Group: • Traditional ways of working in the industry will change, driven by technology and a move to modern methods of construction. • A growing productivity challenge in the construction sector needs to be addressed alongside an increasing scarcity of technical knowledge and a more general labour shortage. • Many customers want digitally-enabled solutions. The Group's ability to deliver platforms that meet customer demand and keep pace with competitors will impact its longer-term growth and strategic delivery. • The Group's ability to provide innovative fulfilment solutions combined with digital models will be a key differentiator. This could also draw new entrants into the market, operating models that differ significantly from the traditional merchanting and online formats. • Manufacturers of the materials and products sold by the Group may look to sell directly to end customers. Disintermediation has the potential to increase in a challenging economic environment where customers are more price sensitive and proposition differentiation becomes less important. • ESG factors are becoming more fundamental to long-term success but are challenging to address, requiring investment and broad engagement across the sector. • New UK legislation drives a need to manage changing building standards and the future framework for heat in buildings through the products and services offered by the Group.	**Mitigation** Whilst current macroeconomic conditions are challenging, the long term fundamental drivers of the Group's end markets remain robust. The UK faces a shortage of new and affordable housing, alongside a significant backlog of maintenance and improvement work on public sector assets and the need to decarbonise an ageing housing stock is growing in urgency. The Group is well positioned to partner with the construction industry to address these challenges. Its balanced portfolio of businesses all hold #1 or #2 positions in their markets and benefit from a diverse end market exposure, from small independent builders to large national contractors. The Group remains focused on deepening trade customer relationships to win a greater share of wallet by delivering convenient service propositions, both physical and digital. Deeper customer understanding in turn drives initiatives to elevate customer relationships through the provision of solutions and value added services that take time, cost and carbon out of customers' construction processes. The Group continues to make progress in digitising key customer journeys and building tools that complement existing operations and offer customers options to transact in ways that best suit their needs. Toolstation's investment in the part-automated Pineham distribution centre in 2023 allows the business to drive distribution efficiencies, improve productivity and reduce the cost to serve. The Board conducts an annual review of strategy, which includes an assessment of likely competitor activity, market forecasts and possible future trends in products, channels of distribution, disintermediation threats and customer behaviour. The Group maintains a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK.	↔

Impact:
Adverse effect on financial results; loss of market share

Macroeconomic volatility

Inherent Risk: High	Relevance: Industry-wide	Risk Trend:
Description The Group's operations are mainly based in the UK, serving UK customers, with a small but growing presence in the EU. These operations rely on a multi-territory supply base that exposes the Group to much wider macroeconomic and geopolitical uncertainty. The UK continues to face a range of macroeconomic challenges including, along with many of the countries from which we source products, persistent high levels of inflation and interest rates. Inflation has substantially impacted both the cost of goods sold and operating costs, with elevated interest rates influencing the cost of debt. Alongside general economic conditions, Group performance is affected by a number of specific drivers of construction, repairs, maintenance and improvement and DIY activity. In the last year, the Group's lead indicators, which include the volume of housing transactions, house price inflation, and consumer confidence, have continued to be weakened by the cost of living crisis and rising UK interest rates. Continued turbulence in the external environment could negatively impact the Group's ability to grow market share and deliver an improved trading performance. Any changes in central UK government policy and investment plans in relation to construction and/or infrastructure could impact the Group's businesses that serve these sectors.	**Mitigation** The Group remains confident in its strategy and the long term resilience of its diverse end markets but needs to navigate the current volatile macroeconomic conditions carefully. The action taken in Q4 2023 to reduce above branch headcount and realise efficiencies in the Group's supply chain represents the first steps in a programme of planned changes to the Group's operating model. Together, these changes will deliver further operational efficiencies, enhance cash generation and strengthen financial resilience over the medium term. The Group undertakes constant product price and availability monitoring across the businesses. Pricing strategies across the Group are regularly reviewed. Policy and legislative changes that may impact the Group are monitored and, where appropriate, strategies are devised to influence these changes by using the Group's leading position to input into Government agendas. The Group has a conservative hedging policy to reduce its exposure to currency and energy price fluctuations. The Group has committed debt facilities of £800m, including a £375m revolving credit facility that was renewed in November on broadly comparable terms to the previous facility. This has significantly increased the average tenor of the Group's debt. The Group has balanced supporting colleagues at a difficult time with adjusting the cost base to reflect market conditions. Around 95% of colleagues received a "cost of living" support payment in January 2023 and in April 2023 the Group awarded a pay rise of around 6% on average with those on lower incomes receiving a larger award, balanced by a lower award for senior executives.	↑

Impact:
Operational disruption; adverse effect on ranging and/or price, customer service and financial results

Supply chain resilience

Inherent Risk:	Relevance:	Risk Trend:
High	Industry-wide	

Description	Mitigation	
A resilient supply chain is a critical factor in serving customers and achieving strategic objectives. There is both breadth and depth in the supply chain. Sourcing is undertaken across the globe and the Group sells a wide range of products, from materials such as timber through to power tools comprised of many components. The smooth operation of this extensive supply chain may be disrupted by many events and circumstances outside of the Group's direct control including public health crises, geopolitical and macroeconomic factors, industrial action, transport network disruption and climate impacts. In certain product categories, the Group faces risk in relation to key supplier dependencies, where there are limited alternative options. The Group is the largest customer to a number of our suppliers and, in some cases, those suppliers are material enough to cause significant difficulties and disruption if they are unable to meet their supply obligations. Alternative sourcing may be possible, but the volumes required and the production time needed could impact availability. ESG matters are increasingly important to the Group and its customers: sourcing responsibly is a strategic focus area. This places additional requirements on the supply chain, which may increase over time. This is a means to assess supplier resilience but if suppliers do not meet the Group's standards it could further restrict supplier options.	The Group maintains strong relationships with its key suppliers and continuously works with them to agree mutually beneficial contracts, conduct due diligence in line with its commitment to responsible sourcing, and ensure a continuous supply of quality materials. Where possible the Group has multiple sourcing strategies for key products, to reduce the effect of a supply failure. The Group keeps stock levels under constant review and, helped by the Group's market position, has a track record of effectively managing availability issues in conjunction with suppliers. Potential impacts to the Group's supply chain from UK and global geopolitical developments are closely monitored. The Group has invested over many years in its TP Asia office to support direct sourcing. This allows the development of own brand products, reducing the reliance on branded suppliers. Investment has been made in 2023 in the Group's distribution capabilities: the capacity added by the new Pineham distribution centre supports Toolstation's future growth plans, driving efficiencies through automation. The Group holds Authorised Economic Operator status as a preferred importer in order to reduce potential customs delays. Published Supplier Commitments clearly articulate the Group's expectations. Independent checks are undertaken at the factories producing products for the Group, covering ethical, safety, environmental, financial and quality factors. The results of these checks are kept under review with action taken as necessary to address any concerns. Guidance is provided for suppliers and workshops are held to help them to improve and protect their own operations and supply chains.	↔

Impact:
Adverse impact on ranging and/or price, customer service and financial results

Managing change

Inherent Risk: Medium	Relevance: Company specific	Risk Trend:
Description Embracing and effectively navigating change is fundamental to the Group's future success. ***Strategic change*** The Group seeks to build new services, digitise the business and adapt to new ways of working within the industry, all whilst maintaining a high level of service to more traditional customers for whom change will come more slowly. The capabilities needed to achieve this change are different from the traditional merchanting skill set. The ability to attract, retain and develop colleagues, or add capability through targeted acquisitions or partnerships, is central to ensuring that the Group has the right skills and experience to deliver its strategic initiatives. The Group increasingly competes for skills nationally and internationally and, in key areas such as data analytics, the demand for skills may increase recruitment time and costs. Market forces could make it harder to secure capabilities key to strategic delivery. ***Technology-enabled business change*** The Group has embarked on a number of major technology projects to underpin its operations, enable the future growth plans and meet customers' changing needs. Delivering the systems and associated business change required is key to achieving these objectives. In adopting a more agile, incremental approach to business change, enabled by technology, the Group needs to manage an extended transition period where old and new technologies must successfully co-exist. Against a backdrop of economic uncertainty and difficult trading conditions, the pace of delivery may need to flex with available resources, which could lead to missed opportunities or delays to access operational benefits and/or deliver on strategic priorities.	**Mitigation** A Group-wide "Idea to Live" process is used to prioritise, approve and manage change initiatives in a transparent and consistent way. Dedicated teams deliver major programmes with external expertise added to support when necessary. Programmes consider the related capability requirements and the options to buy or grow the skills needed for a strategically significant opportunity. Major programmes are managed by a dedicated PMO with a designated Group Leadership Team (GLT) sponsor. Defined governance structures are in place, including programme Steering Committees, oversight of programme assurance at the Audit Committee, regular Board reporting and the monthly GLT Programme Review to assess progress, milestones, risks, interdependencies and key decisions. During 2023 BSS successfully transitioned finance processes to Kerridge, with plans to launch the system to the branch network in 2024. The Group has also made good progress in the implementation of Oracle financials which has already delivered significant business process change as it moves into the final stages of delivery. The Group undertakes post-investment review exercises to assess the success of change programmes, in both financial and non-financial terms. If projects do not deliver against expectations, the "lessons learned" inform future programmes. The Group has designated developing the next generation as a pillar of its "Building for Better" agenda, aiming to equip the sector for change. This year the Group celebrated the 1,000th apprentice graduate, received a "Good" Ofsted rating for its apprenticeship programme and announced an ambitious target to train 10,000 apprentices across the industry by 2030. The Group listens to colleagues' voices through regular engagement surveys. Reward and recognition systems are actively managed and benchmarked to ensure that the offering is competitive and encourages talent to join and remain with the Group.	↔

Impact:
Failure to deliver the strategy; adverse effect on financial results, shareholder value and colleague engagement

Climate change and carbon reduction

Inherent Risk:	Relevance:	Risk Trend:
High	Industry-wide	↔

Description

Climate change will significantly impact the construction sector during the transition to a low carbon environment. The nature, extent and scale of that change remains unclear although headline risks and opportunities have been forecasted through climate scenario analysis. The Group is committed to helping the industry to decarbonise by using the most efficient products, supplied in the most efficient way to produce the right outcomes for communities. This commitment not only promotes a sustainable and value-generating business model, underpinning the ambition to be the leading partner to the construction industry, but more fundamentally aligns with the Group's purpose, to build better communities and enrich lives, fulfilling its responsibility to take action now, and influence the wider industry, to mitigate the significant threats posed by climate change.

The Group's top climate-related risks relate to:

- The move to a low-carbon fleet, given the Group has one of the largest UK vehicle fleets;
- Increasing costs of goods due to producer country carbon pricing mechanisms;
- The ability to transition to new lower-carbon product categories; and
- Product obsolescence for higher-carbon product categories.

Delivering the Group's industry-leading carbon reduction targets, approved by the Science Based Targets initiative, will be challenging. It requires significant investment and engagement with the wider construction products industry to reduce supply-chain and product carbon. In a difficult economic environment, both the Group and the wider industry must seek to deliver this change amid short-term capital expenditure restrictions which could limit progress and shorten the target period for investment.

Environmental matters are increasingly important to colleagues, customers, suppliers, investors and government, driving changes to demand, expectations and information requirements, which the Group must identify and effectively respond to.

Mitigation

The Group regularly identifies its most material climate-related responsibilities and challenges in order to target investment and drive effective mitigation. Governance is led by the Board, which receives regular reports on the most material climate risks and opportunities, the action taken and the progress made.

The Group continues to make progress against its SBTi accredited targets, which are underpinned by clear roadmaps for delivery in each business.

The Group allocates capital to meet its commitments. A number of fleet initiatives will significantly reduce future carbon emissions: in July the Group began to take delivery of its new electric fork lift trucks that replace diesel alternatives and will save 6,600 tonnes of carbon a year. The Group has also invested this year in a new fleet of 26-tonne trucks, which are engineered to reduce emissions, reduce fuel consumption, and can also run on HVO. The LED roll out continues across the branch network and EV chargers have been installed this year for colleagues and visitors.

A key element of plans to address Scope 3 carbon emissions is engagement throughout the whole supply chain. Earlier this year the Group was ranked in the top 8% of companies globally by CDP for its engagement with suppliers on climate change. The Group has upskilled colleagues in Sales and Commercial to support ongoing engagement and a series of workshops were run this year with over 200 key suppliers to work with them on the collation of carbon data.

Alongside targeted investments and ongoing engagement, developments to support ongoing carbon reduction in 2023 include:

- Upskilling colleagues to help customers make more sustainable choices;
- Improving delivery carbon data reporting for CCF customers; and
- Developing more sustainable products and services for customers.

Further information on progress made during the year can be found in the Sustainability Report on page 30.

Impact:
Adverse effect on reputation, financial and/or operational performance; competitive disadvantage; less attractive as an investment stock

Cyber threat and data security

Inherent Risk: High	Relevance: Industry-wide	Risk Trend:
Description Events in the last year continue to highlight the extent to which geopolitical crises and technology change increase the risk of cyber attacks. Sophisticated, targeted and increasingly frequent cyber-crimes represent a real and present risk to all Group businesses, particularly given the drive to accelerate application development to support the expanding adoption of digital services by customers large and small. Risks associated with a growing digital footprint are further exacerbated by geopolitical tensions, cyber warfare and advancements in highly disruptive new technologies, such as artificial intelligence. Incidents impacting the confidentiality, integrity and availability of the Group's data and systems could result in disruption to customer-facing, supplier-facing and financial systems. Theft and misuse of confidential data, damage to or manipulation of operationally critical data or interruption to technology services would have serious consequential impact on the Group's reputation, ability to trade and the risk of fines relating to non compliance with regulations including the Payment Card Industry Data Security Standard and GDPR. The Group currently assesses its main risk of attack to be from opportunistic criminals, seeking financial gain either from the theft and sale of personal data or encrypting data to demand ransom payments, either directly or as the result of supply-chain attacks. The Group has seen a year on year continued increase in the volume, frequency and sophistication of attempted cyber-attacks, in line with wider trends. As the Group continues to drive digital change to meet customers expectations and obtain competitive advantage, the underlying data that powers these services is of increasing value to cyber criminals. In executing the technology, data and security strategy, the Group will move away from legacy internally hosted systems and transition to new cloud-based services, with enhanced native cloud security capabilities that will improve the overall security maturity and posture for the Group.	**Mitigation** The Group is proactive in ensuring it meets its responsibilities and legal obligations in respect of information security and compliance, taking a risk-based approach in relation to people, process and technology to reduce the overall likelihood and impact of cyber incidents. To ensure the Group stays ahead of evolving threats, it is essential to maintain the security of its network edge perimeter, infrastructure and sensitive data, while continuing to build cyber resilience into technology-driven digital processes. Key elements of the framework to achieve these aims include: • Utilisation of a 24/7 Security Operations Centre, providing managed detection and response services in conjunction with modern XDR endpoint protection and continuous threat hunting to rapidly identify potential vulnerabilities and attack vectors. • Regularly reviewing, updating and rehearsing incident response capabilities, including lessons learnt from attempted attacks and threat intelligence sharing. This year the Group has onboarded third party support services with an approved NCSC partner with specialist capabilities including forensic, containment and recovery. • Education and awareness is promoted across all colleague levels: baseline cyber awareness training is in place, which is further enhanced with regular phishing simulations, awareness campaigns and the work of information security champions. The Group continually tests and measures its security posture and takes steps to address any vulnerabilities. Changes to technology solutions require Information Security review and approval.	↑

Impact:
Operational disruption; adverse effect on reputation; potential legal action, fines and penalties

Health, safety and wellbeing

Inherent Risk: Medium	Relevance: Industry-wide	Risk Trend:
Description Keeping people safe and well is clearly aligned to the Group's purpose. The Group expects everyone to go home safe and well, every single day. The Group operates a large estate, with many sites running complex and busy yards. The Group also operates one of the largest vehicle and mechanical handling equipment fleets in the UK, distributing heavy and bulky materials. Certain products that are sold pose health and safety risks. Poorly implemented safety practices on site, on the road and at delivery locations could result in significant harm to colleagues, customers and the wider community. Full ownership of Staircraft has changed the Group's safety risk profile, with this business introducing risk of harm from the manufacturing process, in a sector with different requirements and greater regulatory scrutiny. The Group remains exposed to the impact of any prolonged public health threat in its UK and European operations and across the territories in which its suppliers are based, which may present different challenges from those navigated in relation to the recent Covid-19 pandemic.	**Mitigation** Health, safety and wellbeing are fundamental to the Group's values. The Group continues to challenge current ways of thinking to de-risk its operations and improve safety performance. An open reporting culture is fostered with colleagues encouraged to 'Call It Out' if they see anything that they consider to be unsafe. Monthly communications to all colleagues highlight examples of successfully "calling it out" or where there are lessons to be learned. Safety governance is well established and designed to promote continual focus and improvement. Safety performance is reviewed at every level of the business, including at all Board Meetings and by the dedicated Safety Committee, which is chaired by a Non-executive Director. Incidents are monitored, investigated and corrective action taken to address the root cause. An Incident Review Board is held in the event of a significant incident, with the lessons shared across the Group. Alongside regular review and update of practices to address changes to operations or legislation, the Group has formed several research partnerships in 2023 to address new and emerging safety risks. The Group worked with the University of Salford Manchester's specialist acoustic testing team on a study into the development of electric forklift truck sound alerts; and with Cranfield University on research to identify the human factors that can impact driver safety. Staircraft has made good progress with integration into the Group's Safety Management System in 2023 and is supported by a dedicated Safety Manager. The Group follows Government guidance in relation to the management of Covid-19 and continues to be watchful of developments in public health matters. This year the Mental Health First Aider (MHFA) community continued to support colleagues and the Group further expanded resources in the online "StayWell" hub. Further information on progress made during the year can be found in the Safety and Wellbeing report on page 46.	↔

Impact:
Harm to colleagues, customers or the public; potential legal action, fines and penalties; adverse effect on reputation

Legal compliance

Inherent Risk: Medium	Relevance: Industry-wide	Risk Trend:
Description The Group is subject to a broad range of existing and evolving governance requirements, environmental, health and safety and other laws, regulations, standards and best practices which affect the way that its operates and gives rise to significant compliance costs, potential legal liability exposure for non-compliance and potential limitations on the development of the Group's operations and strategy, if not managed correctly. The ongoing global development of ESG reporting regimes, continuing the implementation of the Building Safety Act 2022 as well as the evolving status of UK corporate governance reforms all require the Group to assess current processes, controls and related assurance. New requirements may also be placed on the Group as it delivers the new services set out in the strategy. Should the Group fail to deliver against its legal and regulatory obligations, as well as broader responsibility commitments, this could significantly undermine the Group's reputation, result in legal exposure and adversely impact operations and results.	**Mitigation** The General Counsel's Office is responsible for monitoring changes to laws and regulations that affect the business and is supported by external advisors. The Group Leadership Team and the Board regularly monitor compliance with laws and regulations. A Code of Conduct, supported by minimum standards, all-colleague mandatory training and a comprehensive framework of detailed policies, sets out the requirements for all colleagues to do business in the right way with adherence regularly monitored by the Group Leadership Team. The Group encourages colleagues to speak up whenever they see or suspect activity that contravenes the values, Code of Conduct or policies. All cases reported through the independent hotline are investigated. The Group shares a Supplier Manual and Supplier Commitments to articulate its expectations of the supply base and higher risk suppliers are assessed against these requirements through onsite audits or an Online Risk Assessment. As construction is exposed to more modern slavery than many other industries, the Group is a member of the Supply Chain Sustainability School's Modern Slavery Group and has run a series of supplier workshops to raise awareness and offer support in relation to common supply chain weaknesses identified through the supplier assessment programme. Also this year the Slave Free Alliance delivered training to the businesses. The Group has mapped out the ESG reporting changes ahead and is readying the data and information required to meet these in the timescales indicated. Progress continues in the product provenance strategic workstream to track the 'golden thread' of product data from source through the supply chain to a customer's project. The implementation of Oracle financials is advanced and will underpin the Group's journey to improve controls and reporting, in time supporting compliance with UK corporate governance reforms, as these become clear. Further information on the Group's climate disclosures in line with TCFD guidelines can be found on pages 50 to 54.	↔

Impact:
Adverse effect on reputation, financial and/or operational performance; potential legal action, fines and penalties; diversion of management attention

Critical Asset Failure

Inherent Risk: Medium	Relevance: Company specific	Risk Trend:
Description Disruption of a critical Group asset, whether a primary Group distribution location, or a key system failure or outage, could significantly interrupt operations. More generally, if the Group is unable to effectively respond to global or national events, which may impact multiple sites simultaneously, this could also significantly impact operations and performance. ***Distribution Centres*** The Group operates a small number of distribution centres with significant stockholdings with an increasing volume of deliveries that are shipped direct to the end customer. Whilst many categories, particularly lightside products, are held throughout the network such that a short period of disruption could be managed, certain categories such as kitchens would present more significant challenges over a prolonged period of disruption. Certain distribution locations hold product, and related handling equipment, that is not carried elsewhere in the network. ***IT Systems*** In its day-to-day operations the Group is dependent on a wide range of IT systems and supporting infrastructure. The Group's current IT landscape is complex and includes some legacy systems that lack the functionality of modern software and where expertise is diminishing. Although adequate resources and processes are in place that keep the current IT estate well maintained and operational, and there is a plan to replace the legacy systems over time, the older systems present an increasing risk of failures or outages and require more effort to maintain.	**Mitigation** ***Crisis management and business continuity planning*** The Group has developed crisis response capabilities, overseen by a Group-level steering group. In the event of an incident, tiered crisis response teams are mobilised that coordinate activity and provide ongoing monitoring, decision support and communications. A risk-based approach is taken to business continuity management with a focus on critical infrastructure. This is currently being reviewed through the preparation of updated strategic business impact assessments in each Group business. The supporting business continuity plans prepared for key sites cover a range of scenarios. Regular prevention measures, such as fire risk assessments, are undertaken across the estate as well as maintenance programmes, in order to reduce the risk of internally-generated disruption. The Group's size and scale helps to mitigate stock issues in the event of disruption. The Group carries a level of buffer stock in the network that would be sufficient to cover a short-term disruptive event. The Group has the ability to leverage the lightside capability in Toolstation to support an issue in Travis Perkins, and vice versa. Branch-level disruption would be managed by fulfilling orders from alternative local sites and re-routing stock. ***IT Disaster Recovery*** The Group's IT disaster recovery plans are regularly tested and the results assessed to drive further improvements. The Group successfully ran a test in 2023. The incident management process is designed to prioritise and respond to any incident quickly and effectively, with escalation and communication protocols. Recovery targets are in place, designed to minimise the operational and customer impact. In 2023, to further mitigate the risk of disruption to technology services, the Group invested in its Data Centres to update its continuous supply logic and hardware, as well as replacement air conditioning.	↔

Impact:
Adverse effect on performance: financial, operational, customer service; diversion of management attention

Non-financial and sustainability information statement

The information below is intended to help users of these accounts understand our position on key non-financial and sustainability matters and has been prepared in response to the reporting requirements contained in section 414C(7), 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Principal risks	Policy embedding, outcomes and key performance indicators	Link
Colleagues	Health, safety and wellbeing	Business model	Page 14
		KPIs – Accident frequency rate	Page 29
		Safety and wellbeing	Page 46
	Managing change	Development	Page 44
		Modern slavery and human rights	Page 42
		Diversity and inclusion	Page 45
		Colleague voice and engagement	Page 48
		Reward	Page 48
		Directors' remuneration report	Page 106
		Directors' report – Employees	Page 135
Environment	Climate change and carbon reduction	Business model	Page 14
		KPIs – Carbon emissions	Page 29
		Climate-related financial disclosure	Page 50
		Sustainability report	Page 30
		Carbon	Page 37
		Waste	Page 40
		Sustainable products and services	Page 36
Human rights, anti-bribery and anti-corruption	Legal compliance	Human rights and modern slavery	Page 42
	Supply chain resilience	Legal compliance	Page 42
		Chair's introduction – Culture	Page 8
		Directors' report – Modern slavery	Page 135
Social and community	Managing change	Business model	Page 14
		Charities and community	Page 49
		Responsible sourcing	Page 38

A description of the Group's business model and how it creates sustainable value can be found on pages 14 to 15.

Most of the reporting on these topics and KPIs is contained in the Strategic report under the sections Business model, Sustainability report and Statement of principal risks and uncertainties or are incorporated into the Strategic report by reference from the pages noted. The Group has appropriate policies and diligence procedures regarding all the non-financial information presented in this Annual Report.

Section 172 statement

Working together with our stakeholders towards shared goals is part of how we deliver long-term sustainable success. Go to page 94 to see more.

Strategic Report approval

The Strategic Report on pages 2 to 86 was approved by the Board of Directors and signed on its behalf by:

Nick Roberts
Chief Executive
11 March 2024

Duncan Cooper
Chief Financial Officer
11 March 2024