Our ambition

To be the leading partner to the construction industry

Who we are

We're here to help build better communities and enrich lives. We enable our customers to build, repair and maintain the buildings and infrastructure that touch all of our lives every day.

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For more and the latest information please visit our website at:
www.travisperkinsplc.co.uk

Highlights

2022

Revenue growth	Adjusted EPS	Basic EPS
8.9%	**94.6p**	**90.8p**
2021: 24.0%	2021: 107.3p	2021: 103.9p

Revenue	Covenant net debt	Return on capital employed
£4,995m	**£279m**	**10.8%**
2021: £4,587m	2021: £87m	2021: 14.1%

Adjusted operating profit	Profit after tax
£295m	**£192m**
2021: £353m	2021: £241m

Financial highlights

- Robust revenue growth with elevated levels of materials cost inflation diligently managed
- Adjusted operating profit of £295m, impacted principally by lower year-on-year property profits and a £15m charge relating to restructuring activities in Q4
- Adjusted earnings per share of 94.6p, with lower operating profit partially offset by reduced share count
- Proactive cost actions to deliver benefits of around £25m in 2023
- Good cash conversion at 67%. Lease-adjusted leverage (net debt / EBITDA) of 1.8x remains comfortably within target range
- Total ordinary dividend increased to 39.0p per share (2021: 38.0p per share)

Operational highlights

- Solid performance in the Travis Perkins General Merchant, with further share gains, driven by focus on enhancement of digital capability and expansion of value-added services primarily across Hire, Benchmarx kitchens and Managed Services
- Continued strong performance from the Group's specialist distributors: BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth in H2 after tough prior year comparatives in H1. Significant investment in expanding infrastructure in the UK and Europe
- Positive progress on sustainability targets, notably a 34% reduction in Scope 1 & 2 carbon emissions during the year

Chair's statement

> It brings me great pleasure to introduce the Annual Report for 2022. It has been a challenging year for businesses and many people in our society and I am proud that Travis Perkins has shown character and resilience throughout the year.

Jasmine Whitbread
Chair

Distribution 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 (adjusted) 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.

We have achieved these goals and announced a final dividend of 26.5p pence per share which, when combined with the interim dividend paid in November 2022 of 12.5p per share, will result in a total distribution of £82m for 2022.

In addition to this, the Group completed the return to shareholders of the proceeds from the sale of the Plumbing and Heating Division in 2021. A total of £321m has now been returned, comprising the special dividend of £78m and a share buy-back of £71m in 2021 and a further share buy-back of £172m in 2022, keeping the Group in the middle of our leverage target range.

Go to page 115 to see more

Section 172 statement

Working together with our stakeholders towards shared goals is part of how we deliver long-term sustainable success.

Go to page 62 to see more

Introduction

It has been a challenging year for business in 2022 as the full implications of the war in Ukraine have become apparent. The bright start to the year seems a long time ago and we have needed to adapt to a period of significant inflation and more cautious end markets. This has led to a difficult period for the share price, albeit one which has been sector and market wide. Throughout 2022 we have needed to remain focused on the fundamentals of the model laid out at our Capital Markets Update in September 2021 and I am proud of the response across the Group. We have taken the right decisions to help our customers, care for our people and be fair to our suppliers. Our Purpose and Values guide us through difficult times and this has given the Group a clear direction and sense of the right things to do.

People and Culture

The Group continued efforts building a culture of healthy sustainable performance, one where its 20,000 colleagues are successful individually and as a team, and are working together to create a fully inclusive and healthy workplace.

As I have visited the operations I have observed how the refreshed Group values have been developed, launched and integrated into our language and are also being demonstrated in actions and behaviours across the Group. Colleagues were at the heart of the development of the updated values, which reflect every part of the business and every colleague group. In a year of great workforce and workplace challenges the Group has rightly maintained keen attention on colleague voice and engagement. A group-wide engagement survey was completed and colleagues participated in the ESG materiality assessment. Pete Redfern continued as the designated workforce engagement Non-executive Director and his colleague listening focus was on drivers and new starters. Key feedback themes have included safety, belonging, equal opportunity, customer focus and corporate citizenship. Further progress on diversity, equity and inclusion (DEI) has been evident with continued improvement in overall gender balance and the extension of existing family policies.

Dividend per share

39.0p

Total cash to shareholders

£254m

Board and Leadership

I am pleased to report further strengthening of the Board and Executive Leadership Teams.

In January 2023 we welcomed Louise Hardy to the Board, increasing the range of experience and talent available to help steer and shape the Group. A civil engineer by background, Louise has wide-ranging experience across the construction sector from the delivery of major projects at the London 2012 Olympics through to the governance of large businesses in the sector in her role as Non-executive Director at Balfour Beatty plc and Crest Nicholson plc. In addition to her business roles, Louise is a keen volunteer within the industry as a STEM ambassador and diversity champion. Louise will make a broad contribution to the Group and we look forward to working with her.

The Executive leadership team under Nick Roberts continues to deliver experienced and high-quality leadership through the challenging macroeconomic conditions. I have been impressed by the way that the Executive team has risen to the challenge of leading the agenda on a variety of issues that support the need to change our industry.

In January 2023, the Group announced that Kieran Griffin, Managing Director of Travis Perkins would leave the Group after 28 years of valued service, to be replaced by James MacKenzie, currently the Managing Director of Toolstation. James' role at Toolstation will be filled by Angela Rushforth, who is currently Managing Director of BSS. I look forward to working with these talented individuals in their new roles.

Decarbonising our industry

The Group has demonstrated its ambition to play a leading role in the creation of a more sustainable construction industry with investments in skills, knowledge and capabilities to support the modernisation and decarbonisation of the sector. The integration of ESG into the Group's strategy is driving a number of commercial-opportunity-led initiatives directly addressing customer needs in reducing waste and in reporting and reducing their carbon use. In 2022 positive progress was made against existing carbon reduction targets and the Group set interim targets for buildings, fleet and Scope 3 emissions engagement by 2027.

Summary and looking forward

I take two perspectives in looking forward. Firstly, from a macro perspective it is hard to look forward without some uncertainty. At the time of writing it is difficult to predict the shape of the UK economy in 2023 and the route it will take to recover from the current low point. The second perspective I take is on whether the Group is in good shape to meet and overcome these challenges. Here I am confident, convinced that we have the right strategy, the right skills and the high-quality leadership to ensure we win and grow our share of an exciting and attractive market.

Overview

Our purpose

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

Our ambition

To be the leading partner to the construction industry

Sustainability Priority

Decarbonising the industry

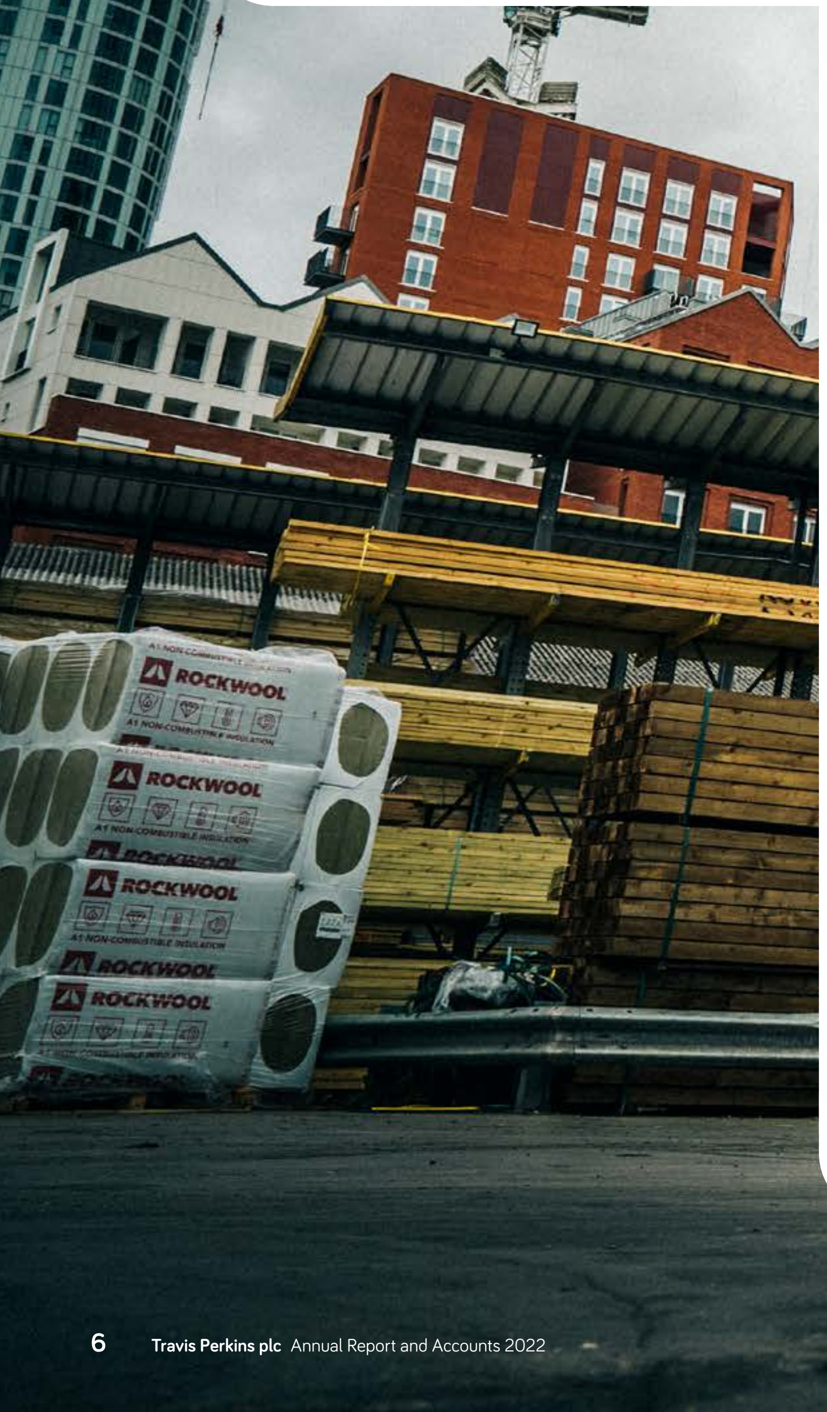
Building for better

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 volunteering | Legal compliance
Modern slavery and human rights



Our strategy

Our strategy is to grow the share of our market-leading businesses by offering our customers attractive propositions which means they spend more with the Group. We seek to elevate our customer relationships through the addition of value added services, solving customer pain points and moving us along the value chain. In addition we are deepening our relationships by winning a greater share of customer spend, through the addition of digital channels, new ranges and highly relevant offers.

Our values

Our values reflect what matters to us and how we do things.

Delivering shareholder value

At a glance

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 to grow their businesses in new and established markets.

Large and varied customer base	Broad geographical spread in the UK	Engaged colleagues in the UK and Europe	Evolving branch network
200k	**£5bn**	**20k**	**1,488**
Trade credit customers	Revenue	Colleagues	Branches

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 c. 550 national locations. Contains a comprehensive 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 over 50 branches and two bespoke distribution centres. Offers customers a tailored Hire proposition and contains TF Solutions, a specialist provider of air-conditioning products.

CCF

Distributes insulation and interior building products from just under 40 branches to contractors throughout Great Britain. Supports the new build 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 over 40 branches in a safe and accurate manner, Keyline works as a partner to their specialist customers and is developing new areas of expertise in roads and highways and Hire.

Go to pages 68-69 to see more

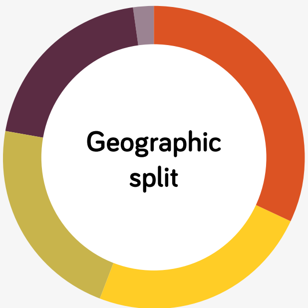
Toolstation

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 over 550 branches across Great Britain and is growing quickly in the Netherlands, Belgium and France.

Go to page 33 to see more

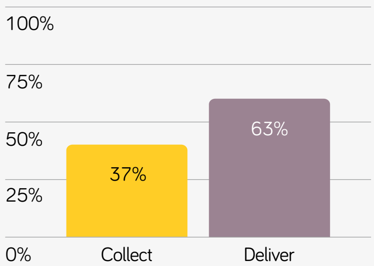
Our goal is to deliver exceptional customer service from advantaged businesses operating from well positioned networks in our chosen geographies. We offer a range of high quality products and give customers the choice of a range of channels, fulfilment options and ways to pay.



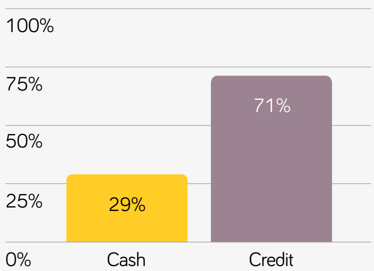
South East	32%
Midlands	24%
North and Scotland	22%
Wales and South West	20%
Europe	2%

Heavyside	48%
Lightside	22%
Plumbing & Heating	17%
Timber	13%

Channel



Payment method



Investment case

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

A compelling investment proposition

01

Well-invested businesses with market leading positions

02

Long-term structural growth drivers

03

Merchanting returns driven by network investment and value added services

04

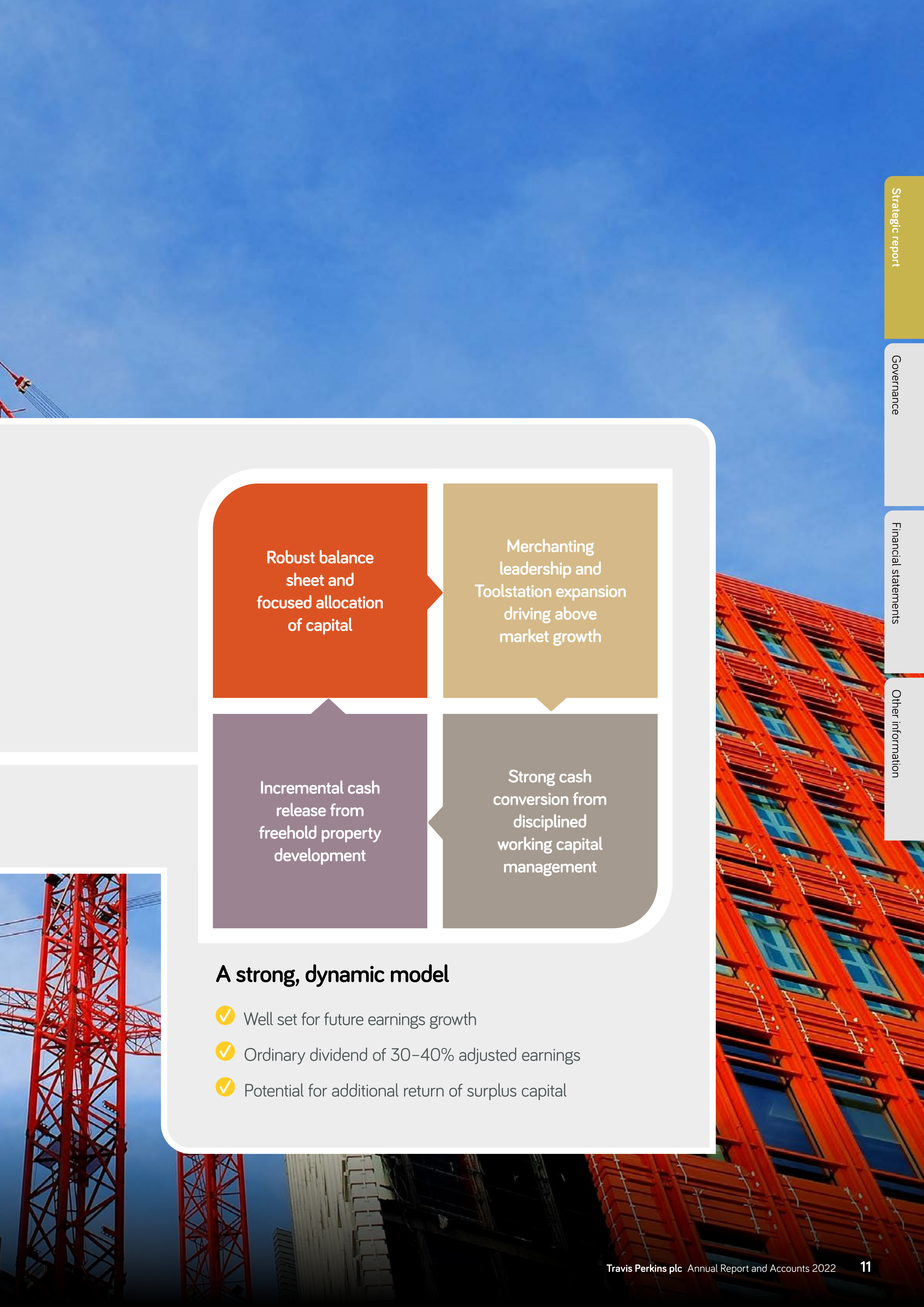
Substantial Toolstation growth potential

05

Robust balance sheet providing financial flexibility

06

Attractive returns for shareholders



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

A strong, dynamic model

- Well set for future earnings growth
- Ordinary dividend of 30–40% adjusted earnings
- Potential for additional return of surplus capital

Market overview

The Group operates in a £78bn market

The market for construction materials is approximately £78bn, with £60bn coming through distribution channels. The Group serves four major end-markets, with just over half of revenues coming from private domestic housing and the balance being split between the commercial & industrial market and the public sector.

Private domestic new build

Market mix

22%

Group revenue mix

19%

Growth drivers:

- Growth in households and population
- Ongoing housing supply shortage
- Drive for more energy efficient homes
- Sales incentives and support for first-time buyers
- Ongoing desirability of home ownership vs renting

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

Market mix

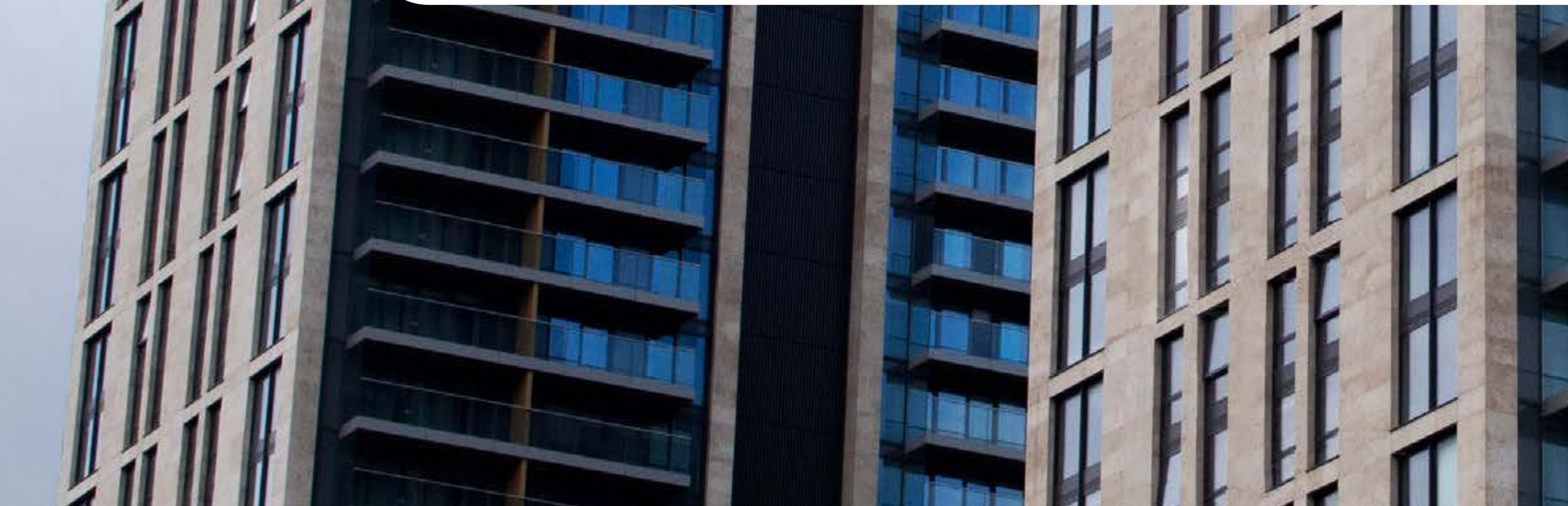
14%

Group revenue mix

35%

Growth drivers:

- Disrepair of housing stock
- ECO+ insulation scheme
- Requirement for retrofit and cladding remediation works
- Need for decarbonisation and improvement for EPC ratings for rented sector
- Reconfiguring homes for more space and home working
- "Don't move, improve!" – given costs of moving and challenge of finding new homes



Commercial and industrial*

Market mix

24%

Group revenue mix

22%

Growth drivers:

- Growth in warehousing and logistics space
- Refurbishment of office and retail space around hybrid working and new patterns of retail
- Cladding remediation work on commercial buildings
- Repair and maintenance work increases when less new space is coming into the market

* Includes commercial and industrial new build and private non-housing R&M

Public sector**

Market mix

40%

Group revenue mix

24%

Growth drivers:

- Hospital and school rebuilding programmes
- Nine-year backlog of essential road repairs and major new-build schemes
- Major projects eg HS2, Hinkley Point C, Thames Tideway
- Offshore wind growth
- Ongoing requirements for Public sector affordable housing
- Significant requirements to improve the condition and thermal efficiency of existing public sector housing via retrofit programmes

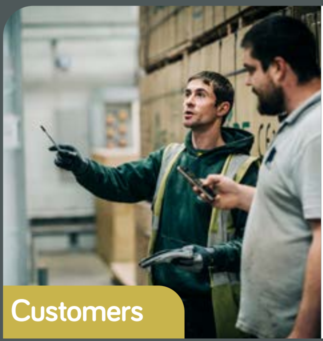
** Includes infrastructure, public new building (housing and non-housing) and public housing RMI and non-housing R&M.

Business model

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



- Deep customer relationships and understanding of needs

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

- Deep and lasting supplier relationships with the ability to connect to customers across the country

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

Go to pages 16 to 25 to see more

Underpinned by **Responsible and sustainable approach**

Go to page 30 to see more

Outputs

Self-reinforcing model generating growth and value for stakeholders

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

Go to pages 16 to 25 to see more

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 86 to see more

Robust risk management

Go to page 75 to see more

Strategy

The strategy is to grow through elevating customer relationships by offering value added services and deepening relationships to win a greater share of customer spend.

Elevating relationships by adding services and new areas of added value

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

ELEVATING RELATIONSHIPS

Professional trades and general builders

Typically smaller customers who value local relationships and who serve domestic and light commercial markets for mostly RMI work.

OUR STRATEGY

Larger contractors and developers

Larger and more complex customers who serve local and national markets, often working in conjunction with other contractors, suppliers and specifiers to deliver new build and RMI solutions across residential, commercial and infrastructure.

DEEPENING RELATIONSHIPS

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 through 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
- Travis Perkins and Benchmarx cross-selling
- Regional housebuilders proposition development

- BSS
  - Intelligent Solutions launch
  - TF Solutions growth
- Keyline
  - Economic infrastructure support
- CCF
  - Technical sales capability
  - Carbon reporting launch
- Staircraft
  - Capacity investment

STAIRCRAFT tf solutions

- Increased app penetration
- Launch of trade credit
- New distribution capacity in the UK and Netherlands

ELEVATING RELATIONSHIPS

Travis Perkins | BSS | Keyline | CCF | TOOLSTATION

DEEPENING RELATIONSHIPS

- Leverage digital investments
- Network investment

- Own-brand investments
- Increased trade-focused range

- Ongoing digital investment
- Network rollout

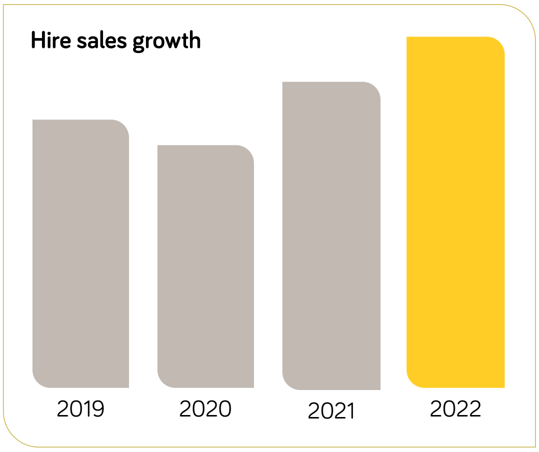
Strategy in action

Hire: getting the job done

Developing the Travis Perkins Hire proposition to offer more services to customers and to take a larger share of wallet

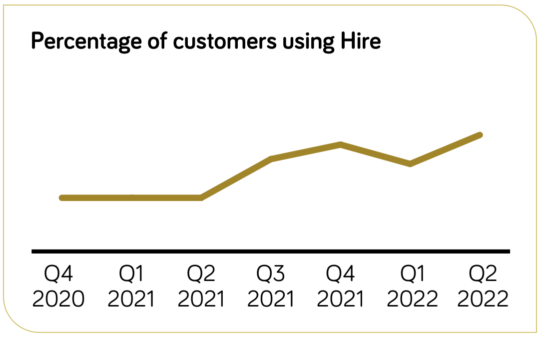
Strong growth in Hire sales

Hire sales have increased over 30% since 2018.



Deepening customer relationships

Hire sales have grown through a number of initiatives. The key target is to help customers complete their projects and this means targeting Travis Perkins General Merchant customers with relevant Hire offers to help them get the job done. Success here is measured by the increase in penetration of customer accounts using Hire products.



Expanding the network, maintaining efficiency

Hire equipment has been rolled out to more of the Travis Perkins network to ensure that the right kit is available for customers when they need it. The team has been working hard on achieving the balance between deploying equipment into branches and maintaining a strong and responsive supply chain to ensure that capital efficiency is maintained.

The right equipment in the right place

Having the right equipment available in the right place is vital for growing the Hire business. To ensure success Travis Perkins has been working hard on enabling local collaboration between branches to ensure that the kit is pooled to give the best possible availability. There has been significant investment in new tools and equipment, both in high-volume smaller tools and in specialist equipment aimed at different key customer segments.

Building sales capabilities

Key to growing account penetration is to ensure that as many colleagues as possible are confident to talk to customers about the Hire offer. This includes training and developing branch colleagues and recruiting specialist sales and account managers.

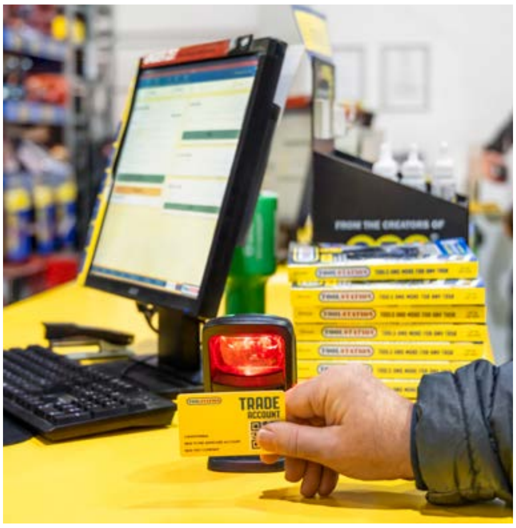
Strategy in action

Toolstation: developing the trade offer

The Toolstation offering is open to all customers, but it is targeted primarily at the trade, offering trade-ready brands, in the right quantities for the job, at trade prices.

Toolstation 'Trade Account'

In 2022 Toolstation rolled out the Trade Account, offering customers credit on their purchases to help manage their cash flow, plus a series of unique discounts to recognise their regular spending and support. This is working well in the UK and in the Netherlands.



More trade brands

Offering the right brands to tradespeople is vital in persuading them to change their supplier. Over the course of 2022 Toolstation has added more than 4,000 new products, expanding the range of trade recognised brands.

Top brands

New in

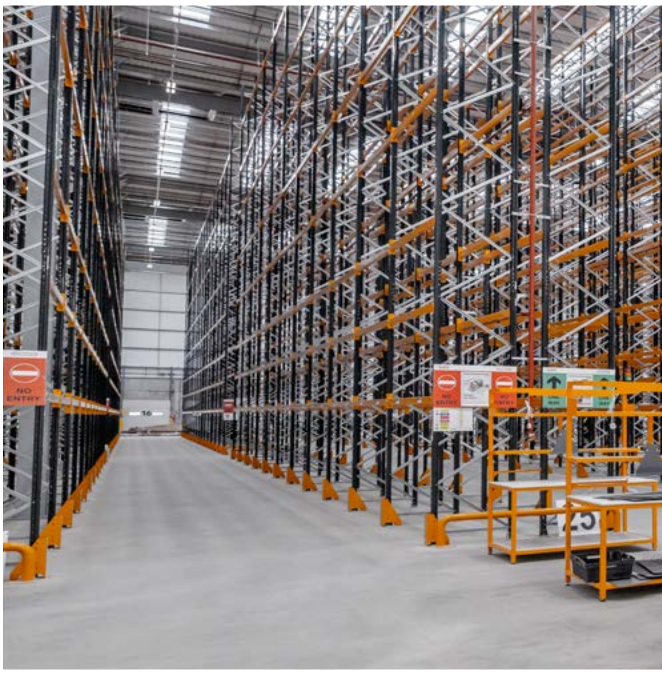
Improving distribution capability

The build and fit out of the new Toolstation distribution facility in Pineham Northampton has continued over 2022 and it remains on schedule to come on stream in 2023.

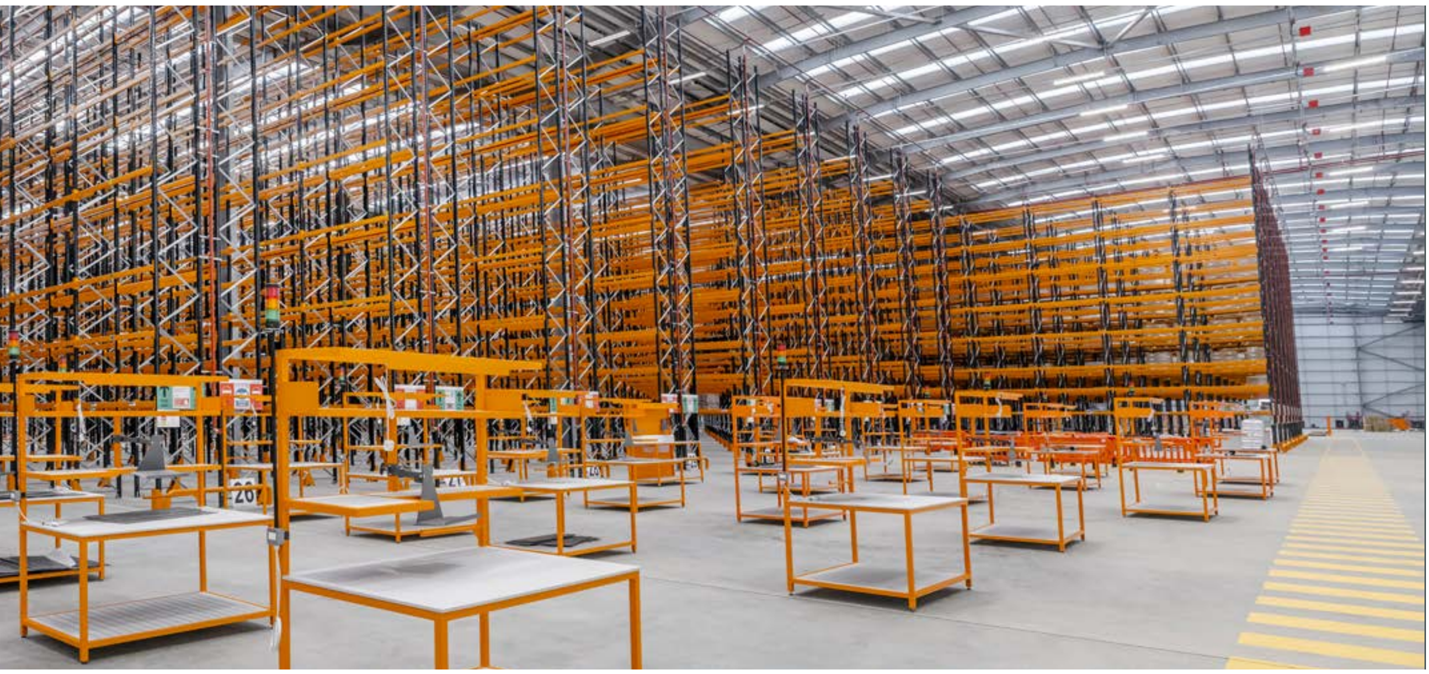
The new facility will provide significant additional capacity to allow customers to access more products wherever they need them.

The site can hold a range of over 25,000 products and will allow Toolstation even further scope to upweight their trade focused ranges.

Toolstation Netherlands has also invested in a substantial improvement in distribution capacity with a new distribution centre which went live in Q3 2022.




GXO
TOOLSTATION
GXO
TOOLSTATION



Strategy in action

Staircraft

Expanding the capacity of the Staircraft business, allowing more housebuilders to benefit from superior quality products that make installation quicker, simpler and safer and result in fewer home-owner issues.

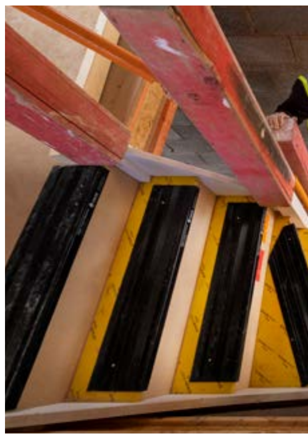
Products that improve the sustainability of the sector

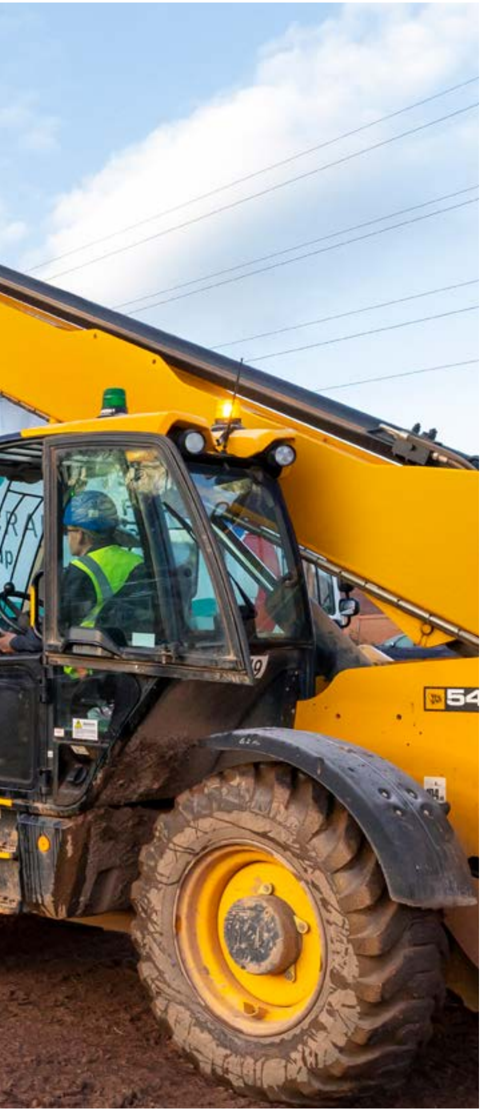
Staircraft's product designs allow customers to reduce material use and waste on site, eg uniquely, chipboard flooring is factory-cut, typically reducing waste by 25–30%.

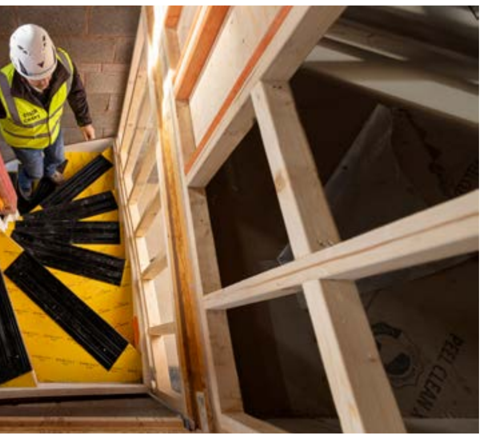
Products to drive improvements in health and safety

Staircraft's innovations help to reduce risks on-site. For example:

- Factory-applied, slip-resistant, peel-clean tread protection
- Precision-manufactured components that offer a simpler and safer installation



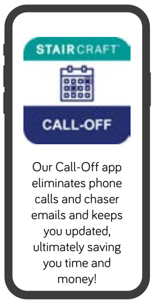


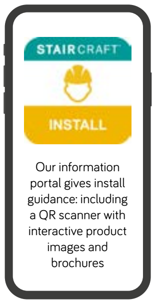


STAIRCRAFT

Innovative digital tools

Innovative digital tools, such as the Staircraft Call-Off app, create efficiencies in the order, manufacture, delivery and installation processes.





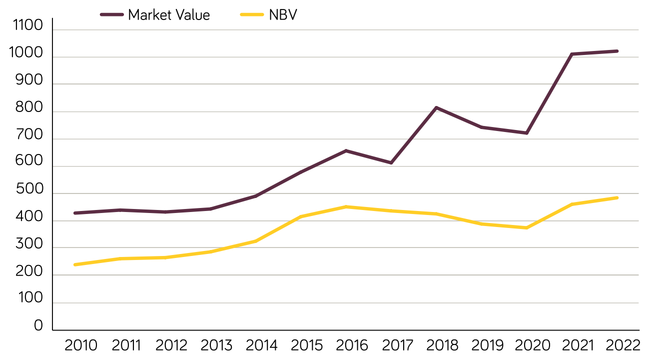
Strategy in action

The Group's property portfolio is a source of value, profit and cash

Creating value through property

The property strategy is a key part of the Group's overall strategy, ensuring that the businesses have the space to add value to customers and earn a greater share of their spend, supporting the efficient allocation of capital and maximising returns. The scale of the Group gives a competitive advantage in negotiating terms and being a group gives flexibility over site usage, with the opportunity to switch sites between brands and so mitigate risk. The Group's strong balance sheet ensures access to funding at better financing terms and gives flexibility in using sale-and-leasebacks at competitive yields to access funds for investment.

Freehold property portfolio market value and net book value (NBV £m)



Since 2010 the market value of the Group's freehold estate has grown by almost £600m and the book value has grown by £240m. During this period the portfolio has also generated net proceeds after reinvestment of £100m and profits of £300m.

This highly capable management of the property portfolio enables the Group to access the best operational sites, generate cash and release profits.

A self-reinforcing cycle

Select and acquire

- Identify optimal locations using data and local expertise
- Secure sites as freehold or leasehold

Ensure long-term occupation of the best operational assets that generate cash and profit

Recycle and reinvest

- Assess strategic drivers for holding or selling the property freehold
- Release capital through sale or sale-and-leaseback and reinvest or distribute

Develop and transform

- Enhance existing sites through redevelopment and switching brands
- Develop freehold sites

Creating value through development

Relocating Bristol St Philips

In February 2022 this branch moved from a below-standard 0.8 acre site to a newly refurbished 24,000 sq ft warehouse on a 2.7 acre site. Getting the right site in the right location, supported by net freehold investment of £2.8m and the investment of £2.3m in fit-out, vehicles and incremental working capital, has already seen sales more than double at a branch margin of over 10% with a target return on capital at maturity of over 40%.

Investing in carbon reduction

To achieve the Group's target of an 80% reduction in carbon from buildings by 2035, considerable investment in decarbonisation is underway in new and existing branches. Retrofitting existing branches will be essential to achieving this goal through a combination of:

Gas boilers changed for air-source heat pumps where possible to **decarbonise heating**

£4 million invested in the **roll-out of LED lighting**, saving 2,000 tonnes of carbon annually

Utilisation of 'Building Management Systems' and 'Internet of Things' controls to **reduce out-of-hours energy use**

Roll-out of electric vehicle charging points at DCs, offices and branches

Working with landlords to improve **insulation and glazing at branches** to make them more efficient

Installation of charge points to facilitate the electrification of fork-lift trucks

Solar PV installed on roof of DCs and large branches, funded by 'Power Purchase Agreements' where possible

Interim target: Achieve a **40%** reduction in emissions from our buildings by **2027**.

Key performance indicators (KPIs)

Operational

Adjusted operating profit*

2022	**£295m**
2021	£353m
2020†	£128m
2019	£442m
2018	£375m

Definition (note 2a)
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 other intangible assets arising on the acquisition of a business, so management can monitor the Group's underlying performance.

Sales growth

2022	8.9%
2021	24.0%
2020†	(10.8)%
2019	3.2%
2018	4.9%

Definition (note 1b)
Total revenue growth. This KPI is now based on total revenue, not 'like-for-like' revenue.

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 ensures that actions such as the consolidation of branches do not distort the KPI and better reflects the nature of the Group following the demerger of Wickes.

Financial

Leverage ratio*

2022	**1.8x**
2021	1.2x
2020†	2.0x
2019	2.5x
2018	2.7x

Definition (note 25)
The ratio of net debt to earnings before tax, interest, depreciation, amortisation and adjusting items ("EBITDA"). The figure for 2018 is calculated as the ratio of lease-adjusted net debt to EBITDA adjusted for rent ("EBITDAR").

Reason
The leverage ratio is an indicator for 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

2022	**£95m**
2021	£65m
2020†	£241m
2019	£195m
2018	£168m

Definition (note 24)
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*

2022	**10.8%**
2021	14.1%
2020†	5.3%
2019	10.1%
2018	10.5%

Definition (note 26)
Adjusted operating profit divided by the combined value of balance sheet debt and equity excluding pension assets. The figure for 2018 is EBITDA less 50% of property rent divided by debt, equity and eight times annual property rental expense.

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

2022	**4.7**
2021	5.6
2020†	5.4
2019†	5.4
2018†	7.8

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

2022	**9,945**
2021	10,220
2020	9,766

Definition
Total Scope 1, 2 and 3 carbon emissions (megatonnes 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 KPI now 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.

* These KPIs were impacted by the adoption of IFRS 16 – Leases on 1 January 2019.
† Figures restated to exclude the Retail and Plumbing & Heating segments. KPI figures for 2018 and 2019 include these segments.

Chief Executive's statement

"I am extremely proud of the way that our colleagues have responded to a challenging year – one characterised by increasing macroeconomic uncertainty and volatile market conditions. The dedication of our team and uniqueness of our business has enabled us to outperform our markets and deliver a resilient performance."

Nick Roberts
Chief Executive Officer

Our year in review

- Solid performance in the Travis Perkins General Merchant, driven by focus on digital capability and value-added services, including Hire, Benchmarx kitchens and Managed Services
- Continued strong performances from the Group's specialist distributors, BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth after a tough prior year comparatives in H1, as we look to maximise Toolstation's growth potential in the UK and Europe
- Good progress towards purpose goals, notably a 34% reduction in Scope 1 & 2 carbon emissions
- Expansion of our apprenticeship offering to the wider industry with the 1,000th graduate in 2022, a major milestone as we develop the next generation of the UK construction workforce

Overview

Reflecting on the year as a whole, 2022 will ultimately be remembered as a challenging period during which the increased operational agility resulting from the recent simplification of the Group was once again tested. After a strong start to the year, with elevated levels of activity in the residential sector, both consumer and business confidence were eroded by the impact of rapidly rising energy and commodity prices driven by the war in Ukraine and the rise in interest rate expectations following September's "mini-budget". Alongside a weakening demand outlook, our teams have had to carefully manage unprecedented levels of materials cost inflation and steeply rising overhead costs.

Our team remains one of our greatest strengths. I would like to take this opportunity to thank each of our colleagues for their continued diligence, hard work and exceptional focus on delivering for our customers despite many intense pressures. We recognise the impact that the sharply increasing cost of living is having on our colleagues and have offered financial wellbeing support and additional benefits where we can as well as maintaining a strong focus on building a culture where everyone returns home safe and well everyday.

Towards the end of the year, as it became apparent that 2023 is likely to see reduced activity levels in the construction sector, we made some tough decisions to ensure that our cost base is aligned to expected market conditions. As always, we have sought to manage this difficult process in a way that is fair for all concerned.

It is through the combination of the market leading service provided by our colleagues and our ability to flex our approach to respond quickly to changing market dynamics that the Group has been able to deliver a resilient financial performance in 2022. Despite the uncertainty ahead, we remain well placed to continue to outperform our markets and deliver long term value for all our stakeholders.

Operational review

The Group's merchant businesses delivered a robust performance and continue to outperform their end markets. This outperformance is driven by a focus on further enhancing our market leading propositions through our strategy of both deepening and elevating our customer relationships. To provide our customers with simple and convenient ways of doing business with us, we continue to invest in larger destination branches and develop our digital channels.

Revenue

£5.0bn

2021: £4.6bn

Adjusted operating profit

£295m

2021: £353m

Furthermore, our value-added services, such as Hire and Managed Services, reduce the time, complexity, cost and carbon associated with customers' projects.

Toolstation had a challenging year as the elevated levels of DIY volume during the pandemic unwound. The business encouragingly returned to growth in the second half of the year and the focus on developing the proposition for our trade customers remains unchanged. Our European business continues to expand, with revenues having more than doubled in the last three years, seeking to build on the first-mover advantage in Benelux and France.

Strategic progress

The Group has made good progress during the year to both deepen and elevate relationships with customers. In the challenging trading environment we have had to prioritise activity but it is encouraging to see the development of some truly differentiating propositions as well as the ongoing growth in our more established service oriented platforms. In this Annual Report we highlight the growth in our Hire business which is performing exceptionally well and helping customers to remove cost and complexity from their projects. In addition we highlight the differentiation that comes from the addition of Staircraft to the Group, a market leading innovator in environmental and safety performance, that brings significant benefits to our customers.

Building a sustainable business

To further inform the Group's focus on building a sustainable business, the Group conducted a thorough sustainability materiality assessment with qualitative and quantitative input from all key stakeholder groups. The assessment identified that carbon is the principal area of focus for stakeholders and as a result decarbonisation will be the Group's sustainability priority. This assessment will inform governance, investment, communication and engagement decisions in the coming years. In 2022 we made positive progress against existing carbon reduction targets and the Group continues to engage in decarbonisation by setting science-based interim targets for our buildings, fleet and Scope 3 emissions engagement for 2027. I have personally had the pleasure of leading engaging Scope 3 discussions with both some of our national housebuilder customers and largest product suppliers. I am optimistic about the shared purpose, creativity and desire for collaboration that exists across our value chain, which we will build on in the years to come.

Developing the next generation

A key enabler of a more sustainable construction industry in the UK will be the development of future skills. The Group has continued to expand its apprenticeship offering, creating new jobs and new pathways for career progression guided by a strategic focus to attract and retain more diverse talent and to address the challenges faced by both the Group and sector around digital skills, data, carbon reduction and changes to construction methods. The Group has opened its sector-leading Apprenticeship infrastructure to supply chain partners in the construction sector and is now the Early Careers and Apprenticeship provider to the Builders Merchant Federation. We currently have 340 Apprentices from outside the Group enrolled on a Travis Perkins delivered apprenticeship, through organisations like the Builders Merchant Federation. By the end of 2022 we reached the milestone of our 1000th graduated apprentice. To mobilise the Group and industry partners on the role of apprenticeships and skills as a key driver of diversity and key enabler of the UK's green transition, the Group has set a long-term target of 10,000 completed apprenticeships by 2030.

Outlook

The outlook across our end markets remains uncertain and, in our planning for 2023, it has been necessary for us to adopt a balanced approach, maintaining the focus on executing our strategy to lead in our markets but also recognising that it will be necessary to manage our cost base and capital spend plans appropriately in the shorter term to reflect the expectations of a weaker volume environment.

The long-term structural drivers in our end markets remain robust with the need to decarbonise the UK's built environment becoming ever more pressing due to rising energy costs and the impacts of climate change. The shortage of both public and private housing in the UK also remains a significant growth opportunity. We continue to position our businesses to support the delivery of these key objectives and, in doing so, create sustainable long-term value for our shareholders.

Sustainability report

With sustainability at the heart of the Group's strategy, we are committed to lead on Environmental, Social and Governance ("ESG") through our "Building for Better" agenda

Making strides towards our commitments
In 2022 we made progress towards our ambitious carbon reduction targets, reducing Scope 1 & 2 carbon by 34% and Scope 3 by 2% compared to 2021. Against our 2020 target baseline this represents a 35% improvement (Scope 1 & 2) and a 2% deterioration (Scope 3). Scope 3 carbon emissions compared to inflation-adjusted revenue improved by 16% against the 2020 baseline. 342 colleagues and industry partners graduated in apprenticeships facilitated by LEAP, the Group's Early Careers and Apprenticeship provider. This sets a strong foundation for the Group's new skills goal of 10,000 graduated apprentices by 2030. Our work in all other focus areas has moved forward and progress is reported in the following pages.

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 equip the sector for change.

Doing the right thing

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

This agenda is a key driver in achieving our Group Purpose and Ambition. We are uniquely able to convene the supply chain to collaborate and co-create solutions, influencing and supporting the sustainability changes our industry needs, because of the Group's market-leading businesses and our position in the supply chain between thousands of suppliers and thousands of customers.

Prioritising the most material focus areas

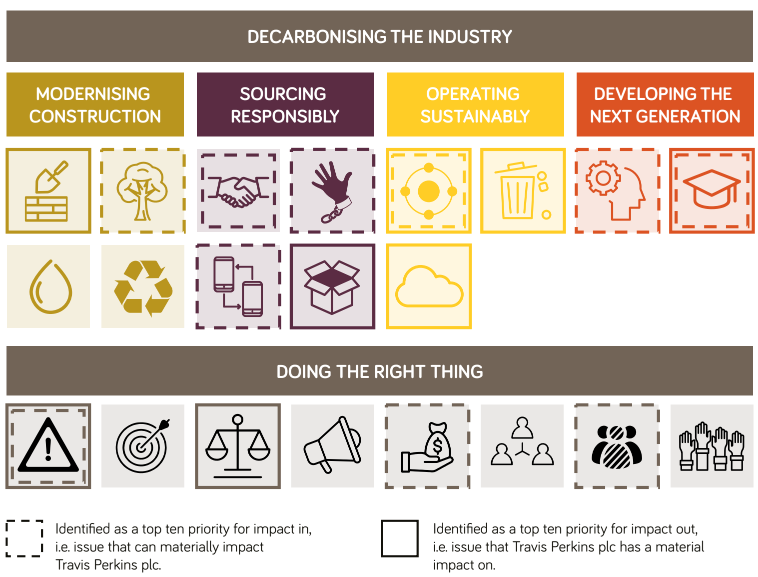
In 2022 an in-depth ESG materiality assessment was undertaken, engaging with stakeholders to deepen the Group's understanding of the ESG issues that matter most to a range of different audiences. The findings guide the Group's strategic choices and reporting and ensure we remain focused on the most important issues. While the assessment confirmed that the focus areas within the previous framework remain relevant, it demonstrated that carbon is the principal issue for stakeholders, making it the Group's sustainability priority moving forwards. The assessment also confirmed that broader ESG topics and those related to core business responsibilities are important for many stakeholders.

The materiality assessment was supported by a third-party expert and involved three steps:

1. **Refinement of key ESG topics:** Desktop research and internal consultation to challenge and evolve the list of ESG topics. The review was informed by "societal megatrends", the UN Sustainable Development Goals (SDGs) and the Group's top and emerging risks.
2. **Stakeholder engagement:** 43 individual and group interviews were carried out with 65 customers, colleagues, suppliers, investors, communities and other stakeholders. A quantitative survey with over 3,600 respondents was conducted to explore the relative importance of the ESG topics and included a specialist sample of opinion formers, as well as UK consumers and Travis Perkins Group customers and suppliers.
3. **Strategic analysis:** Analysis was conducted on the qualitative and quantitative findings and the relationships between them, giving an understanding of the ESG topics and their importance to stakeholders.

The Materiality Map illustrates key priorities for the Group based on 'Double Materiality':

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



- Access to sustainable and resilience-improving solutions
- Biodiversity, nature and forestry
- Water use
- Product packaging and circularity
- Responsible sourcing and relationships with suppliers
- Human rights and modern slavery
- Data use and responsibility
- Product safety and quality
- Carbon emissions
- Operational waste management
- Air quality
- Developing skills and knowledge in the community
- Skills, apprenticeships and training
- 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

Sustainability report continued

Building for Better: Commitments and progress

Strategic sustainability priority	Material focus areas	Long-term commitments	2022 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 MMC, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.	**63% reduction in Scope 3 carbon by 2035**	Develop a retrofit proposition to support social landlords with the decarbonisation of their properties. Increase engagement with stakeholders, with particular focus on suppliers, to reduce Scope 3 carbon emissions.
	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 to bring into scope remaining product suppliers and "goods-not-for-resale" suppliers, on a risk-basis.
	Operating sustainably		
	Net zero carbon and reduced operational waste. Leading by example within our own operations.	**Net zero for Scope 1&2 carbon by 2035 (with at least 80% reduction)**	Extend hydrotreated vegetable oil (HVO) fuel use from 12 to 200 vehicles. Reduce the amount of plastic waste the Group produces by engaging with suppliers and seeking alternative, sustainable packaging solutions.
	Developing the next generation		
	Upskilling our people and the wider industry in Green and Future skills to equip the sector for change.	**10,000 graduated apprentices by 2030**	Deliver a curriculum offering career development opportunities to all colleagues enabling the development of the next generation workforce.
	Doing the Right Thing (underpinning the Changing the Game focus areas above)		
	Safety & wellbeing: Getting everyone home safe and well, every single day.		Continue to 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 & inclusion: Creating an environment where everyone can be themselves.		Create a DE&I policy that reflects the Group's vision "You be you, it's what makes us, us". Educate the business and implement the policy effectively.
	Colleague voice: Listening to colleagues to make better decisions and drive engagement.		Engage all colleagues in the Group's purpose, values and strategy, with focus on what this means at a local business level.
	Charity & volunteering: Taking pride in helping others and making positive change happen.		Put charity and community partnerships in place that support the Group purpose, engage colleagues, strengthen collaboration and delivery on the Group's strategy and impact goals.
	Reward: Improving the financial health of colleagues.		Further develop financial wellbeing support to colleagues by launching new services with the Group's partner "Wagestream".
	Modern slavery & human rights: Eliminating modern slavery from our business and supply chains.		Expand 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.
	Legal compliance: Complying with all relevant laws.		Refresh of mandatory Group-wide baseline training covering key legal compliance areas, improving awareness of reporting channels and completeness monitoring.

1. More information on the United Nations Sustainable Development Goals ("SDGs") is included on page 35.

2022 progress	2023 key actions	Supporting the Group's strategy	Delivering against the SDGs[1]
✓ ✓	Continue with Scope 3 and Product Sustainability supplier engagement programme, supporting suppliers to calculate their carbon footprint.	By providing sustainable products and value-add services to customers, the Group can both deepen and elevate relationships, earning a greater share of spend and becoming a key partner.	13 Climate Action; 11 Sustainable Cities and Communities; 9 Industry, Innovation and Infrastructure
✓	Continue to evolve the Group's due diligence approach to bring into scope the next phase of lower-spend product suppliers and "goods-not-for-resale" suppliers.	The depth of customer relationships are underpinned by trust in the Group to source responsibly and to meet changing data transparency requirements.	13 Climate Action; 12 Responsible Consumption and Production
✓	Launch internal Carbon Change-Makers campaign to influence colleague behaviour.	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
✓	Explore opportunities to enable the reuse of unwanted construction materials in the business.		
✓	Deliver a development curriculum aligned to our talent management processes that offer career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.	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 our expertise and advice.	13 Climate Action; 4 Quality Education
✓	Continue to 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.	Doing the Right Thing deepens relationships with customers as expectations around responsible business increase.	13 Climate Action
✓	To put in place the foundations that will help us to build the skills, knowledge and behaviours of our leaders to enable them to create the conditions for a diverse and inclusive workplace.		
✓	Continue to engage all colleagues in our purpose, values and strategy, leveraging the Group story to build colleague connection to their role in the future success of the Group.		
✓	Use the experience we have gained from 2022 to deepen and elevate our existing partnerships.		
✓	Further the reach and impact of financial wellbeing and employee benefits support to colleagues, particularly those on the front-line.		
✓	In 2023 the Group will continue to roll out ID checks for third parties coming to site, addressing higher risk organisation types first.		
✓	Further awareness raising and training to make sure the Code of Conduct, policies and tools that have been launched are fully understood and embedded across the Group.		

Engaging with Stakeholders

The Group actively engages with stakeholders to share progress, inform plans, listen to feedback and seek views.

The materiality assessment and stakeholder sentiment analysis in 2022 highlighted four key themes:

- Partnership and collaboration: Stakeholders see the Group as a convenor, bringing together supply chain partners up and down the value chain.
- Influence and leadership: The Group is an industry-leader and is expected to lead the way.
- Communications: Stakeholders wanted the Group to share more information about the sustainability journey, not only the successes but also the journey and challenges.
- Transparency: Stakeholders would like to see more sharing of data to support improved confidence and accelerated sustainability outcomes.

The key stakeholder groups, their key ESG concerns and the Group's engagements with them in 2022 are detailed in the table below.

Stakeholder Group	Key ESG concerns	Engagements in 2022
Customers	Carbon Sustainable products Responsible sourcing Social value Packaging Safety	Two ESG forums were hosted for the UK's top 15 National House Builders. Two ESG forums were hosted for groups of Social Housing Landlords in Norfolk and the Midlands. An ESG Survey was issued with responses from 1,006 customers and 1,505 DIY consumers and interviews were held including ten customers as part of the 2022 materiality assessment.
Colleagues	Safety and Wellbeing Skills Diversity and Inclusion Responsible sourcing Modern slavery Carbon	An ESG Survey was issued (responses from 321 colleagues) and interviews were held (including 35 colleagues) as part of the 2022 materiality assessment. Training sessions were delivered for 725 colleagues on ESG overall and Sustainable products in particular, including colleagues from sales, commercial and Group functions. ESG was added as a module to all apprenticeships to build wider colleague understanding. ESG was an integral part of the Group Story launched across all businesses in 2022. Net Zero Carbon Live week hosted by the ESG team with a panel discussion involving the property, fleet and commercial teams discussing our decarbonisation plans. A range of questions submitted by colleagues from across the Group were answered and debated.
Suppliers	Carbon Quality (UKCA) Responsible sourcing Sustainable products Packaging Safety Modern slavery	The Group's CEO hosted a Decarbonisation dinner for the CEOs of seven critical manufacturers to share successes and challenges and agree upon priorities to collaborate on. Sustainability workshops were run for and attended by circa 750 suppliers across April, July and September covering Sustainability overall, Environmental sustainability and Social sustainability. An ESG Survey was issued with responses from 176 suppliers and interviews were held with five large suppliers as part of the 2022 materiality assessment.
Investors	Carbon Responsible sourcing	193 investor meetings were held in 2022. 15 interviews were held with investors and five interviews with sell-side analysts, covering 50% of actively managed funds in the shareholder register, as part of an Investor Perceptions Study.
Communities	Carbon Sustainable products Safety Quality Skills Responsible sourcing	An ESG Survey was issued (responses from 550 'Catalyst' opinion formers and consumers with an interest in sustainability) and interviews were held with the think tank Quality of Life Foundation and a journalist as part of the 2022 materiality assessment. Extended partnership with Volunteer It Yourself (VIY) and the Northampton Saints. Engagement with the Group's 7 core charity partners. Partnership with Northampton University continued, including attendance of the Northampton Sustainability Forum by the Group Head of Environment, James Vance, to share knowledge on ISO 14001, packaging and carbon. Hosted a webinar showcasing our decarbonisation journey at the Reading Climate Festival as part of The Great Big Green Week.

Stakeholder Group	Key ESG concerns	Engagements in 2022
Government	Carbon Skills Sustainable products Governance	ESG interviews were held with the Construction Leadership Council (CLC), Department for Business, Energy and Industrial Strategy (BEIS) and a local MP as part of the 2022 materiality assessment. The Group's Head of Fleet, Karl Wilshaw, contributed to the Department for Transport's Low Carbon Fuels Strategy call for ideas. Dialogue with officials from BEIS/CLC with regard to Industry Sponsorship of the CLC's People and Skills workstreams.
Trade bodies	Carbon Skills Sustainable products Governance	Travis Perkins Group COO, Frank Elkins, sits on the Board of the Builders Merchants Federation ("BMF"), representing the Group at key events on ESG. In 2022, Frank presented with Andy Rayner, Director of Apprenticeships and Early Careers, at the BMF Members Conference, on the skills challenge for the sector. The Group continues to be a CO_2nstructZero Business Champion, the Construction Leadership Council's framework for net zero in the construction industry, submitting case studies to the CLC to share best practices. ESG interviews were held with the Builders Merchants Federation, the Federation of Master Builders and Logistics UK as part of the 2022 materiality assessment. The Group's HSE and Fleet Director, Richard Byrne, is Chair of the BMF's Health and Safety Committee. The Group's Head of Fleet, Karl Wilshaw, sits on Logistics UK's strategic road freight council (regional & national), Logistics UK's Environment Working Group and the FORS Governance and Standards Advisory Group.
Professional bodies	Carbon Waste Retrofit Net zero construction	The Group continued its Corporate Membership of the Institute of Environmental Management & Assessment ("IEMA") benefitting from cross sector knowledge sharing, greater insight of emerging legislation and enhancing influence on government policies. The Group Sustainability Director and Corporate Affairs Director trialled membership with the Sustainable Energy Association (SEA) for three months.

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.

Assessing climate-related financial risks and opportunities

The Group has submitted an annual climate disclosure to the Carbon Disclosure Project ("CDP") for 13 years, including a financial assessment of climate-related risks and opportunities. The Group has prepared its second full disclosure against the Task Force for Climate-related Financial Disclosure ("TCFD") recommendations on pages 50 to 61. During 2022 the Group further enhanced its climate risk and opportunity assessment and engaged Inspired ESG to support in developing climate scenarios and assessing impacts on the Group.

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"). Following a review of the detailed targets underpinning each of the UN SDGs in 2022, six goals are most relevant and are detailed in the table on page 32.

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.

Whilst several of the remaining SDGs have some relevance to the Group, such as Good Health and Well-being, on review of the specific UN targets underpinning the goals these were determined to be less directly aligned to the Group's work and therefore are not listed.

Modernising construction

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

Supporting our purpose and sustainability priority

To help to change construction and to 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 2022

A core objective for 2022 was to develop a retrofit proposition to support social landlords with the decarbonisation of their properties. Progress on this and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Enabling retrofit of the UK's housing stock

A new working group was established in 2022 to better understand social housing landlord requirements in order to retrofit their housing estates. This team conducted in-depth research with a broad range of customers, gained insight into the basket of goods needed to retrofit different properties and mapped out the role that the Group can play in delivering the housing improvements that are required. New products have been listed and supply chains established in order to give customers a one-stop-shop for their retrofit materials. Strategic partnerships are being explored to support landlords and homeowners in understanding the measures that need to be taken and to upskill the trade in qualifications required to deliver retrofit in line with regulatory requirements. The breadth of products is shared on the websites of the most relevant businesses in the Group, along with guidance on funding opportunities currently available from the Government.

Progress against the Group's Scope 3 carbon reduction target

The Group's absolute Scope 3 carbon reduced by 2% in 2022, as compared to 2021. Against the 2020 target baseline, absolute Scope 3 carbon has increased by 2%. Having seen a 5% increase in absolute Scope 3 carbon in 2021, the 2022 performance shows the Group's first steps towards Scope 3 carbon reduction. This may be due to a change in product mix or lower volumes in some categories. This will be investigated further during 2023 as supplier and product level emissions are reviewed in further detail. Scope 3 carbon data was assured for 2022 and the certificate can be seen on the travisperkinsplc.co.uk website, along with the breakdown of the Scope 3 footprint and the Group's Scope 3 reduction roadmap.

Supporting efficiency for customers through "Intelligent Solutions"

BSS has launched a new flagship service, "Intelligent Solutions", to the market. The services offered to clients, currently mostly in the public sector, provide significant benefits including improved visibility of their asset portfolios, financial planning, and effective maintenance and renewal. Through a programme of integrated services using the latest in site capture technology, platform development, building information modelling and deepening our existing technical knowledge, BSS is transforming the way they work with clients, both now and in the future. The transformation will allow BSS to support clients on their journey to net zero through a combination of efficient products such as pumps and boilers, all the way through to reconfiguring existing spaces to use carbon cutting technologies such as heat pumps. BSS has also launched a Smart Building Management System product which, when used with the Intelligent Solutions service, will enable clients to further optimise their operations.

Convening the industry to collaborate on decarbonisation

The Group acts as a convenor within the industry to enable the construction value chain to share challenges and successes and to co-create solutions. In 2022 this included two half day sessions with groups of social housing landlords, two evening forums with the top 15 national house builders, a workshop with a group of regional house builders and a half day session with a group of drylining contractors. The Group took the opportunity to share the ways in which it can support customers on sustainability and listened to customers about their own pain points or ideas. These collaborative sessions allow for bespoke projects and actions to be agreed which enable either faster, more cost efficient or more impactful sustainable outcomes. See page 38 to read about decarbonisation collaboration with manufacturers.

Data to support customers with their sustainable product choices

A data request went to over 200 manufacturers in 2022 to ask them to share data on the sustainability of their products. For example, embodied carbon (backed up by Environmental Product Declarations), recycled content, recyclability at end of life, certifications and much more. Whilst this type of information is not often available at this stage, where the data is available the Group is starting to collect and share this with key customers. Large contractors, developers and landlords increasingly request information on sustainable alternatives in product ranges and more sustainability information on products. Guidance has been shared with marketing, category, communications and sales teams in the businesses to ensure that sustainability information is vetted and underpinned by evidence prior to sharing it with customers or others. The Group is committed to responsibly sharing information relating to sustainability in order to avoid greenwashing or breaching environmental claims regulations.

Sustaining progress in certified timber

99% of timber purchased by the Group in 2022 was certified. The business continues to operate a robust timber chain of custody system in order to pass the Chain of Custody safely on to customers.

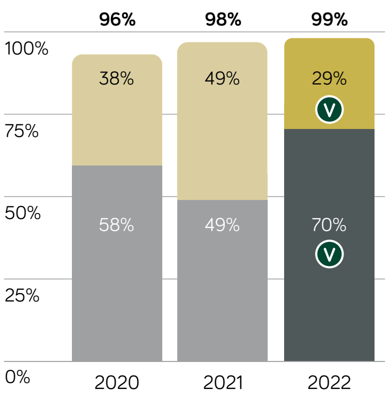
'V' indicates that the data point has been assured. Please see page 41 for more information.

What's next?

A core objective for 2023 is to continue with the Scope 3 and product sustainability supplier engagement programme, supporting suppliers to calculate their carbon footprint.

FSC® or PEFC™ certified timber purchased in 2022

99%



FSC www.fsc.org FSC® C014726 The mark of responsible forestry

PEFC™ PEFC/16-37-008

Sourcing responsibly

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

Supporting our 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 2022

A core objective for 2022 was to evolve the Group's due diligence approach to bring into scope remaining product suppliers and "goods-not-for resale" suppliers, on a risk-basis. Progress on this and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Extending the reach of supplier assessments

During 2022 an additional 284 suppliers submitted Online Risk Assessments (ORAs) raising the number of suppliers of goods for resale which have been assessed, or are in assessment, to in excess of 1,300 suppliers. Own brand sites are subject to in-person ethical and technical audits, with all ethical audits completed by a third-party auditor. In 2022, 139 factory audits were completed. The supplier assessment programme covers suppliers to BSS, CCF, Keyline, Travis Perkins and Toolstation. Where issues are identified, time-bound corrective action plans are used to support suppliers to resolve these. Plans were developed during the year to bring remaining product suppliers into the scope of assessment. A regional trial of the "lite" version of the assessment for lower spend suppliers was launched in 2022. This will be expanded into further regions during 2023. A bespoke assessment for suppliers of "Goods Not For Resale" (GNFR) and service providers was also finalised in 2022, with input from key technology suppliers to refine the approach. This will be launched to suppliers in 2023 on a risk-basis.

Supporting suppliers to operate more sustainably

Workshops were held in April, July and September to engage circa 750 manufacturers with the Group's sustainability roadmap. The purpose of the sessions was to build awareness of key priorities for the sector and why there is a need for change. Clear requests were made of suppliers during the online workshops but underpinned by guidance and advice to better enable suppliers to change. Suppliers had the opportunity to ask questions and the sessions provided an opportunity for best practice sharing.

A CEO roundtable to collaborate with suppliers on Scope 3 carbon

The Group's CEO hosted a dinner with the CEOs of several large manufacturers, including Ibstock plc, British Gypsum, Wienerberger UK, Knauf UK & Ireland, Wavin UK and AkzoNobel. Collaboration is key to achieving supply chain emissions reduction. CEO Nick Roberts said: "It was great to get some of our key suppliers round the table to discuss the challenges we face to deliver on our net zero targets. It was a rich conversation that covered a lot of ground; from public policy to inspiring and motivating our workforce, and overcoming the skills gap we collectively face. I was struck by the energy in the room and the clear desire and commitment we all have to accelerate action and make a positive difference."

Angela Rushforth – MD, BSS Group
Mike Chaldecott – Chief Executive, Saint-Gobain UK and Ireland
Megan Adlen – Group Sustainability Director, Travis Perkins plc

Jose Antonio Jimenez Lozano – MD, AkzoNobel UK and Ireland
Frank Elkins – COO, Travis Perkins plc
Mike Chaldecott – Chief Executive, Saint-Gobain UK and Ireland
Simon Paz-Uceira – Commercial Director UK, Metsa Wood

New and improved training for colleagues

New Responsible Sourcing colleague training was developed and will be launched to colleagues across the Group in 2023. The training module provides an in-depth insight to responsible sourcing and is targeted to colleagues in Commercial, Purchasing and Service Management teams. The module is hosted in the new Knowledge Management System, Thrive, which offers a whole new way to share learning, knowledge, skills, expertise and best practice (see page 40).

Industry collaboration to drive efficiency

The Group is collaborating with the industry to inform and guide the development of a responsible sourcing database for our sector, recognising the duplication and inefficiency of the industry's current approach. The Group's Head of Ethical and Responsible Sourcing and Group Sustainability Director have consulted with trade federations, customers and suppliers with valuable learnings shared across all parties. The focus in 2023 will be to collaborate further, learning and working together towards a solution that supports transparency of the sustainability of organisations operating in our supply chains.

What's next?

In 2023 the Group will continue to evolve the Group's due diligence approach to bring into scope the next phase of lower-spend product suppliers and "goods-not-for-resale" suppliers. These assessments provide insights and progress not only on ethical behaviours in the supply chain, but also environmental performance and carbon footprints.

Operating sustainably

Leading by example within our own operations. Delivering net zero carbon and reducing operational waste.

Supporting our purpose and sustainability priority

The Group has committed to reduce Scope 1 and 2 carbon (relating to the Group's fleet and estate) by 80% by 2035, offsetting any remaining emissions thereafter. 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 also address its own direct emissions. The Group generates waste from its operations, primarily relating to added packaging or obsolete products, and takes its role in preventing, reusing, recycling or recovering waste very seriously in order to protect the natural environment and the communities within which it operates.

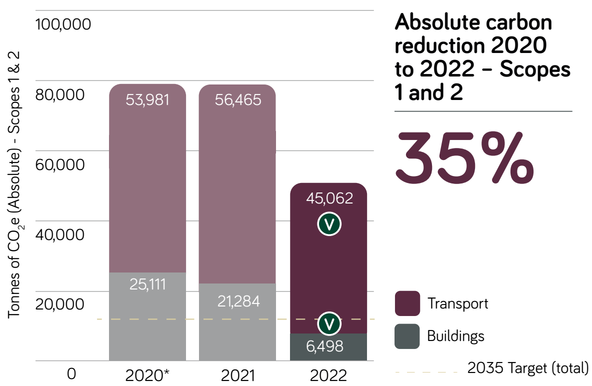
Progress in 2022

Core objectives in 2022 included increased engagement with stakeholders, with particular focus on suppliers to reduce Scope 3 carbon emissions, and the reduction of plastic waste by engaging with suppliers and seeking alternative, sustainable packaging solutions. Progress on these and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Positive progress against the Group's Scope 1 and 2 target

The Group's Scope 1 and 2 footprint reduced by 34% in 2022 (compared to 2021), which is a 35% reduction against the 2020 baseline. Details on the initiatives behind this reduction are provided in the sections below on decarbonising the estate and fleet. For further detail on Scope 1 and 2 carbon, please see page 30.

Tonnes of CO_2e (Absolute) – Scopes 1 & 2



* Baseline year for new target

Engaging colleagues on decarbonisation

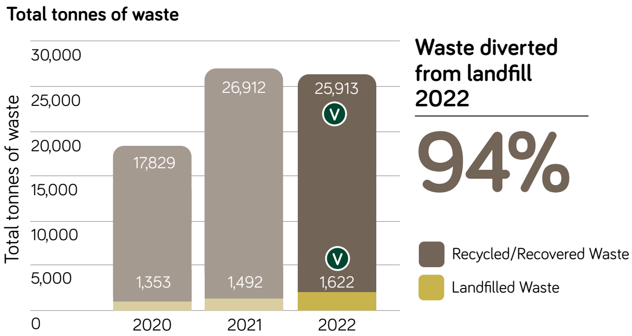
The Group Head of Environment, Technical Fleet Director, Group Energy Manager and Head of Commercial (sustainability) co-hosted a live online panel discussion on decarbonisation, answering questions from colleagues during 'Net Zero Carbon Week'. Colleagues from each of the businesses' commercial teams also joined the online workshops hosted for suppliers to support them with their decarbonisation (see page 52). An introductory training course on carbon is available to all colleagues through the Group's new Knowledge Management system, Thrive. Engagement of all colleagues to understand and take responsibility for their role in achieving the Group's carbon reduction goals remains an important focus for the Group.

Decarbonising the Group's estate

The decarbonisation of the Group's property portfolio in the last two years was largely driven by the renewable energy tariff which came into effect in October 2021, with nine months of the annualised benefit falling into 2022. In addition the LED light roll out continued with over 300 branches completed to date, 61 of which in 2022. A Net Zero Carbon assessment was completed at the Group's main distribution centre (DC) in Northampton which has resulted in a business case being developed to install solar panels across the DC roof. 'Profile alerts' were trialled at 20 sites to help save energy through improved colleague use of energy at site. The property and energy teams for the Group manage a Buildings Decarbonisation Roadmap which is published on the Group website (www.travisperkinsplc.co.uk) and for which an interim target was developed and approved by the Board during 2022. The interim target is to achieve a 40% reduction against the 2020 baseline by 2027.

Decarbonising the Group's fleet

A Hydrotreated Vegetable Oil (HVO) diesel-replacement trial has now been fully mobilised across 34 sites, supplying the low carbon fuel to 215 vehicles and saving approximately 1.4m litres of diesel per year. HVO plays an important role as a transition fuel until the infrastructure for electric vehicles improves and the development of more long-term solutions such as hydrogen become a reality. The Group uses HVO from waste oils, not virgin plants, and from certified sustainable sources. In addition, the Group introduced 34 new high-efficiency Volvo trucks in 2022, with another 146 planned in 2023. The new vehicles form an integrated part of the Group's fleet decarbonisation roadmap, with each one benefitting from the latest Euro VI Step E diesel engine technology – engineered to reduce emissions and help save fuel without compromising performance – and with the capability to run on HVO. HVO 'Driver days' training has been delivered to raise awareness of the benefits of HVO. The Group Leadership Team also approved a contract to transition all remaining Fork Lift Trucks from diesel to electric or HVO by the end of 2024. A new interim target has been approved by the Board for the Fleet Decarbonisation Roadmap which is published on the plc website (www.travisperkins.co.uk). The interim target is to achieve a 27% reduction against the 2020 baseline by 2027.



Reducing waste impacts in 2022

The Group produced 27,535 tonnes of waste in 2022. This was a 3% reduction in tonnage as compared to 2021. In addition 94% of waste was diverted from landfill (95% in 2021).

Innovative solutions to drive out waste

The businesses are working to eliminate waste streams or find alternative materials or solutions to minimise the impact of operational waste and product packaging. CCF has introduced a reusable pallet hood to prevent wrapping with single-use materials. Travis Perkins and Keyline now use a Bulk Bag which contains 30% recycled content. Partnering with innovative suppliers helped the Group to be the first builders' merchant in the UK to use the new sustainable bags. "Using a minimum of 30% recycled content in our bulk bags also means we don't need to pay the new Plastic Packaging Tax on them," said John Duffy (Senior Category Manager for Aggregates and Blocks), "It means we've saved the business around £350,000 each year by doing what matters."

Toolstation tackling product packaging

Toolstation tracks packaging by product and by packaging type, giving their category teams visibility of over-packaged products or those using more harmful packaging types. And these insights are driving action. While the volume of packaging materials increased in 2022 due to business growth and a changing product mix, Toolstation has eliminated 190 tons of plastic and has avoided additional cost from the new plastic tax, remaining below the de minimis volumes for the tax to apply. The business has eliminated unnecessary packaging on own brand products with around 95% now being plastic free. In replacing single-use plastic, other packaging material types increased such as steel and aluminium, however both of these can be infinitely recycled and can also be collected from bottom ash within the local authority recycling streams. Polystyrene packaging is close to being eliminated from the Toolstation business with less than 0.1% of products remaining with some polystyrene. All businesses in the Group participate in a packaging working group, also meeting at manufacturer sites or specialist packaging suppliers to improve their knowledge.

Environment Incidents

In 2022 the Group recorded 19 environmental incidents with seven classed as 'reportable' and 12 'non-reportable'. Of the 12, four were a result of '3rd 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.

What's next?

In 2023 the Group will launch an internal Carbon Change-Makers campaign to 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 in particular across the Group.

Doing the right thing

Supporting our 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. A number of "people" topics also fall into this category of "Doing the Right Thing" and are covered in the people section on pages 43 to 49.

Progress in 2022 – modern slavery and human rights

A primary objective in 2022 was to expand 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. This is because the construction industry is one of the most exposed industries to modern slavery. The Group's work in this space helps to ensure the fair treatment and protection of rights of all workers.

- The Group's policies and procedures to tackle modern slavery are described in the Modern Slavery Statement on the Group's website, www.travisperkinsplc.co.uk, including how the Group assesses risk and carries out due diligence, along with policies on employee recruitment and human rights.
- Businesses in the Group developed plans to expand in-person ID checks to third parties (other than labour agencies who are already in scope) working at the Group's sites. In-person ID checks have been introduced at the central Head Office site for third-party cleaning staff. The trial will be expanded into other parts of the Group during 2023 on a risk basis.
- In September a series of online sessions was delivered to raise awareness of Modern Slavery, to highlight the red flags and to signpost to both the Travis Perkins SpeakUp! Hotline and the Modern Slavery & exploitation helpline. These were extended to both suppliers and colleagues, with the sessions attended by 388 people.
- New Modern Slavery colleague training under the umbrella of "Licence to Operate" was developed and will be rolled out to colleagues across the Group in 2023. This comprises an in-depth module for high-risk colleagues and a bite-sized module for all other colleagues.

What's next?

In 2023 the Group will continue to roll out ID checks for third parties coming to site, addressing higher risk organisation types first.

Progress in 2022 – legal compliance

A primary objective in 2022 was to refresh mandatory, Group-wide baseline training covering key legal compliance areas, improving awareness of reporting channels and completeness monitoring. This helps to ensure stakeholders can rely on the Group to continue to "Do the Right Thing".

Building on the roll-out of refreshed training for Anti-Bribery and Corruption and Competition Law in 2021, a new course on Anti-Money Laundering was rolled out during 2022. In addition a suite of modules forming mandatory new baseline training under the umbrella of "Licence to Operate" was rolled out to all colleagues across the Group in December 2022, covering the following topics:

- Code of Conduct and Speak Up (whistleblowing line)
- Anti-Bribery and Corruption
- Anti-Money Laundering
- Competition Law
- Corporate Criminal Offences
- Market Abuse/Insider Trading
- Sales of Restricted Products

What's next?

Further awareness raising and training to make sure the Code of Conduct, policies and tools that have been launched are fully understood and embedded across the Group.

Our people

“We are a business at the heart of our communities. Our team of 20,000 colleagues takes great pride in working closely with customers and suppliers, and caring for each other and the communities where we live and work.

As we look to become the employer of choice, and help build the next generation of talent across this sector, we remain committed to developing a sense of belonging, to accelerate safety and wellbeing, and build new skills that are needed to deliver a construction industry that is fit for the future”.

Emma Rose
Chief HR Officer

Developing the next generation

Upskilling our people and the wider industry in Green and Future skills to equip the sector for change.

Supporting our 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 supply sector. Development is not only about construction sector skills but also life skills including digital skills, maths and English. New colleagues are being 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 being taught about modern construction methods, enabling them to help customers build better. In this way the Group is developing the next generation for the construction supply sector.

Progress in 2022

The core objective in 2022 was to deliver a broad Group-wide development curriculum offering career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.

A new long-term stretching target to support upskilling

The Group developed a new long-term skills target which was approved by the Board during 2022. This target is for 10,000 successfully completed apprenticeships by 2030, delivered both through the business and the wider industry (through the Group's partnership with the Builders Merchants Federation). This target reflects the size of the challenge facing the sector to upskill and supports the changes that the industry needs. A first of its kind in the sector, this target underlines the Group's commitment to people development and to supporting the modernisation and decarbonisation of the industry.

Continuing the Group's pedigree in apprenticeship and Kickstart provision

During 2022 the Group continued to expand its apprenticeship offering and now has an apprenticeship programme in place for all substantial job roles across all areas of the Group. All apprenticeships are designed to develop the next generation and address the challenges faced by the sector, specifically around digital skills, data, carbon reduction and changes to construction methods. 61% of the Group's colleagues graduated with distinction. In order to help the wider construction sector develop the next generation workforce that is needed, the Group opened its Apprenticeship programmes to supply chain partners within the wider Construction sector. As part of this work the Group has now become the Early Careers and Apprenticeship provider to the Builders Merchants Federation. All apprentices now have the option to become student members of the Institute of Builders Merchants.

Travis Perkins Group was rated 33rd in the 2022 Top 100 Apprenticeship Employers list published by the National Apprenticeship Service, and was also rated 11th Top Employer in the "Rate My Apprenticeship" rankings which are voted on by the apprentices themselves. 2022 highlights included:

- 260 new Travis Perkins apprentices recruited with increased levels of diversity.
- 470 current Travis Perkins colleagues enrolled on an apprenticeship to further develop their career.
- A further 340 colleagues working for supply chain partners or within the wider construction sector were enrolled on a Travis Perkins delivered apprenticeship.
- 160 of these colleagues were also supported to achieve new English and Maths qualifications.
- 270 Travis Perkins colleagues completed their apprenticeship and graduated.
- 100 Apprentices from supply chain partners or within the wider Construction sector completed their apprenticeship and graduated.
- A further 291 young people gained work experience within the business through the Kickstart scheme with 70% of those that completed the scheme moving into permanent employment with the Group.

Embedding ESG into colleague learning

The apprenticeship team introduced a new ESG module to all internally-managed apprenticeships during 2022 and will be used as standard going forward. The purpose of the module is to introduce colleagues to the concept of ESG, the ESG agenda for the Group, why it is important, what we are committed to and how they can play their part. Achievement of the Group's Building for Better goals and the Group purpose relies on colleague awareness, engagement and empowerment to make changes for the better in their own roles.

Developing leadership skills

In 2022 the Group launched its 'At My Best' leadership programme aimed at building leadership capability by improving self awareness, developing capability to have great conversations and fostering a culture of two way feedback. The programme aims to equip leaders to confidently hold positive, productive and energising discussions with their teams. We expect our leaders to have great conversations with their teams and to discuss colleague strengths as well as the challenges they are facing to improve their performance. This is a foundational part of building a high performance culture across the business. Leaders now have a familiar language and toolkit to use to talk with their teams about performing at their best at work, enabling a dialogue of feedback and coaching to bring out the best in colleagues. Over 300 leaders experienced the 'At My Best' leadership programme in 2022.

Raising the profile of the construction sector

In a fight for talent it is important to attract the best people into the industry and retain them. In 2022 the Group continued to raise the profile of construction offering a great career through various Early Careers initiatives such as the recent Maddie Rose Campaign on hidden careers in construction. Maddie Hollamby was a colleague who worked for Keyline. She loved working in construction and was passionate about highlighting the benefits of the sector to other young people, so that they could develop through it as she had. The Maddie Rose Campaign was set up in partnership with Construction Youth Trust as a lasting legacy in celebration of her life, to inspire and enable young people to overcome barriers and discover a career in the construction and built environment sector. To support this initiative, colleagues from across the Group helped to deliver the Construction Youth Trust Hidden Careers Programme to inspire and support young people; to help them see construction as a career choice rather than just a job, and provide them with access to opportunities in the sector. This involved colleagues going into schools to talk about their own career experiences, and providing work experience placements, to give young people a greater understanding of what it's like to work in the builders merchanting industry. Also, the Group partners with Volunteer It Yourself (VIY), a social enterprise which helps young people to learn trade skills whilst helping their community. You can read more about this partnership on page 49.

What's next?

Continue to deliver a broad Group-wide development curriculum aligned to our talent management processes offering career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.

Cleo Fitzsimons
Assistant Store Manager, Toolstation

Cleo started out as a Customer Services Representative for Toolstation on a Level 2 Apprenticeship and knew it would be worth going for the Level 3 Management Apprenticeship when the opportunity arose. Cleo has received great support from their manager. "Cleo is fantastic! Cleo is also on an apprenticeship at the moment, so we're able to support one another and understand each other's priorities."

Cleo is a member of the Group's Proud Network, which supports colleagues who identify as LGBTQ+, and they are pleased this has opened up new networks to them. "Being Assistant Store Manager is my favourite role in the company so far; and being promoted was the proudest moment in my professional journey", said Cleo.

The role offers challenges and Cleo explained their recent joy in achieving full marks for a health and safety audit, as they specifically recognised the importance of this work.

Gary Kent
National Stock and Systems Manager, Travis Perkins

Gary is one of the first apprentices in the country to have completed a Level 6 Apprenticeship in Leadership with the Open University.

This apprenticeship, for which he achieved a Merit, took 48 months and is the equivalent of a Bachelor's Degree. It also has Chartered Manager status with the Chartered Management Institute.

Gary is rightly proud to have completed it, especially whilst also balancing work and studies with a busy family life: "My Manager asked if I would be interested in this apprenticeship, and after attending a meeting to hear more about, and what it involved, I knew it would be a challenge and that I would have to make some sacrifices, but after discussing it with my partner and my colleagues, I decided that the sacrifice was worth the future benefit I would gain from the apprenticeship," Gary explains.

"I really enjoyed learning about other departments and functions, and I gained more confidence to ask questions as to "why" we complete a task in a certain way, because I just had a better understanding of how the business worked," he continued.

"Still, I could not have completed the apprenticeship without the support of my manager, the site, and my family, but I would really recommend the apprenticeship scheme we have. My apprenticeship was a challenge, but it was worth all the sacrifice and stress and has enabled me to fulfil my potential and improve as a manager", Gary concluded.

Diversity, equity and inclusion

Supporting our 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 that will drive the diversity of thought needed to help us and our industry to innovate and change quicker; and
- Redefining how we build for a brighter, more sustainable future – building communities and enriching lives.

Progress in 2022

The core objective for 2022 was to create a Diversity, Equity and Inclusion policy that reflects the Group's vision "You be you, it's what makes us, us" and to engage with the business to educate and to implement the policy effectively.

Diversity, Equity and Inclusion (DE&I) policy developed

Through engagement with all of the diversity networks in the Group and the Diversity and Inclusion Advisory Board, a new DE&I policy was developed and approved by the Group Leadership Team. Through this process it became clear that the Group would need to build the skills, knowledge and behaviours of its leaders to enable the effective roll out and embedding of the new policy. Therefore the strategy for 2023 is to build a better understanding of our DE&I strategy and purpose with both colleagues and leaders to support the introduction of the policy. The policy is supported by a Minimum Standard framework which describes the actions that each of the businesses would be taking to comply with the policy. This enables progress tracking and for the businesses in the Group to learn from each other as they are at different levels of maturity.

A new menopause policy launched

As part of the Group's commitment to stop the stigma by starting to talk openly about menopause, there is now a policy and managers' guide in place. These aim to raise awareness of menopause and its impact, as well as provide the resources and assistance needed to support colleagues experiencing it or being otherwise affected by it. On World Menopause Day, more than 80 colleagues joined a webinar hosted by Dee Murray, who is founder of The Menopause Experts Group. This gave colleagues the opportunity to find out more about the menopause and its health impacts. A Google Community has been set up to allow colleagues to have a 'cuppa and a chat'.

Supporting disability, whether hidden or visible, through a new adjustment policy

A new Travis Perkins Group Adjustment Policy defines the support and actions we'll take when a colleague with a disability requires reasonable adjustments. Reasonable adjustments are the changes the business considers to remove or reduce the effect of a colleague's disability to enable them to do their job, or for a candidate when applying for a job – the adjustment could be to the workplace, to equipment, or working arrangements. The new Adjustment Policy sets out how to request a reasonable adjustment and what considerations will be taken into account when reviewing a colleague's request.

Measuring progress

Progress is measured both in diversity statistics and through colleague perceptions on inclusion. For both of these, the latest figures are presented below. Progress continues to be made with an improvement in overall gender balance (25.2% in 2022, 25.0% in 2021), and an improvement in women in senior management (26.7% in 2022, 24.8% in 2021). From an inclusion perspective, the engagement survey in 2022 showed that 68% of colleagues felt a sense of belonging at this Company. For full diversity statistics please see the data table on pages 184 to 185.

What's next?

To put in place the foundations that will help us to build the skills, knowledge and behaviours of our leaders to enable them to create the conditions for a diverse and inclusive workplace ie inclusive leadership programme, all colleague education, Network led thrive content, allyship programme.

Gender diversity 2022 – by role type	Female	%	Male	%	Total
Director (Board)[1]	3	37.5	5	62.5	8
Senior Manager (Grade M3+)	73	26.7	200	73.3	273
Colleague	4,815	25.2	14,289	74.8	19,104
Total	4,891	25.2	14,494	74.8	19,385

Gender diversity 2022 – by business segment	Female	%	Male	%	Total
Central Services	408	46.7	466	53.3	874
Toolstation	2,515	36.0	4,479	64.0	6,994
Merchanting	1,968	17.1	9,549	82.9	11,517
Total	4,891	25.2	14,494	74.8	19,385

1. Louise Hardy joins the Board from 1 January 2023, taking the Board total to 9 and the female representation to 4 (44.4%)

Safety and wellbeing

Supporting our purpose and sustainability priority

Keeping people safe and well is clearly aligned to the Group's purpose. It remains the Group's number one priority. Without our colleagues, we don't have a business. Supporting and empowering colleagues to look after their wellbeing has a positive impact on their lives both in and outside of work and the communities around them.

Progress in 2022

The core objective for 2022 was to continue to drive a culture of "Calling It Out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily 10B410 (10 minutes before 10am) team briefings take place at all locations

Significant progress in performance and culture

Strong improvements have been made in the Group's core safety metrics (Lost Time Injury Frequency Rate and Severity Rate). This has been driven by a number of factors including the fact that the 10B410 are becoming part of everyday routines. The Lost Time Incident to Near Miss ratio, which is an indicator of colleague risk awareness, improved by 19% as compared to 2021. This clearly shows colleague engagement and commitment to keeping themselves and others safe.

Learning and changing

Our commercial vehicle fleet travels 34 million miles a year. Regrettably, two fatal Road Traffic Accidents involving our vehicles occurred in 2022. Both involved members of the public and are still subject to ongoing Police investigations. The Group's Incident Review Boards continue to support the identification of organisational and business specific learning opportunities. As the Group's LTI Frequency Rate has reduced, the 'next level down' of incidents – Significant Near Misses – will now also be covered by the Review Boards.

Integration of Staircraft to the Group's safety standards

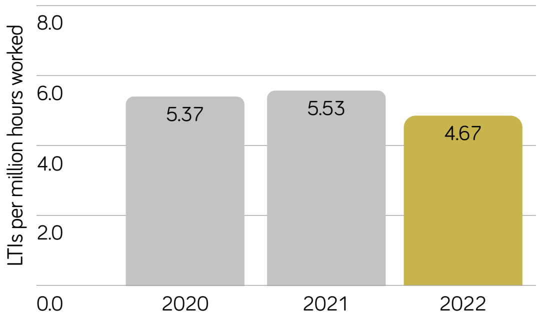
Regrettably, a Staircraft colleague was seriously injured in a fall from height in June 2021 (before the Group acquired ownership of the whole of Staircraft in October 2021). In August 2022 Staircraft Group Ltd was prosecuted and fined £200,000. As part of the Group Staircraft is benefiting from the help, expertise and support of all the Group's health and safety and other resources. Lessons have been learned from the incident and post acquisition, the Group is making good progress with fully integrating Staircraft into its Safety Management System. The colleague involved has been fully supported by Staircraft and we are pleased to report that they are fully returned to work.

Industry leading approach to managing safety in contracted works

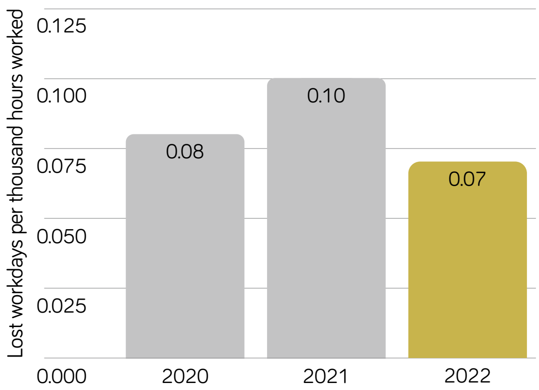
Following a deep dive review of how safety is managed in contracted works, the Group has developed and introduced new ways of working which improves safety for both contractors and those in control of branches in which contractors are working. Feedback and engagement from all concerned has been positive and this will continue to be rolled out across the Group in 2023 before talking with industry more widely about the approach.

Stay Safe.

Lost time incident frequency rate



Severity rate



Stronger wellbeing focus

During 2022 the Mental Health First Aider (MHFA) community continued to provide support to colleagues across the Group. Their work has ranged from providing support to colleagues returning to work following a suicide attempt, to organising a monthly 'netwalking' initiative where colleagues can take a walk with a MHFA to discuss any issues they are currently facing in a less formal or intimidating environment.

In addition, line managers have been equipped with practical skills to build confidence in supporting colleague wellbeing. Rob Kuzemko (Regional Director) said "Natalie's session around raising awareness of mental health and wellbeing was so powerful, insightful and absolutely necessary considering how much we can all do to help our colleagues who are struggling in this space. It enabled the BMs to take a far more proactive approach in handling potentially difficult conversations and turning them into positive outcomes".

Financial wellbeing support was also provided (see page 48).

What's next?

As colleague engagement on safety and wellbeing is so critical, and is driving improvements, the objective for 2023 is to continue to 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.

Colleague voice

Supporting our purpose and sustainability priority

To enrich colleagues' lives, to create a sense of belonging and to build better communities, it's essential the Group has a means to hear colleagues' voices. Listening to colleagues enables the Group to make better decisions, leverage diversity of thought and be responsive and agile to colleagues' needs.

Progress in 2022

In 2022 the core objective was to engage all colleagues in the Group's purpose, values and strategy, with focus on what this means at a local business level. Our Group Story was used to help colleagues to understand the journey we are on and the important role they play.

New values launched across the Group

A refreshed and consistent set of group values was launched across all of the Group's businesses in 2022. Colleague voice was at the heart of the approach to developing the updated values. Over 500 colleagues input into the development, reflecting every part of the business and every colleague group from new starters to long servers, early career to late career, those who see themselves as belonging to minority groups, and colleagues from Business Units and Head Offices. The result was three values which underpin the culture we continue to cultivate and develop to ensure our ongoing success. They represent strengths from our heritage that we want to build into the future as well as harnessing new ways of working. The Group Leadership Team takes a visible leadership role in ensuring that the values are firmly embedded across the Group, and fully demonstrated in leader actions and behaviours.

New engagement survey allows for industry benchmarking

A confidential all-colleague survey was launched in 2022, working with an independent partner who supported the administration and analysis of the results. One of the key measures of engagement is participation and 76% of colleagues shared their voice, up 9% compared to the previous year. It is encouraging that so many colleagues took the time and wanted to have their voices heard and by doing so helped to create a colleague experience that is unrivalled in the sector. The Group's key strengths have been consistent since the prior year – a focus on safety is the number one strength and the businesses' approach to customer focus is highly valued. The Group also scored above global benchmarks on an authentic culture and creating equal opportunity for all. The positive scores reflect the progress made in the last year.

For further information on colleague voice and colleague listening by the Board, see pages 62 and 86.

What's next?

To leverage the Group's strategy, purpose and values – "Our Story" – to build colleague's connection to their role in the future success of the Group.

Reward

Supporting our purpose and sustainability priority

Improving the financial health of colleagues has a direct link to their emotional and physical wellbeing, enabling stable communities and enriching the lives of colleagues and those around them.

Progress in 2022

The core objective for 2022 was to further develop financial wellbeing support to colleagues by launching new services with the Group's partner 'Wagestream'.

Successful launch of Wagestream

Wagestream is a financial management and wellbeing app, providing our colleagues with the ability to access a portion of their salary each month before pay day or set up a savings fund direct from their pay to earn a competitive interest rate. Colleagues can also access free financial coaching and use the budgeting and payment tracking services. Wagestream was successfully launched across the Group in June 2022. Take-up across the Group at the end of 2022 was 32%. At Toolstation, where the benefit was launched in 2021, take-up at the end of 2022 was 62% which is higher than typical for the retail sector. The vast majority of colleagues using Wagestream do so to track their earnings and budget more effectively. One-third of users use the app to stream their wages – most commonly to help with grocery costs and bills – and a third of users are working towards achieving their savings goals with over £500k saved by our colleagues to date. Nearly 3,000 colleagues have completed the in-app financial health check.

Continuing to support financial wellbeing

Increased communications and educational webinars on employee benefits, discounts and offers have helped to raise awareness and support colleagues with cost of living challenges, pensions and mortgages. Spend through the 'MyPerks' retailer discounts and cashback platform increased significantly compared to last year and with savings typically at 6-7% of spend, this benefit continues to help colleagues manage their household expenditure more cost-effectively. In addition, the Group awarded a cost of living payment to the majority of colleagues in January 2023.

Aligning reward to the Group's decarbonisation goals

Scottish Widows has increased ESG integration into the default pension investment strategy. The Group has partnered with Scottish Widows to help develop ESG fund ratings and ESG member communications. As ongoing members of the 'Make My Money Matter' campaign, the Group is committed to investing money in a sustainable way.

What's next?

Further the reach and impact of financial wellbeing and employee benefits support to colleagues.

Charity and volunteering

Supporting our 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 values – "we care" – means that great pride is taken in helping others and making positive changes happen.

Progress in 2022

The core objective for 2022 was to put charity and community partnerships in place that support the Group purpose, engage colleagues, strengthen collaboration and deliver on the Group's strategy and impact goals.

Delivering social value in our communities

The Group's businesses held a varied and creative calendar of fundraising initiatives with partner charities and the Group widened its partnership with VIY ("Volunteer It Yourself"). VIY engages with young people and supports them with training and skills in construction through the renovation of community spaces and places. The Group acted as VIY's Kickstart Gateway Provider to optimise social impact in the form of job opportunities in the communities where Travis Perkins plc colleagues and customers live and work.

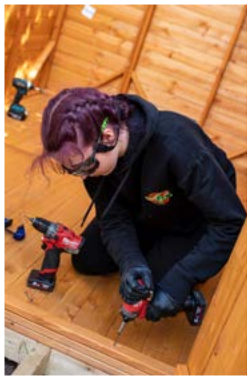
Ukraine appeal

Colleagues across the Group were touched by the events in Ukraine and the impact on people both there and in neighbouring countries. The business made it a priority to support colleagues, partners and suppliers who were affected by events, and directly supported the relief efforts in Ukraine with a £107,000 donation to The Disasters Emergency Committee (DEC). The business set up a JustGiving page for colleagues which raised over £7,000 in one month. Branches and colleagues worked in their local communities to host fundraisers for Ukraine. Some branches acted as drop-off points for donations to support the Northampton Saints' donations appeal for refugees fleeing the conflict. Other colleagues donated their time and expertise to provide employment support including CV writing and interview techniques to Ukrainian refugees in the Northampton area.

Charity and social enterprise partners	2022 contributions
Macmillan Cancer Support	£1m
Centrepoint	£2k
Mind	£107k
Prostate Cancer UK	£57k
VIY	£150k
Variety	£9k
Cynthia Spencer	£23k
DEC Ukraine Appeal	£107k

Volunteering pilots

In 2022 the Group piloted volunteering to help deliver on the Group's impact goals, connect colleagues with each other, and promote sustainability, engagement and wellbeing. Projects included carrying out gardening in the Cynthia Spencer Hospice woodland, local to the Group's head office in Northampton and a beach clean with the Marine Conservation Society at Portishead, where nearly 5kg of rubbish was cleared from a 100-metre long beach. These volunteering opportunities have been popular amongst colleagues, and in the future volunteering will form an important part of the Group's employee value proposition.



What's next?

Use the experience gained from 2022 to deepen and elevate existing partnerships; scaling up cross-Group volunteering opportunities with VIY and the Northampton Saints to empower colleagues to take positive action, and improve data capture to support social impact reporting.

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 second 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 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 2023 Annual Report and TCFD Report.

The Company has not included disclosures consistent with TCFD recommendations and recommended disclosures in relation to Metrics and Targets (disclosure a) due to ongoing work to develop a fuller set of KPIs and sub-targets to better align performance measures with the material risks and opportunities identified in this disclosure. This will also be shared in the 2023 Annual Report.

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 Principal Risks report – Climate Change and Carbon Reduction	52 79
	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 – Risk and Opportunity Management Principal Risks report – Climate Change and Carbon Reduction	55 79
	Describe the impact of climate-related risks and opportunities on the organisations businesses, strategy and financial planning	TCFD report – Risk and Opportunity Management	55
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2° or lower scenario	TCFD report – Scenario results	58
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 – Risk 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 Principal Risks report – Climate Change and Carbon Reduction	55 79
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 KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction Remuneration Report	60-61 40-41 36 101–116
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	TCFD report – Metrics and KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction	60–61 40–41 36
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	TCFD report – Metrics and KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction	60–61 40–41 36

Governance

Scope and sphere of influence

The Group's addressable market for construction materials is £78bn 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 2,453 HGVs and LCVs.

Leadership role

Decarbonisation of our own business and our supply chain is the Group's sustainability priority. For further information see pages 32 to 33.

BUILDING FOR BETTER

Changing the game

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

Doing the right thing

Safety & wellbeing | Diversity, equity & inclusion | Colleague voice | Reward
Charity & volunteering | Modern slavery & human rights | Legal compliance

The Group has sector-leading commitments to reduce carbon in line with a 1.5 degree 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 58.

By 2035 Travis Perkins will have reduced absolute Scope 1 & 2 GHG emissions by 80% and absolute Scope 3 emissions by 63% from a 2020 baseline.

The Metrics and KPIs section (page 60) provides details of the KPIs used by the Group to assess progress against these targets.

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Advocates for change

The Group is proactively engaging with the sector to drive forward the decarbonisation agenda. During 2022 the Group hosted online workshops for over 750 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. 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. Two ESG forums were hosted by the Group for the top National House Builders, bringing together Commercial Directors and Sustainability Directors to agree and act upon key priorities. Additionally, three events were hosted with groups of Social Housing Landlords to support them with their decarbonisation and retrofit agendas. The Group CEO hosted a Scope 3 dinner with the CEOs of the suppliers representing the majority of the Group's Scope 3 carbon footprint. These business leaders discussed successes, challenges and how we can win the hearts and minds of colleagues and others in our industry to enable change.

The scenario analysis conducted by the Group during 2021 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 BSS Group, the largest contributor to Scope 3 emissions in the Group due to the sale of commercial gas boilers, is the Group Leadership Team sponsor for 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 nine sessions with the Group Leadership Team or plc Board during 2022. 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 79.

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 2022 the GLT and Board approved the move from three purpose goals to a single sustainability priority; Decarbonising the Industry. The GLT 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 an additional 203 HGVs.

Alignment of incentives to carbon commitments

The 2022 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 107). In addition, the new restricted stock scheme includes a climate-related performance underpin (see page 103).

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 page 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 sold, rather than how it moves through the Group's businesses. The table below summarises the Group's principal risks and opportunities.

Top climate-related financial impacts	Description	Risk for the Group*	Scenario in which this impacts	Time period in which this impacts	Parts of the value chain most impacted
Risk – technology: Transitioning to lower emissions technology	Decarbonisation of the HGV fleet *(c.1600 HGVs to transition away from diesel)*	High	Proactive Reactive	5–15 years	In-house: Travis Perkins Group
Risk – physical: Rising sea levels and extreme weather events	Decreased asset values *(assumes some branches affected)*	Low – Medium	Proactive Reactive Inactive	15–30 years	In-house: Travis Perkins Group
Risk – regulation: Mandates on and regulation of existing products and services	Product carbon pricing *(assumes a small portion of carbon-related cost price increases are not passed through)*	Low	Proactive Reactive	5–15 years	Downstream and Upstream: Customers and Manufacturers
Risk – Market: Changing customer behaviour	Obsolescence of product *(assumes some product lines are no longer of interest to customers aligning with net zero)*	Low	Proactive Reactive	3–15 years	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	Rising demand for new product mix and new technologies *(to meet changing building regulations and low-emission targets)*	High	Proactive Reactive	1–15 years	In-house: Travis Perkins Group
Opportunity – resource efficiency: Use of more efficient modes of transport	Increased revenue opportunity *(assumes large customers move business towards merchants with decarbonised transport options)*	Low	Proactive Reactive	1–15 years	In-house: Travis Perkins Group
Opportunity – products and services: Development and or expansion of low emission goods and services	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 (ie extreme weather)*	Low	Proactive Reactive	1–15 years	In-house: Travis Perkins Group

*Risk ratings are in line with those in the Principal Risks Section on pages 75 to 81.

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

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Timeline considered
The timelines considered and why they were selected are 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 (2022–2037)	This time horizon was chosen to reflect that scenarios show limited divergence prior to this point
Long	15–30 years (2022–2052)	The physical impacts from climate change will magnify over a longer time period than usual business planning

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

The Group's low-carbon transition plan
The Group has shared the roadmaps to 2035 for Scopes 1, 2 and 3 on its corporate website (https://www.travisperkinsplc.co.uk) 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 88% of this)

- Working with the whole value chain to phase out fossil-fuel boilers from sales by 2035. This primarily relates to commercial gas boilers sold by the BSS business.
- Reducing the Group's total forecast emissions in 2035 by 25% through reduction of 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 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 & 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. An additional 191 HGVs were moved to HVO in 2022.
- 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 eight 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.

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 75. 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 GLT 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 ten 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 GLT members) with confidence to make decisions provided by a clear carbon strategy, target and roadmaps.

In 2022 the Group followed up the initial PwC scenario analysis undertaken in 2021 with a deep-dive investigation of the possible physical climate impacts on its UK branch network and infrastructure, in partnership with Inspired ESG. The focus on physical impacts from climate change necessitated aligning the Group's previous scenarios with Representative Concentration Pathway (RCP) scenarios from the IPCC fifth assessment report.

Scenarios and modelling process

The Group's approach in 2021 had a greater emphasis on understanding transitional risks and impacts than physical risks and impacts (for which a small number of higher risk locations were assessed). In 2022, to better understand physical risks, the Group selected three established RCPs from the IPCC fifth assessment report that were most closely aligned to the scenarios used in 2021. The scenarios, previously referred to as Early action, Late action and No additional action are now referred to as 'Proactive, Reactive and Inactive'. The scenarios outline possible physical and transitional impacts out to 2050. 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	Reactive	Inactive
Transitional	Early action	Late action	No additional action
	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.
Physical	<2 degrees mean global warming	Between 2-3 degrees mean global warming	>3 degrees mean global warming
	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 80 UK sites 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 modelled through four key risk lenses for the Group, including the following examples.

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.

Risk lens	What was modelled	Yet to be modelled
Infrastructure risk	• Impacts from flooding, sea level rise, fires and weather extremes on key physical locations across the supply chain including the Group's own estate • Including the largest ports, highest revenue and traffic sites • Supply issues due to increasing frequency of weather extremes	Full physical impacts on the supply chain and the different nature and scale of impacts depending on geographies
Investment risk	• Costs of decarbonising the fleet • Impacts from existing and emerging regulatory requirements	Technology assumptions as clear alternative drivetrain to diesel fleet does not yet exist Macro-economic trends
Energy and utilities risk	• Electricity costs from switching to decarbonised vehicle fleet • Charges for use of electricity and gas in the business • Costs of diesel, Hydrogenated Vegetable Oil (HVO) fuel and electricity to power the fleet • Impacts from existing and emerging regulatory requirements	Different Energy Pathways Technology assumptions around energy generation
Product sales risk	Increasing sales of sustainable products and raw materials to support energy transition Changes in sales of carbon-heavy products Introduction of emission tax on products Impacts from existing and emerging regulatory requirements Macro-economic trends and technological assumptions, as a clear alternative to diesel drive trains for lorries does not yet exist. Different energy pathways and technology assumptions around energy generation.	No further modelling planned at this stage

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Scenario results
Resilience over the three 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 (this will be modelled in 2023).	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

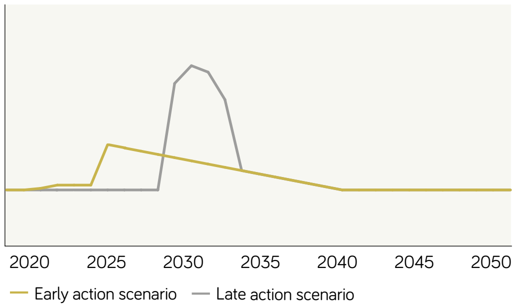
The transitional risk implication of climate change is that the Group's businesses will need to evolve their product mix and develop services to meet the product, data and service requirements of a low carbon construction sector. The analysis has identified a risk of product obsolescence, for example 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.

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.

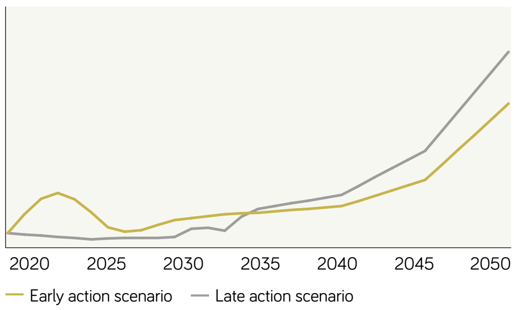
As a distributor, the Group is not a capital intensive business. The investment required to decarbonise the Group's heavy fleet is affordable and is most effectively deployed in a phased manner starting immediately. In the last two years, Capital spend requirements to deliver efficiency programmes have been approved and have proven to decrease direct costs. In 2022, £22m was invested in new delivery vehicles and £0.26m in the transition to HVO low-carbon fuel use (tank installation and surplus fuel costs). Transport-related carbon reduced by 25% in 2022 as compared to 2021.

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. The Group does take into account carbon taxes as part of the business case process.

Total capital investment and maintenance cost for fleet



Energy and utilities fuel cost, including vehicle electricity



Summary of physical risks

The physical risk from climate change to the **Group's estate in the UK** 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 following physical impacts.

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 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.

- Almost half the Group's 1500 sites in the UK are at risk of flooding.
- The Groups latest impact assessment using the three selected temperature scenarios suggests 49% of sites are at a high risk of a one in 100 year river flooding event. Only one site from those surveyed was at a medium or higher risk from a 1-in-500 year river flooding event.
- A forecast 0.5m rise in sea levels would not impact on all Travis Perkins, 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. 22 Group sites could be impacted by 2050 under the Inactive scenario.

Scenario	Proactive	Reactive	Inactive
Timeframe for 0.5m sea level rise to impact	2112 (90 years)	2082 (60 years)	2052 (30 years)

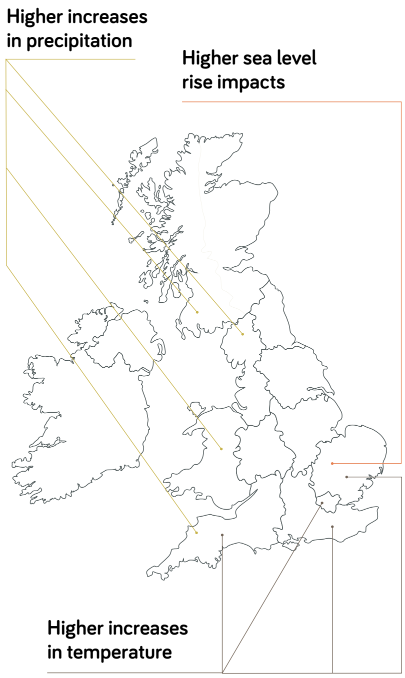
- 15% of the Group's current estate was at risk of impact from wildfires within 10km of the branch between 2018 – 2022, although none directly impacted the estate or operations. The Group will keep monitoring wildfires as, whilst less common than flooding events, they could have a higher impact per event.

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

Region	Reference period (1980 – 2010)	Average daily temperature projection by 2052 (°C)		
		Proactive	Reactive	Inactive
London	10.86	11.40 (5%)	11.69 (8%)	12.09 (11%)
East of England	10.42	10.96 (5%)	11.20 (7%)	11.65 (12%)
South East	10.67	11.21 (5%)	11.50 (8%)	11.90 (11%)
South West	10.67	11.21 (5%)	11.50 (8%)	11.90 (11%)

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

Region	Reference period (1980 – 2010)	Average precipitation projection by 2052 (mm/yr)		
		Proactive	Reactive	Inactive
Wales	1143	1150 (0.6%)	1172 (2.5%)	1164 (1.8%).
South West	950	956 (0.6%)	975 (2.6%)	967 (1.8%)
North West	987	993 (0.6%)	1015 (2.8%)	1011 (2.4%)
West Scotland	1335	1343 (0.6%)	1369 (2.5%)	1358 (1.7%)



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.

Physical impact on community infrastructure and consequent business interruption was not fully modelled and will be returned to in future risk assessment cycles, along with deeper assessment of physical risk in the Group's supply chain.

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

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).

Work is planned for 2023 to determine KPIs and metrics which more directly align to the material risks and opportunities set out in this disclosure. Additional KPIs and metrics will consider activity measures to complement the existing KPIs which are designed primarily to monitor progress on GHG reductions to ensure the Group's SBTi approved reduction targets are met. The activity measures will be aligned to the principal risk and opportunities disclosed above.

The 2022 Scope 3 engagement target for the GLT was achieved. In total 54% 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 107 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 & 2 carbon emissions that are equal to or less than the emissions the Group removes from the environment.

	2022			2021		
	UK	Non-UK	Total	UK	Non-UK	Total
	Energy GWh					
GWh energy Annual energy use relating to gas, purchased electricity and transport fuel (for kWh data see the data table on page 184)	292	8	**300**	359	6	**365**
	Carbon Dioxide Equivalent (CO_2e) Tonnes					
Scope 1 Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution[2]	49,893	1,016	**50,909** V	63,285	814	**64,099**
Scope 2 Indirect emissions from our use of electricity	0	652	**652** V	13,121	530	**13,651**
Scope 1 & 2 Absolute	49,893	1,667	**51,560** V	76,406	1,344	**77,750**
Scope 1 & 2 Intensity[3] Emissions from Scope 1 and 2 sources per £m of inflation adjusted sales	11.2	17.7	**11.3** V	17.3	15.0	**17.3**
Scope 3 Absolute[4] Indirect emissions from the supply chain. Including all Scope 3 categories		**9,893,582** V			**10,142,713**	
Scope 3 Intensity[3] Emissions from Scope 3 sources per £m of inflation adjusted sales		**2,176** V			**2,255**	

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

Carbon data table[1]

The Group has reported on all of the emissions' sources required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013. Scope 1 and 2 emissions are calculated using the DEFRA Conversion Factors for Company Reporting 2022 on an operational control basis. 95% of Scope 1 and 2 data is from measured sources with the remainder extrapolated from either expenditure on fuel or distance travelled. 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. The numbers reported include data for companies where Travis Perkins plc has operational control.
2. Fugitive emissions from domestic refrigeration and building air conditioning are included but they are not material to the Group's overall emissions.
3. Carbon intensity is reference to turnover, adjusted to allow for inflation, relative to baseline year. Adjusted sales figures use 2022 Office of National Statistics inflation data.
4. Scope 3 data quality improved in 2022, primarily due to a review of the emissions factors allocated to product categories within Category 11: In-use impact of products sold. The correction resulted in a material reduction to the Scope 3 footprint. Therefore 2021 and 2020 Scope 3 data have been rebaselined to ensure the trends published reflect progress, not data amendments.

2020			Performance in 2022 vs 2021	Targets (with 2020 baseline)	Performance in 2022 against 2020 target baseline year
UK	Non-UK	Total	%		
Energy GWh					
335	5	**340**	-18%		
Carbon Dioxide Equivalent (CO_2e) Tonnes					
60,656	641	**61,297**	-21%		
17,333	461	**17,794**	-95%		
77,989	1,102	**79,091**	-34%	Net zero by 2035 with a minimum 80% reduction	-35%
21.2	**15.8**	**21.1**	-35%		
9,687,330			-2%	63% reduction by 2035	+2%
2,583			-3%		

2022 headline performance

"Overall, 2022 saw improvements across all three carbon scopes, reflecting the efforts the Group and businesses are making to achieve our SBTi-approved carbon reduction targets."

James Vance,
Group Head of Environment

Scope 1 & 2 absolute carbon

-34%

Scope 3 absolute carbon

-2%

Spend with suppliers engaged on carbon

54%

Section 172 statement

Engaging with stakeholders

Building positive relationships through strong engagement, collaboration and dialogue with stakeholders who share our values is important to us. Working together towards shared goals assists us in delivering long-term sustainable success.

Our Group comprises a number of businesses and all engage with each other because the value of working together is recognised. Each business also has extensive engagement with its own unique stakeholders. The Group's governance framework delegates authority for local decision-making to businesses, up to defined levels of cost and impact, which allows the businesses to take account of the needs of their own stakeholders in their decision-making.

The leadership teams of each business make decisions with a long-term view and with the highest standards of conduct in line with Group policies. In order to fulfil their duties, the Directors of each business and of the Group itself take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken.

The Board is well informed about the views of stakeholders. Reports are regularly made to the Board by the businesses about strategy, performance and key decisions taken, which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making. It uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. Details of the Group's key stakeholders and how we engage with them are set out below.

Shareholders

We rely on the support of shareholders and their opinions are important to us. We want to enable shareholders to have an in-depth understanding of our strategy and operational and financial performance, so they can accurately assess the value of our shares.

We have an open dialogue with our shareholders through one-to-one meetings, group meetings and the Annual General Meeting. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback along with details of movements in our shareholder base are reported to and discussed by the Board and their views are considered as part of decision-making.

During summer 2022, the Group undertook an independent investor perception study run by Rothschild & Co. This study included 15 major investors, representing around half of the Group's actively managed shares, and also five sell-side analysts with a range of current views on the business. This feedback was presented back to the Board by Rothschild & Co during July 2022.

To ensure engagement, the Group also undertook around 200 investor interactions during 2022. These interactions build upon the presentation by the Group of its ambition to become the leading partner to the construction industry, which the Group set out at its Capital Markets Update in 2021. The majority of these interactions were held as in-person meetings as the management team believes that this facilitates a better quality of conversation and helps to build longer term relationships with our shareholders.

Colleagues

Our people are key to our success and we want them to be successful individually and as a team. We aim to build a fully inclusive environment where treating each other with respect and encouraging everyone to be themselves is at the heart of our values.

We work hard to engage with and listen to our colleagues in a variety of ways. Our Group-wide engagement survey in 2022 was sent to 17,815 colleagues with a completion rate of 76%, representing the views of 13,540 colleagues. The engagement survey included detailed questions around safety, belonging, equal opportunity, customer focus and corporate citizenship.

Group diversity and inclusion networks with GLT sponsorship and the Diversity and Inclusion Advisory Board continued to drive the Group's agenda to retain a diverse pipeline of colleagues, enable a high performance culture, develop inclusive leaders and positively impact a generation of young people.

Pete Redfern continued as the designated workforce engagement Non-executive Director in 2022 and focused on holding listening sessions with colleagues to seek direct insight into what was important. Participants nominate themselves for the listening sessions, which have a strong emphasis on confidentiality. Agendas for the meetings were driven by the colleagues who participated, rather than Pete. His role was to listen and facilitate the conversation. During 2022, Pete engaged in a programme of activities where he had the opportunity to gauge the engagement levels of colleagues across our businesses with a specific focus on our Driver and New Starter populations. Key themes emerging from listening sessions in 2022 focused on safety, belonging, equal opportunity, customer focus and corporate citizenship. Pete shared key themes and feedback to the Board.

The Group also focused in 2022 on a storytelling process to deliver a carefully crafted narrative that weaves together three elements which in combination are designed to engage and inspire colleagues; (i) the Group's purpose; (ii) the Group's updated values; and (iii) the strategy. Group-level and business unit-specific narratives were designed to be rolled out throughout the organisation by cascade and so have been made to be easily communicable and capable of being brought to life with personal stories from the tellers to make narratives both resonate with the audience and be capable of being passed on. The cascade started in January 2022 when the story was delivered by the GLT to the senior leadership teams of Group's business units and functions, who in turn cascaded the story within their own teams, with further rolling down to every colleague successfully completed by the mid-point of 2022. The Board was updated regularly regarding progress of this initiative which brought the Group's purpose, values and strategy to life.

Further information on how the Group engages with colleagues can be found under "Colleague voice and engagement" on page 48.

Customers

The success of the Group, both historically and into the future is dependent on our ability to understand and meet the needs of our customers. The Group has invested heavily in data capability to bring a greater level of understanding to the behaviour of our customers and when combined with the time spent discussing their needs and perceptions this produces a significant amount of insight which we use to guide our actions.

Taking a longer term view of customer needs has allowed different business units to begin to develop and deploy a range of services which are designed to go above and beyond the traditional model of supplying materials. By looking forward and seeking to understand the potential range of impacts, which may affect the business of our customers in the future, we are able to assist in the development of some solutions to bring mutual value, enabling, for example, customers to work with changing environmental planning legislation to construct houses that meet current and future standards.

Suppliers

Our suppliers are experts in the wide range of products we source from them. Macro factors such as the increasing relevance of ESG and sector-specific changes seen in the development of modern methods of construction are raising expectations of us and our suppliers and creating opportunities. We aim to build strong supplier relationships and develop mutually beneficial, lasting partnerships that meet these expectations and seize these opportunities.

Engagement with suppliers is primarily through a series of interactions and formal reviews. We also host regular conferences to bring suppliers and customers together to discuss shared goals and build relationships. Core suppliers joined the conferences hosted by the Group's businesses in 2022. Online workshops were held for suppliers in April, July and September, focusing on decarbonisation, sustainable products, responsible sourcing, packaging and quality assurance. Each series of workshops was attended by in excess of 600 suppliers. The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier feedback and issues on a regular basis.

Communities and the environment

Investing in sustainable growth means supporting and empowering the communities in which we operate. By ensuring we make a positive contribution, we can help build thriving communities and strengthen our business. We engage with the communities we operate in, to build trust and understand the local issues. Key areas of focus include how we can support local causes and issues; create opportunities to recruit and develop local people; and help to look after the environment. We set a new long-term target for people development during 2022; 10,000 successfully completed apprenticeships by 2030 (delivered both for the Group's own colleagues and those in the wider industry). We partner with local charities and organisations at a site level to raise awareness and funds. The Group's impact on the environment is a key focus for the Board. During 2022 interim carbon targets were set for buildings and fleet (Scope 1 and 2) and for the supply chain (Scope 3) to ensure credible milestones on the Group's carbon roadmaps. Further information is available in the Sustainability Report on pages 32 to 39.

Government and regulators

The regulatory environment significantly impacts the success of our business. We believe it is important that those who can influence policy, law and regulation understand our views. We also want to share information and perspectives on areas that impact our businesses. We engage with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy-makers relevant to our business. Key areas of focus during 2022 were around a national retrofit strategy, green skills, decarbonisation of specialist fleets and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Section 172 statement continued

Decision-making in practice

One of the major decisions made by the Group this year was to commit to and publish a new industry-leading, skills target. This was to meet increasing stakeholder concerns around the skills gap in the construction industry and, recognising our role as market leader, to set the bar for the industry. In making this decision the Board considered the interests of and the impact on all stakeholders. To provide insight into the approach taken by the Board, a summary of stakeholder views and conclusions is set out below.

Stakeholder	Stakeholder views	Conclusions
Shareholders	Our shareholders want us to operate in the most cost effective way, preserve cash and maximise returns thereby creating value and ensuring the long term sustainable success of the Group.	Investors see companies with a strong focus on material sustainability issues outperforming. With an ageing workforce one of the key sustainability issues in the construction supply sector and indeed the wider construction sector is the current skills gap. The Group's new skills target will go a long way to address this skills gap and will also lead the approach for the wider industry.
Colleagues	Our colleagues want the Group to offer them the opportunity to develop and grow their careers. For both current and future colleagues, the opportunity to develop is a deciding factor in who they work for and how engaged they feel.	The Group cares about its colleagues and wants to retain and attract the best to the business and the industry. The Group's ability to offer these opportunities to colleagues not only helps with attraction and retention but also gives the business a great talent pool of colleagues to meet the future needs of both the business and its colleagues.
Customers	Our customers want colleagues who are able to help them and who use their in-depth knowledge to identify solutions that meet their needs. These needs are evolving and becoming more complex as the industry addresses the challenges of carbon reduction and modernisation. Our customers are also facing their own challenges with skills shortages. Apprenticeship schemes are complex and customers are looking for help in how to access them	The Group maintains regular communication with its customers, consulting regularly with them on their changing needs. The Group's Apprenticeship Programmes underpin the skills target and they not only give colleagues the knowledge, skills and behaviours they need to function in the business today but are designed to give them the capability to operate in a modern construction sector of the future. As part of the new skills target the Group will be opening up the opportunity for employees of its customers to complete Apprenticeships and will be advising customers on this.
Suppliers	Our suppliers want us to have colleagues who understand their products and are able to advise customers on the best ways to use them. They also are dealing with their own challenges around skills shortages and are looking for ways to address these challenges.	The business has worked closely with suppliers in designing apprenticeship programmes to ensure they equip apprentices with the knowledge needed on products. Some suppliers even deliver elements of these programmes. The Group has also offered Suppliers the opportunity for their colleagues to complete TP Group's apprenticeship programmes.
Construction supply sector	The wider Construction supply sector faces the same challenges as the Group over skills shortages. They are also looking for solutions that enable them to recruit and train colleagues in a challenging market.	Addressing the skills shortage for the Group does not solve the wider challenge as this does not address the competitive marketplace for trained colleagues. By opening up the Group's apprenticeship programmes to other organisations in the Construction Supply Sector (many of which are SME's, that find it difficult to utilise apprenticeships) it is possible to grow talent across the sector and reduce the skills gap.
Communities	Our communities want our continued support with local causes and issues.	All of the Group's apprenticeship programmes encourage colleagues to get involved with their local community often in the form of local projects.
Government and regulators	The government and regulators are very aware of the skills crisis and have launched a number of initiatives such as the Plan for Jobs to encourage Employers to take an active role in training people for work.	The Group is one of the few employers in the UK that designs and delivers its own suite of apprenticeship programmes and what is even more unique is that the Group also delivers these programmes to other organisations. The Group is taking the lead in delivering the Government's agenda and receives positive feedback from Government organisations.

Business performance and priorities

- Robust revenue growth of 8.9% with elevated levels of materials cost inflation diligently managed
- Adjusted operating profit of £295m, impacted principally by lower year-on-year property profits and a £15m charge related to restructuring activities in Q4
- Adjusted earnings per share of 94.6p with lower operating profit partially offset by reduced share count
- Proactive cost actions to deliver cost benefits of around £25m in 2023
- Good cash conversion of 67%. Lease-adjusted leverage (net debt / EBITDA) of 1.8x remains comfortably within target range
- Total ordinary dividend increased to 39.0 pence per share (2021: 38.0 pence per share)
- Solid performance in the Travis Perkins General Merchant, driven by continued focus on enhancement of digital capability and expansion of value-added services primarily across Hire, Benchmarx kitchens and Managed Services
- Continued strong performance from the Group's specialist distributors: BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth in the second-half of 2022 after tough prior year comparatives in the first-half. Significant investment in expanding infrastructure in the UK and Europe

£m (unless otherwise stated)	2022	2021*
Revenue	**4,995**	4,587
Adjusted operating profit	**295**	353
Adjusted operating profit before property profits and restructuring charges	**285**	304
Adjusted earnings per share	**94.6p**	107.3p
Adjusted ROCE	**10.8%**	14.1%
Adjusted ROCE before property profits and restructuring charge	**10.5%**	12.1%
Net debt / adjusted EBITDA	**1.8x**	1.20x
Ordinary dividend per share	**39.0p**	38.0p
Operating profit	**285**	349
Total profit after tax	**192**	241
Basic earnings per share	**90.8p**	103.9p

* For continuing businesses only

Summary

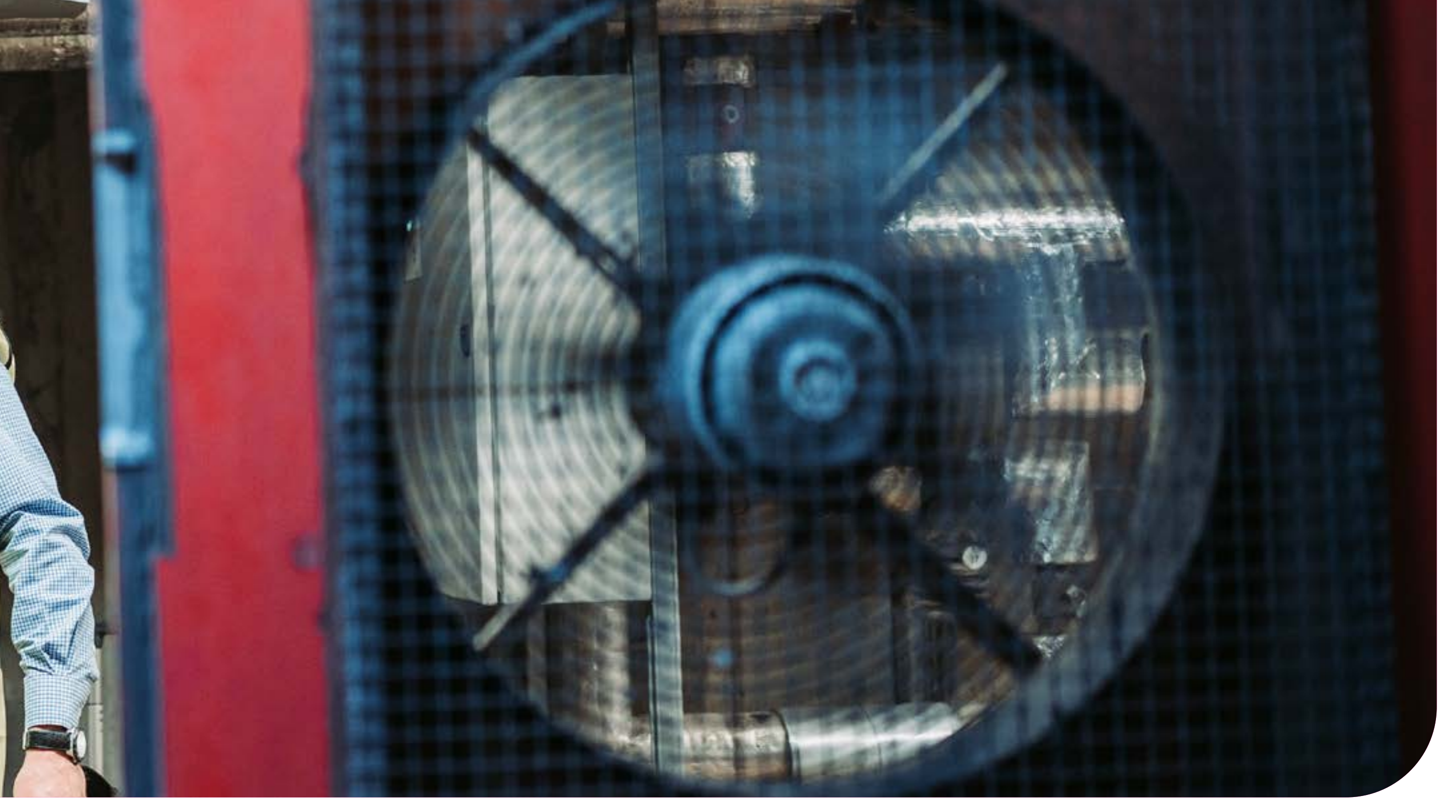
2022 was a challenging year and the Group adapted well to the rapidly changing conditions, making further progress towards its ambition of being the leading partner to the construction industry. The Group will continue to balance delivery of near term performance with longer term strategic objectives as it focuses on outperforming its end markets and generating strong cash flow.

2022 Performance

The Group delivered a resilient performance with revenue of £4,995m, up 8.9% versus 2021. The Merchanting businesses delivered further market share gains and Toolstation returned to good growth in the second half of 2022 following tough comparatives in H1. The Group again demonstrated its ability to recover significant levels of materials cost inflation and continues to benefit from its diverse end market exposure.

While adjusted operating profit of £295m was £58m, or 16%, lower than in 2021, this was predominantly driven by lower year-on-year property profits (£24m) and £15m of restructuring charges associated with the Group's cost reduction actions which will deliver around £25m benefit in 2023. Despite two fewer trading days (impacting operating profit by around £9m), the Merchanting segment improved its underlying operating profit performance with further market share gains. Underlying performance was significantly lower in Toolstation as the business continued to invest in its distribution and network capability across both the UK and Europe to support future growth.

As outlined in the September 2021 strategic update, the Group is focusing on elevating relationships with customers through the growth of value-added services. This approach is paying dividends with the value-added services representing around 16% of Group revenue.



Maintaining operational agility and capital discipline

With the expectation of lower levels of activity in the UK construction sector in the year ahead, management implemented a number of cost reduction actions in Q4 2022 to ensure that the Group's cost base appropriately reflects the trading environment. These actions are expected to deliver around £25m of cost savings in 2023, with the cost to achieve those savings of £15m recognised in 2022.

These actions resulted in the closure of 19 branches in the General Merchant and Benchmarx and a headcount reduction of approximately 400 across those branches and central support functions. These changes represent an acceleration of plans to modernise the business by exiting smaller branches and continuing to invest in larger, more capable, destination branches which incorporate value-added services such as Hire and kitchen showrooms.

The Group also flexed its capital investment programme in the year to reflect the trading environment, with spend being around £15m lower than medium-term guidance (of £125m p.a.). This prudent approach will continue into 2023 with capital spend anticipated to be circa £25m lower than medium-term guidance at around £100m.

Capital structure and shareholder returns

The Group has 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 investment grade credit metrics. At the year-end, net debt / adjusted EBITDA was in the middle of the target range at 1.75x leaving the Group well positioned to navigate the current uncertain market conditions. The current leverage position, together with the cash generative nature of the business, allows the Group scope to continue to invest in driving future growth while also returning surplus capital to shareholders when at the lower end of this target range.

Given the strong balance sheet position and confidence in the medium term potential of the Group, the Board has maintained the cash distribution leading to an increased dividend of 39.0 pence per share (2021: 38.0 pence per share).

Central costs

Central costs reduced by £3m year-on-year due principally to lower management incentive payments.

Property

The Group generated a property profit of £25m in the year, in line with the long run average, with £18m of cash proceeds. The majority of the profit relates to a site sold in Cambridge for which consideration of £22m is deferred to 2023 and 2024.

For 2023 the Group expects property profits of around £20m with cash receipts in excess of that figure.

Outlook

The Group is mindful of the current macroeconomic uncertainty and, in-line with industry forecasts, is planning for a decline in overall market volumes in the mid to high single-digit range in 2023. This will vary across end markets with private domestic new-build and RMI more challenged, while the commercial, industrial and public sectors are expected to remain more resilient.

Product-cost inflation is expected to moderate into 2023 although management does not currently expect to see any notable deflation in manufactured products. The Group therefore expects to see mid to high single digit percentage product cost inflation overall driven by the rollover of prior year increases and further new increases already announced so far this year.

Whilst the expected market dynamics point to a challenging year ahead, the Group continues to anticipate delivering a performance in line with market expectations. The actions taken to create a more agile business, with broad end market exposure, enable management to remain confident in the Group's ability to outperform its markets and deliver attractive returns to shareholders over the medium term.

Technical guidance

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

- Effective tax rate of 25%
- Base capital expenditure of around £100m
- Property profits of around £20m

Business performance and priorities continued

Merchanting

Revenue

£4,220m

2021: £3,826m

Adjusted operating profit

£314m

2021: £320m

2023 priorities

- Regional housebuilder growth, driven by innovative solutions that reduce waste, complexity and the need for specialist labour
- Continue to grow tool hire penetration whilst maintaining capital efficiency
- Selective investment in General Merchant destination branches, focused on major conurbations
- Tight management of the cost base, in-line with market volumes

	2022	2021	Change
Revenue	**£4,220m**	£3,826m	10.3%
Adjusted operating profit*	**£314m**	£320m	(1.9)%
Adjusted operating profit before restructuring charges*	**£329m**	£320m	2.8%
Adjusted operating margin*	**7.4%**	8.4%	(100)bps
Adjusted operating margin before restructuring charges*	**7.8%**	8.4%	(60)bps
ROCE before restructuring charges*	**15%**	16%	(1)ppt
Branch network	**767**	781	(18)

*Segmental adjusted operating profit excludes property profits

The Merchanting segment delivered a robust performance overall with revenue up by 10.3% and growth in operating profit (before restructuring charges) of 2.8% to £329m. After significant price increases during 2021, driven by a rapid post-pandemic recovery in demand, price inflation continued to accelerate through 2022 before moderating slightly in the fourth quarter. Increases were mainly driven by manufacturers passing through rising energy costs with prices increasing by around 15% in H1, rising to around 17% in H2. The Merchanting businesses have again managed these challenges well by focusing on providing transparency on pricing to customers.

Since 2018, the significant programme of work to evolve the customer proposition and deliver empowerment to the branch teams has delivered strong financial benefits. Supported by a rationalisation of the network and much improved data to aid decision making, operating profit (excluding the current year restructuring charge) has grown by 18%, £95m of capital has been removed and ROCE has moved forward by 280bps. The Group is confident in its ability to make further progress on these metrics.

From an end-market perspective, the Merchanting segment benefits from broad exposure providing an element of resilience from volatility in any one end market.

The private domestic RMI market represents approximately 35% of Merchanting revenue and is primarily serviced by the Group's General Merchant business working with smaller trade customers. Following a bright start to the year, volume performance weakened against a tough comparator period and this was exacerbated in the second half by high levels of materials inflation and increasing macroeconomic uncertainty, leading to home-owners delaying or reducing the scope of improvement work. This challenging backdrop is expected to continue into 2023.

For the smaller trade customers the focus remains on the core elements of service; for account customers the number of managed accounts has been increased and for non-account customers, who are more transient in nature, further improvements have been made to ensure transparent and consistent pricing, complemented by the right range and depth of stock in branch. This has been backed up by further investments in our hire fleet and sales team, driving increased penetration, and in our digital proposition.

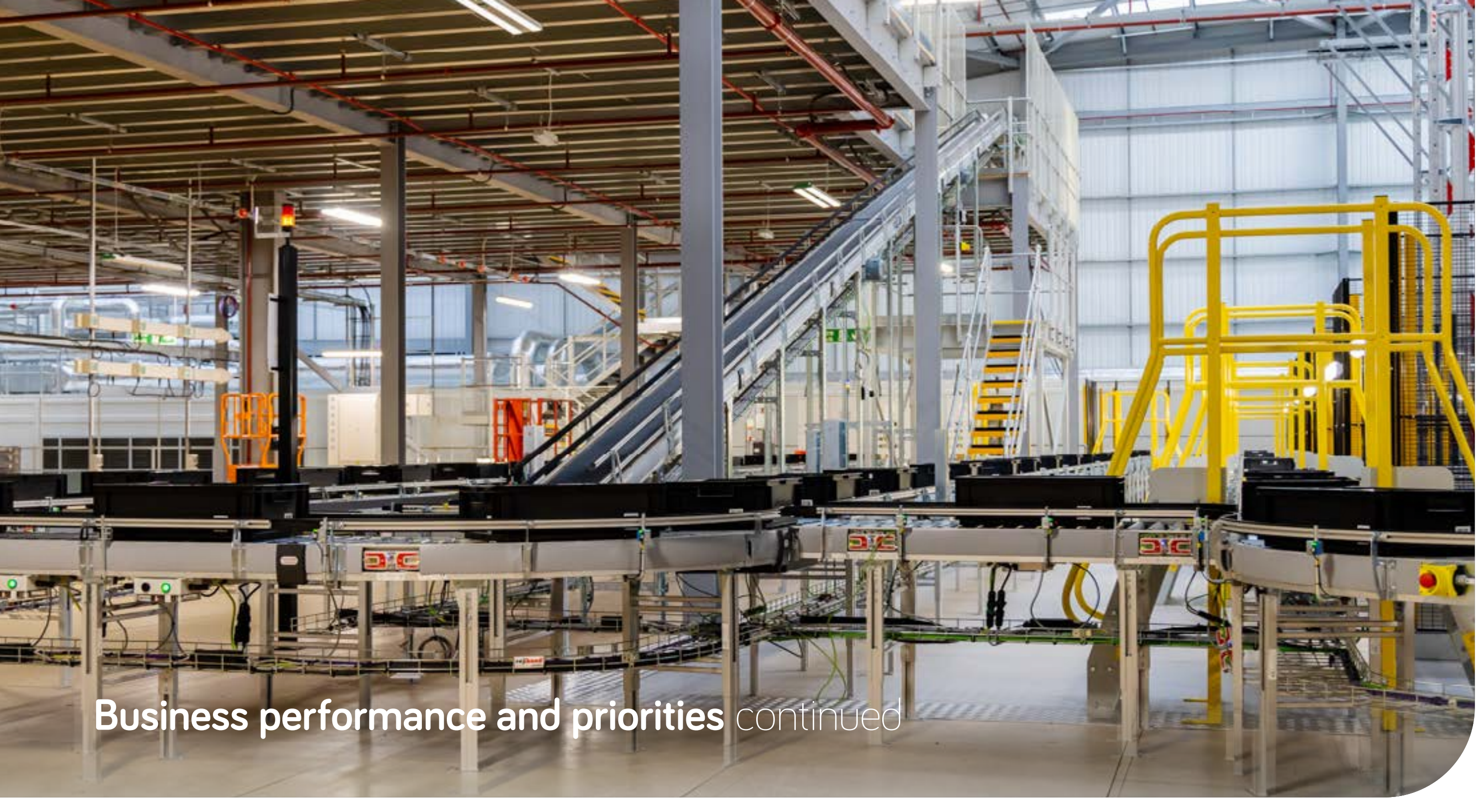
The private domestic new-build market represents approximately 19% of Merchanting revenue and is primarily serviced by Keyline, CCF and Staircraft working with national and regional housebuilders. The businesses engage at different stages of the build process with Keyline typically first on site and CCF and Staircraft delivering at a later stage of the process. While the housing market deteriorated later in H2, this did not feed through notably into volumes as completions continued but will be seen in 2023 with new housing starts forecast to slow.

Within this sector, the Group continues to enjoy long standing partnerships with the major national housebuilders and to focus growth initiatives on the regional housebuilder market where the introduction of Staircraft and the development of the Benchmarx proposition are providing customers with innovative solutions to reduce waste, complexity and the need for specialist labour. CCF and Keyline continue to enhance their proposition in this market by using newly developed data and delivery management capability to provide data on embodied carbon which is helping customers to manage projects more effectively and win work.

The commercial and industrial market represents approximately 22% of Merchanting revenue and incorporates new build and refurbishment activity across offices, warehouses, multi occupancy and student accommodation alongside industrial maintenance. The market is primarily serviced by the Group's BSS and CCF businesses. This sector held up well during the year with a post-pandemic backlog of work remaining and an increasing requirement for logistics space and office remodelling, a trend that is expected to continue.

The public sector market represents approximately 24% of Merchanting revenue and covers projects across infrastructure, public assets such as schools, hospitals and prisons and social housing maintenance. The market is primarily serviced by the Group's BSS, Keyline and Travis Perkins Managed Services businesses. Demand remained robust in this market throughout the year with ongoing government backing for investment in public buildings and infrastructure alongside the continued catch up in social housing maintenance and the impact of tighter legislation on social housing standards. These factors are expected to continue to support demand into next year.

Adjusted operating margin excluding the restructuring charge reduced by 60bps. This was a result of the dilutive effect of very high levels of inflation on the gross margin percentage and also a shift in customer mix towards larger accounts where gross margins are lower. Although the Merchant businesses experienced high levels of overhead inflation, with significant increases in payroll, utility and fuel costs leading to overall overhead inflation of around 8%, this was well managed and the cost to serve percentage remained in line with prior year.



Toolstation

Revenue

£775m

2021: £761m

Branch network

721

2021: 653

2023 priorities

- Open a highly-automated 500,000 ft2 distribution centre in Northampton, initially for direct customer dispatch
- Continued network growth with a further 50 branches planned: 10 in the UK and 40 in Europe
- Further enhancements to the trade customer proposition
- Leverage first-mover advantage in Europe, with optimisation of location and local market plans and customer proposition development

	2022	2021	Change
Revenue	**£775m**	£761m	*1.9%*
Like-for-like growth	**(3.7)%**	12.3%	
Adjusted operating profit	**£(9)m**	£22m	*(140.9)%*
Adjusted operating margin	**(1.1)%**	2.9%	*(400)bps*
ROCE	**(2)%**	5%	*(7)ppt*
Branch network (UK)	**563**	530	*33*
Branch network (Europe)	**158**	123	*35*
Adjusted operating profit – UK	**£21m**	£42m	*(50.0)%*

2022 proved a challenging year for Toolstation overall as financial performance reflected further significant investment in network and distribution capabilities to build the business for the future alongside lower DIY-related volumes following exceptional sales during the pandemic. Despite weakening end markets, performance improved through the year with revenue growth in H2 of 8.9% compared to a fall of 4.6% in H1.

UK adjusted operating profit fell to £21m given the volume impact described earlier, continued investment in the network and distribution capability and overhead inflationary pressures. Toolstation will continue to focus its propositional development on the trade customer base given the higher frequency of orders, larger basket size and better product mix which provide a more predictable revenue stream and a larger market opportunity.

A further 33 branches were added to the UK network during 2022 taking the total to 563. Reflecting macroeconomic conditions, the pace of rollout was slowed and this will also be the case in 2023 with around 10 new branches planned to open. With 268 new branches opened since 2017, only around half of the network is mature. New sites continue to perform at least in line with mature cohorts and these branches have the potential to add over £300m of revenue over the next five years.

The Group has invested £28m to date (£17m in year) in a new c.500,000 square foot distribution centre in Pineham, Northamptonshire. The facility incorporates automation technology and will initially provide the capability to fulfil direct to customer orders. The facility is due to be fully operational in 2023 and is an important strategic investment to both drive revenue growth and increase operational efficiency.

The European business saw very similar dynamics in terms of both revenue and operating profit performance. Benelux continues to progress well and, with 27 further branches added to take the total to 113, is approaching the “critical mass” required to take the business into profitability. During the year the Group also invested in a second distribution facility in the Netherlands with around 200,000 square feet of capacity. This facility which will provide the capability to build the network out to around 250 branches. In France, where sales grew by 50%, eight new branches were added to take the total to 45 as the business continues to refine the customer service proposition alongside optimising the choice of location and local market plans.

With the European business investing for the future and also experiencing similar volume dynamics as the UK, losses for the year were £30m. A similar outcome is expected in 2023 although this will reflect narrowing losses in the Netherlands and the impact of increased investment in France and Belgium.

Financial performance

Revenue analysis

As revenue comparatives normalised after the impacts of the pandemic, the Merchanting business and Toolstation saw contrasting dynamics though 2022.

The Merchanting business saw strong overall growth driven by price inflation which accelerated rapidly through the year before slightly moderating in the fourth quarter. With the Merchanting pricing model largely based around the pass through of materials cost price inflation, as manufacturer increases picked up from the second quarter onward (due primarily to energy cost increases), this fed through into sales price inflation as the Merchant businesses passed through these increases in a disciplined manner.

Overall volumes weakened sequentially throughout the year, notably in the smaller customer segment of the private domestic RMI market, with the impact of inflation, normalisation of comparatives from a very strong market in 2021 and concerns over project affordability weighing on sentiment.

Toolstation experienced significant volume decline in the first half as the business lapped pandemic impacted comparatives before returning to solid revenue growth in the second half with volumes broadly flat. Whilst the impact of materials cost inflation was not as pronounced on lightside products as on heavyside, inflation was still notable at around 9%. The Toolstation team have had to carefully balance the requirement to recover materials cost inflation with the desire to maintain value leadership with recent performance demonstrating that this has been managed well.

As a comparison to 2019 as a base year, Merchanting revenue was 14% ahead. Taking into account the reduction in space due to the 2020 restructuring and three-year cumulative inflation, Merchanting volumes were therefore broadly in line with 2019. Toolstation revenues are around 74% ahead of 2019. On a similar basis and adjusting for the impact of consolidating Toolstation Europe, volumes are around 45% higher than 2019.

	Merchanting	Toolstation	Group
Volume	(5.8)%	(7.1)%	(6.0)%
Price and mix	16.1%	9.0%	14.9%
Total revenue growth	**10.3%**	**1.9%**	**8.9%**
Network changes, acquisitions and disposals	(2.4)%	(5.9)%	(3.0)%
Trading days	0.8%	0.3%	0.7%
Like-for-like revenue growth	**8.7%**	**(3.7)%**	**6.6%**

Quarterly revenue analysis

		Total revenue*		Like-for-like revenue	
		2022	2021	2022	2021
Merchanting	Q1	17.9%	5.7%	15.3%	15.7%
	Q2	9.2%	87.8%	8.5%	94.1%
	H1	**13.3%**	**37.5%**	**11.7%**	**47.3%**
	Q3	11.5%	15.1%	8.7%	15.2%
	Q4	4.7%	13.6%	2.3%	11.9%
	H2	**7.3%**	**14.4%**	**5.6%**	**13.7%**
	FY	**10.3%**	**24.8%**	**8.7%**	**28.2%**
Toolstation	Q1	(6.0)%	49.8%	(11.9)%	42.1%
	Q2	(3.2)%	29.0%	(9.2)%	19.7%
	H1	**(4.6)%**	**38.7%**	**(10.6)%**	**29.8%**
	Q3	6.1%	9.1%	0.2%	1.4%
	Q4	12.7%	1.7%	7.2%	(5.1)%
	H2	**8.9%**	**5.3%**	**3.7%**	**(2.0)%**
	FY	**1.8%**	**20.2%**	**(3.7)%**	**12.3%**
Total Group	Q1	13.6%	11.5%	10.5%	19.5%
	Q2	7.1%	74.6%	5.6%	76.9%
	H1	**10.3%**	**37.7%**	**7.9%**	**44.1%**
	Q3	10.7%	14.1%	7.4%	13.1%
	Q4	6.0%	11.4%	3.1%	8.8%
	H2	**7.5%**	**12.8%**	**5.3%**	**11.0%**
	FY	**8.9%**	**24.0%**	**6.6%**	**25.4%**

* Trading day adjusted

Financial performance continued

Operating profit

£m	2022	2021	Change
Merchanting	314	320	(2)%
Toolstation	(9)	22	(141)%
Property	25	49	(49)%
Unallocated costs	(35)	(38)	8%
Adjusted operating profit	**295**	**353**	**(16)%**
Amortisation of acquired intangible assets	(10)	(11)	1
Adjusting items	–	7	(7)
Operating profit	**285**	**349**	**(64)**

There were no adjusting items in the year. During 2021, the Group successfully exited the leases on a number of branches closed in 2020 for less than the contractual lease liability, which generated a £7m credit.

Finance charge

Net finance charges, shown in note 6, were £40m (2021: £43m) with the reduction primarily due to favourable foreign exchange movements.

Taxation

The tax charge for 2022 was £53m (2021: £65m excluding discontinued operations).

The tax charge for the year gives an effective tax rate ("ETR") of 21.6% (standard rate 19%, 2021 actual 19.7%). The ETR is higher than the standard rate due to the effect of expenses not deductible for tax purposes, the largest items being the depreciation of property and unutilised overseas losses.

Earnings per share

The Group reported a total profit after tax of £192m (2021: £241m, excluding discontinued operations) resulting in basic earnings per share of 90.8 pence (2021: 103.9 pence, excluding discontinued operations). Diluted earnings per share were 89.2 pence (2021: 102.6 pence excluding discontinued operations).

Adjusted profit after tax was £200m (2021: £249m, excluding operations) resulting in adjusted earnings per share (note 20(b)) of 94.6 pence (2021: 107.3 pence). Diluted adjusted earnings per share were 92.9 pence (2021: 105.9 pence).

Cash flow and balance sheet

Free cash flow

£m	2022	2021	Change
Adjusted operating profit excluding property profits	270	304	(34)
Depreciation of PPE and other non-cash movements	97	98	(1)
Change in working capital	(76)	(152)	76
Net interest paid (excluding lease interest)	(17)	(14)	(3)
Interest on lease liabilities	(21)	(21)	–
Tax paid	(58)	(60)	2
Adjusted operating cash flow	**195**	155	40
Capital investments			
Capex excluding freehold transactions	(110)	(95)	(15)
Proceeds from disposals before freehold transactions	10	5	5
Free cash flow before freehold transactions	**95**	65	30

The Group delivered good free cash flow conversion of 67% in the year (2021: 51%). This included a working capital increase of £76m which was largely driven by a decrease in trade creditors. Stock and debtors were well controlled given the impact of high inflation with debtor days reducing by one day and stock volumes reducing by a double-digit percentage, partly attributable to high levels held in prior year given supply chain concerns but also reflective of tight stock management.

Capital investment

£m	2022	2021
Strategic	75	66
Maintenance	28	20
IT	7	9
Base capital expenditure	**110**	**95**
Freehold property	38	81
Gross capital expenditure	**148**	**176**
Disposals	(23)	(82)
Net capital expenditure	**125**	**94**

Base capital expenditure in cash terms was £15m higher than the prior year as the Group continued to invest in the strategic properties set out in 2021. The total expenditure was below medium-term guidance (of £125m pa) which reflects a more cautious approach during the second half with greater macroeconomic uncertainty.

In line with the Group's plan for growth, strategic capital expenditure was almost exclusively focused on Toolstation (70 new branches and distribution centre investments in the UK and the Netherlands), Travis Perkins General Merchant new branches and investment in the Group's value-added services offerings, primarily Benchmarx and Hire.

Maintenance capex increased by £8m as a result of 2021 being well below the long-run average due to the redeployment of fleet assets from the 2020 restructuring programme in lieu of new purchases.

With regards to freehold property activity, 2021 was an exceptional year as the cash generated from the sale of properties vacated as part of the restructuring programme was recycled into new Merchanting branches. With property activity returning to more normal levels in the year, the Group continued with this value-generative approach to managing its property portfolio, using proceeds generated to purchase the freeholds of several General Merchant branches in the South-East of England to protect these key trading assets for the future.

Uses of free cash flow

£m	2022	2021	Change
Free cash flow	**95**	**65**	**30**
Investments in freehold property	(38)	(81)	43
Disposal proceeds from freehold transactions	12	78	(66)
Acquisitions / disposals	–	249	(249)
Dividends paid	(82)	(105)	23
Net purchase / sale of own shares	(172)	(70)	(102)
Cash payments on adjusting items	(7)	(33)	26
Drawdown of borrowings	75	–	75
Repayment of borrowings	(120)	–	(120)
Other	–	(150)	150
Change in cash / cash equivalents	**(237)**	**(47)**	**(190)**

Cash and cash equivalents reduced by £237m in the year which was predominantly a result of c.£170m of share repurchases funded by the sale of the Group's Plumbing & Heating business in 2021 (the proceeds from which are reflected in the prior year disposals, net of the acquisition cost of Staircraft).

The remainder of the movement principally relates to £120m of bonds being repurchased early via a tender offer as part of the Group's ongoing management of its debt maturity profile. These bonds have been partly replaced by a £75m term loan with details of this facility outlined below. The "Other" category in the prior year contains around £130m of cash used to capitalise the Wickes business upon demerger.

Dividend payments returned to normal levels in the year. The prior year reflected a special dividend following the sale of the Plumbing & Heating business and only an interim payment following the temporary suspension of the dividend during the worst of the pandemic in 2020.

Net debt and funding

	2022	2021	Change	Covenant
Net debt (under IFRS 16)	**£819m**	£605m	£175m	
Net debt / adjusted EBITDA	**1.8x**	1.2x	0.6x	
Covenant metrics*				
Covenant net debt	**£279m**	£87m	£192m	
Covenant net debt / EBITDA	**0.8x**	0.2x	0.6x	<3.0x

* Pre-IFRS 16 – Leases basis

Covenant net debt increased by £192m across the year to £279m. This movement is principally a result of the 2021 closing position including £170m of net proceeds from the sale of the Plumbing & Heating business which were returned to shareholders via the share buyback programme during 2022, with the balance related to an inflation-driven working capital increase.

Funding

As at 31 December 2022, the Group's committed funding of £905m comprised:

- £180m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- £75m bilateral bank loan due August 2027
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in January 2024 and the remaining £346m matures in April 2025

As at 31 December 2022, the Group had undrawn committed facilities of £400m (2021: £400m) and deposited cash of £194m (2021: £435m), giving overall liquidity headroom of £594m.

In April 2022, the Group completed a tender offer on the 2023 guaranteed notes, repurchasing £120m principal amount of notes which were subsequently cancelled.

In August 2022, the Group entered into a £75m five-year bilateral loan with one of its relationship banks, pari passu with existing facilities. The bilateral loan bears a floating interest rate, which was fixed at the point of issuance via an interest rate swap.

The Group's credit rating from Fitch Ratings was affirmed at BBB- with stable outlook following a review in October 2022.

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 has a revolving credit facility with a syndicate of eight banks for a total value of £400m with £54m maturing in January 2024 and £346m maturing in April 2025. Built into the agreement is an option to extend the size of the facility to £550m.

Financial performance continued

The Group has an upcoming maturity of Guaranteed Notes due September 2023. The original size of this issuance was £300m. To manage this refinancing risk, the Group took two steps in 2022. In April 2022, a tender offer was successfully completed for £120m principal value of the Notes, which were subsequently cancelled.

In August 2022, the Group issued a new £75m floating rate five-year term loan with National Westminster Bank plc. This loan was swapped to a fixed rate at the point of issuance via an interest rate swap. 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. Forward contracts are purchased for approximately 90% of six months' forward committed requirements, based on the firm placement of forward stock purchases. At 31 December 2022 the nominal value of currency forward contracts was €10m (2021: €11m) and US$30m (2021: US$21m).

The Group is a substantial provider of credit to small and medium-sized businesses in the UK and some of the UK'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 2022 was 0.3% (2021: 0.4%) 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 1.8x (2021: 1.2x) 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.

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 66 to 74 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 28 February 2023, the month-end date closest to the approval of the 2022 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 2008/2009 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 2008–2009 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 & uncertainties

Risk management is integral to building the Group's resilience and supporting delivery of its strategic objectives, which will both protect and create stakeholder value.

Heightened uncertainty in the external environment, alongside the need to successfully implement a number of transformational programmes internally, drive an increasingly dynamic risk landscape for the Group to navigate, underlining the importance of maintaining effective and timely risk management processes.

Risk management framework

The Group takes a balanced approach to manage risks in a proactive, efficient and effective way. Risk assessment and mitigation is a key area of focus for senior management and is embedded into broader review and decision making processes.

The risk management framework has three pillars:

- **Top down** – activities at the Board and Group Leadership Team levels, focused on material risks to the strategy, business models and operations.
- **Bottom up** – activities across the Group that capture and assess risks that are significant at a business unit, programme or functional level.
- **Emerging risk** – new and emerging risks are considered and tracked through the regular risk activities above, the results of assurance activities and, at least twice a year, through a process of horizon scanning that includes assessment of our risk set against a diverse set of external benchmarks.

The output from each pillar informs the process to determine the Group's principal risks.

In addition, the Risk function works in conjunction with the business to undertake a rapid evaluation process where new or unexpected events trigger changes to the Group's risk profile, such as the Group-wide impact analysis that was completed in early 2022, shortly before Russia's invasion of Ukraine.

Responsibility and oversight

The Board has overall responsibility for risk management and internal controls, and for reviewing their effectiveness at least annually. The Board is supported in its assessment by the work of the Audit Committee, which regularly assesses the risk framework and the results of key assurance processes, including the work of Internal Audit, to provide assurance to the Board that risk is being effectively managed throughout the Group. Further details on the Group's risk management responsibilities and oversight are given in the Corporate Governance Report on page 89.

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. It undertakes an exercise, at least annually, to consider the nature and level of risk it is prepared to accept to deliver the strategy. Risk appetite is set against a sliding scale across a suite of risk categories directly relevant to the Group, supported by high-level risk statements which set out the expectations for the management and control of each category of risk. The resulting assessment of risk appetite, refreshed again in 2022, has been set to balance opportunities for growth and business development in areas of potentially higher risk and return, whilst prioritising safety and maintaining the Group's reputation, legal and regulatory compliance and the desired high levels of customer service and satisfaction. The Board also considered the principal risks in the context of its risk appetite and assessed current and planned mitigating activities to ensure that these key risks are managed within the stated appetite.

Risk assessment and reporting

The risk management processes aim to identify and assess risks before they impact on activities, and position the businesses and support functions to effectively manage those risks and leverage related opportunities. The Board has developed a risk reporting framework that ensures it has visibility of key risks, the potential impacts on the Group and how and to what extent those risks are mitigated. Consideration of risk is also built into reporting for key review and decision making processes including those related to strategy, transformational programmes and regular business performance reviews.

Risk mitigation and assurance

The Group are able to mitigate relevant risks by adopting different strategies, informed by the Board's appetite for risk, and by maintaining a strong system of internal control which is routinely tested and assured.

The Group operates a "three lines of defence" model to obtain assurance that major risks are adequately mitigated and controlled, as set out below. Oversight is ultimately provided by the Group Leadership Team and the Audit and Stay Safe Committees, which includes regular review of progress against agreed improvement actions. Regular updates on assurance activities are provided to the Board.

Line of Defence	Source of assurance	Nature of assurance	Oversight
1st	Business operations & operational management *Branches & distribution centres*	**Direct assurance** – Execution of policies and procedures, training completion, management controls and monitoring, key performance indicators and self-assessments	Business leadership teams
2nd	Central functions *Includes Safety, Fleet, Legal, Finance, IT and HR*	**Management assurance** – Risk management programme, compliance and monitoring activities, central governance processes (including the setting of policies, procedures and training)	Group Leadership Team Stay Safe Committee
3rd	Independent reviews *Includes internal audit, external audit and other third party reviews*	**Independent assurance** – Internal audit activities, external audits and reviews that objectively assess the adequacy and effectiveness of governance, risk management and controls and support continuous improvement	Audit Committee Stay Safe Committee

Statement of principal risks & uncertainties continued

Development of the Risk Management Framework in 2022

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. Particular focus has been placed this year on reviewing potential disruptive forces, both in terms of a dynamic macroeconomic and geopolitical environment and the challenges and changes facing the construction industry more generally. The Board participated in a disruption-focused workshop during 2022 to assess both strategic resilience and further opportunities for the Group. The outputs of this exercise have been assessed against existing mitigations and planned initiatives to identify areas for ongoing review and focus.

At the end of 2022 the Group commissioned an external review of our risk management framework. This confirmed that the Group have made a marked improvement in the way risk is identified, considered and reported in recent years. Ongoing work is required to continue to evolve the framework, consistency of approach and risk culture across the Group. This will be built into the findings into the Group's development plan, to ensure that risk management is fully leveraged to drive insight, decision support and value for the Group as well as meet the future requirements of UK corporate reforms.

The Risk function has continued to deliver risk training and workshops in 2022 with a particular focus on Toolstation Europe and supporting the ongoing development of the risk assessments that underpin the Group's suite of minimum standards for ESG leading commitments and strong core focus areas. This year Internal Audit has also enhanced its reporting to assess findings against the Board's risk appetite, to ensure that action taken is proportionate to, and prioritised in line with, the Board's risk objectives.

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 most large organisations, the Group is subject to general commercial, political and economic risks, which moved rapidly and significantly in 2022.

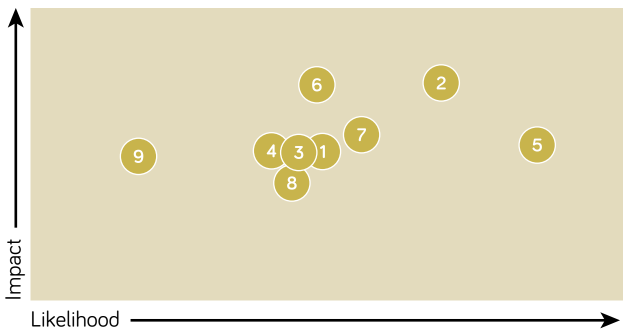
The principal risks that are considered to have a potentially material impact on the Group's operations and the achievement of its strategic objectives are set out below. Further detail in respect of the potential impact of these risks and the mitigating actions taken are explored on the following pages. 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.

Risk category	Principal risks	Strategic objective	Risk trend 2022	Risk trend 2021	Inherent risk
External	1. Long term market trends	ABCD	↔	↔	High
	2. Macroeconomic volatility	AE	↑	N	High
	3. Supply chain resilience	BC	↑	↑	High
Strategic	4. Managing change	ABCDE	↔	↔	Medium
	5. Climate change & carbon reduction	D	↔	N	High
Technological	6. Cyber threat and data security	D	↑	↑	High
Operational	7. Health, safety & wellbeing	D	↔	↔	Medium
	8. Legal compliance	D	↔	↔	Medium
	9. Critical asset failure	BCD	↔	N	Medium

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

Principal risks heat map:

After mitigating actions and controls



The Board and Group Leadership Team robustly assess the Group's principal and emerging risks at least twice a year. During 2022 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.

Key disruptive risks that may impact the viability of a strategy or business model are also identified and managed and were the topic of a dedicated Board workshop during 2022. 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.

Key changes in the year

The Board has made the following changes to the principal risks in 2022:

- **Pandemic:** Whilst Covid-19 remains a potential source of disruption for the Group, the business has developed proven ways of working through the initial years of the pandemic to continue to operate whilst promoting the safety and wellbeing of it's colleagues, customers and suppliers as well as the general public. The Group's national network and extensive supply base means it is well placed to maintain high levels of customer service should there be further localised restrictions. The ongoing impact of the pandemic on global markets is considered in the Group's Macroeconomic Volatility risk. As a result, the Board has removed the Pandemic risk from the principal risk set but the Group remains vigilant in the ongoing assessment of, and response, to public health concerns.
- **Macroeconomic Volatility:** This risk was introduced in 2021 in light of availability challenges and early signs of inflation. Whilst the former has resolved in 2022, this risk has been reshaped to focus on the uncertain and volatile macroeconomic and geopolitical environment, which the Board now considers to present a high level of inherent risk to the Group, although action has been taken on many fronts to manage and mitigate the impacts, as set out below. Given the pace and breadth of change during 2022, in the UK and globally, this risk is still considered to be increasing.

Emerging risks

The risk environment in which the Group operates will continue to evolve and be impacted by future events, therefore awareness of emerging risks forms part of the overall risk assessment process. The Group seeks to capture and monitor areas of uncertainty that do not currently present a significant risk but which have the potential to adversely impact it 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 emerging risks from regular external risk 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 hostilities in the war in Ukraine continues to be monitored as an emerging risk. Immediate action was taken at the start of the war to ensure compliance with sanctions and, particularly, that timber purchases are from certified sources and do not include timber sourced from Russia or Belarus. Any further escalation in conflict in Europe could present further impacts to sourcing and supply so this remains under regular review. Other areas of potential emerging risk considered by the Board during 2022 include international relations with China, which have the potential to influence our direct sourcing operation, and renewed calls for a referendum on Scottish Independence, which, dependent on the erms of an agreed separation, could impact our network of branches and stores in Scotland. These continue to be analysed and monitored.

Long-term market trends

Inherent risk: High	**Change in risk level:** ↔	**Relevance:** Industry-wide

Description

The construction sector is changing, driven by both macro and sector-specific factors. Whilst current macroeconomic conditions are creating a varied picture across the Group's customer base in terms of demand and sentiment, the fundamental long-term market drivers are strong. A number of 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 competitor developments will impact its longer-term growth and delivery of the strategy.
- 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 that the business sells may look to sell directly to end customers, diminishing their role as a distributor. Disintermediation has the potential to increase in an economic environment where customers are more price sensitive and proposition differentiation becomes less important.
- ESG factors are becoming more fundamental to long-term success.
- New UK legislation drives a need to manage changing building standards and the future framework for heat in buildings through the products and services that the Group offers.

Mitigation

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. The need to decarbonise an ageing housing stock is growing in urgency given the sharp increase in energy costs and government policy is supportive of investment in infrastructure.

The Group is well positioned to partner with the construction industry to deliver on this agenda. 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 focus remains on deepening trade customer relationships by delivering convenient service propositions, both physical and digital, and on elevating customer relationships through the provision of solutions and value added services that take time, cost and carbon out of customers' construction processes. To this end, further investments have been made in developing Hire and Managed Services propositions and the Group is beginning to support customers' net zero plans by providing delivery carbon data.

The business continues to make progress in digitising key customer journeys and building tools that complement the existing operations and offer customers options to transact in ways that best suit their needs. The recently implemented delivery management system and customer apps offer a best-in-class digital customer experience and help drive internal efficiencies.

The Group has entered into a number of partnerships with companies involved in modern methods of construction.

The Group maintains a comprehensive tracking system for lead indicators that influence the market for building materials in the UK.

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.

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

Statement of principal risks & uncertainties continued

Macroeconomic volatility

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

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 business to much wider macroeconomic –and geopolitical– uncertainty. Global events in the last 18 months, including the war in Ukraine, and the continuing impact of the pandemic and related lockdowns in some areas, have created an uncertain and volatile macroeconomic situation that the Group is not alone in facing.

The UK is facing a range of macroeconomic challenges including, along with many of the countries from which the Group sources products, the highest level of inflation for 40 years. This is substantially impacting the cost of goods sold and operating costs including fuel and energy, which could continue to rise.

The performance is affected by both general economic conditions and a number of specific drivers of construction, repairs, maintenance and improvement and DIY activity. In the last year, the lead indicators, which include the volume of housing transactions, house price inflation, and consumer confidence, have been weakened by the cost of living crisis and rising UK mortgage rates.

Whilst the central government in the UK has named infrastructure as its second growth priority, any change in policy or investment levels could impact the businesses that serve this sector.

Although the Group has shown resilience in the face of this range of pressures, continued turbulence in the external environment could negatively impact the Group's ability to grow market share and deliver an improved trading performance.

Mitigation

The Group is confident in its strategy, the strength of the Group and the resilience of the diverse end-markets, however, like every business, the Group has to navigate the current volatile macroeconomic conditions carefully, continue to tightly manage costs and take the right decisions in order to steward the business responsibly and sustainably. The actions taken to simplify the Group's operating structure in recent years have created the flexibility to adapt to changing market conditions.

The Group remains focused on the recovery of elevated levels of input cost inflation and continues to tightly manage the operating cost base.

The Group undertakes constant product price and availability monitoring across the businesses. Pricing strategies across the Group are regularly reviewed and the Group has been successful in 2022 in working with customers to pass through higher input costs in the most transparent and fair way possible. The market positions of the businesses and their strong relationships with suppliers have been used in this uncertain period to ensure that the Group maintains adequate stocks to meet demand during periods of disruption.

Policy and legislative changes that may impact the businesses 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 the exposure to currency fluctuations.

In response to cost of living concerns, the Group is actively promoting the comprehensive benefits package, discounts and support available to colleagues. In addition, the majority of colleagues received a one off additional support payment in January 2023.

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

Supply chain resilience

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

Description

A resilient supply chain is a critical factor in serving customers and achieving strategic objectives.

There is both breadth and depth to the Group's supply chain. The Group sources products from across the globe and 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 and related responses at a local, national or international level, geopolitical and macroeconomic factors, industrial action and the status of transport networks.

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 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 helps the Group to assess supplier resilience but if suppliers do not meet standards it could further restrict the supply options.

Mitigation

The Group maintains strong relationships with its key suppliers and work closely with them to agree mutually beneficial contracts, conduct due diligence in line with the Group's commitment to responsible sourcing, and ensure a continuous supply of quality materials.

The pandemic tested the ability to ensure continued supply and respond quickly to changes in demand. The increased supplier liaison that the Group introduced in preparation for Brexit helped them to successfully navigate a period of significant uncertainty in collaboration with the key suppliers. Whilst the pandemic-related supply issues experienced across the sector have resolved, the Group continue to navigate uncertainty working in tandem with suppliers. The Group moved quickly in 2022 to ensure that sanctions against Russia were effective within the supply chain and, particularly, purchases excluded timber sourced from Russia or Belarus.

To ensure continuity of supply, where possible, contracts exist with more than one supplier for key products, to reduce the risks of dependency on a sole supplier. 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.

The Group has made a significant investment in its TP Asia office to support direct sourcing. This allows the development of own brand products, reducing the reliance on branded suppliers.

The Group has published Supplier Commitments that articulate its expectations. Independent checks are undertaken on 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.

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

Managing change

Inherent risk: Medium	Change in risk level: ↔	Relevance: Company specific

Description
Embracing and effectively navigating change is fundamental to the Group's future success.

Strategic change
The Group's strategy is built upon innovation and some of the capabilities needed are different from the traditional merchanting skill set. The Group seeks to build new services, digitise its businesses 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 ability to attract, retain and develop colleagues, or add capability through targeted acquisitions, is central to ensuring that the Group has the right skills and experience to deliver 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. It is a dynamic labour market but these 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 change required is key to successful execution of the strategy.

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, the pace of project delivery may need to flex with available resources, which could lead to missed opportunities or delays to access operational benefits or deliver on strategic priorities.

Mitigation
The Group has adopted a new Group-wide 'Idea to Live' change approach this year to prioritise, approve and manage initiatives in a transparent and consistent way. The Group creates dedicated teams to deliver major programmes with external expertise added to support when necessary. The strategic initiatives consider the related capability requirements and, as needed, they will make bolt-on acquisitions to deliver a strategically significant opportunity.

All major programmes are ultimately governed by the Group Programme Review, overseen by the CEO, CFO and COO, with regular reporting to the Board. This review considers the portfolio of programmes in terms of progress, milestones, interaction, key decisions, risks and requirements. Major programmes are also supported by defined governance structures, including a dedicated sponsor from the Group Leadership Team and regular review by a project Steering Committee.

The Group undertakes post-investment review exercises to assess the success of change, in both financial and non-financial terms. If projects do not deliver against expectations, the Group assesses the 'lessons learned' to inform future programmes.

The Group has designated people development and diversity & inclusion to be among its leading commitments and they are progressing delivery of the pillars of "Our People" agenda: attract, belong, deliver, learn and grow. The Group listens to colleagues' voices through regular engagement surveys with 76% of colleagues completing the 2022 survey.

The reward and recognition systems are actively managed and regularly 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, colleague engagement

Climate change and carbon reduction

Inherent risk: High	Change in risk level: ↔	Relevance: Industry-wide

Description
Climate change could significantly impact the construction sector during the transition to a low carbon environment. The nature, extent and scale of that change remains unclear. 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 promotes a sustainable and value-generating business model, underpinning the Group's ambition to be the leading partner to the construction industry, and, more fundamentally, aligns with its purpose, to build better communities and enrich lives, fulfilling its responsibility to take action and influence the wider industry to mitigate the significant threats posed by climate change.

The Group top climate-related risks in 2022 relate to:

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

Delivering the industry-leading carbon reduction targets, approved by the Science Based Targets initiative (SBTi), will be challenging. It requires significant investment and engagement with the wider construction products industry to reduce supply-chain and product carbon.

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 must regularly identify its most material climate-related responsibilities and challenges in order to target investment and drive effective mitigation. Related governance is led by the Board which, along with the Group Leadership Team, receives regular reports on the most material related risks and opportunities for the Group, the action taken and the progress made.

The Group continues to make good 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 programme of investment in the estate to install energy saving solutions, such as utilising LED lighting and solar panels, is well underway. A number of fleet initiatives will significantly reduce future carbon emissions, including the continued rollout of electric fork lift trucks and sustainably sourced Hydrotreated Vegetable Oil (HVO) as a low carbon alternative to diesel. The Group also announced this year investment in a new fleet of 26-tonne trucks, which are engineered to reduce emissions, reduce fuel consumption, and can also run on HVO.

A key element of the plans to address Scope 3 carbon emissions is engagement throughout the whole supply chain. The Group has upskilled colleagues in Sales and Commercial to support this and ran a series of workshops with around 750 key suppliers to work with them on the collation of carbon data. In CCF the focus on delivery carbon data has supported reduced emissions and costs in CCF and allowed for detailed delivery carbon reporting to customers.

Further information on progress made during the year can be found in the Sustainability Report on pages 30 to 42.

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

Cyber threat & data security

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

Description
Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses including the Group. This risk is further heightened by recent external events, such as Russia's invasion of Ukraine and geopolitical tensions and uncertainties more generally, where cyber warfare is a possibility.

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 through theft and misuse of confidential data, damage to or manipulation of operationally critical data or interruption to IT services, any of which may have serious consequential impacts on the Group's reputation, ability to trade and compliance with regulations including 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 ransom payments, either directly or as the result of supply-chain attacks. Over the past year the Group have seen a continued increase in the volume, frequency and sophistication of attempted cyber-attacks.

As the Group continues to seek to meet customers' increasing digital expectations and drive competitive advantage in this area, the underlying data is attractive to external attackers whose methods and global footprint are rapidly evolving. In executing the technology roadmap, the Group will move away from legacy systems and transition to new cloud-hosted solutions that will change the profile of information security and the cyber threat landscape for the Group.

Using personal data in a non-compliant manner (whether deliberately or inadvertently) may exacerbate the impact of security incidents.

Mitigation
The Group takes its responsibilities and legal obligations in respect of data security and protection seriously and focus on a combination of people, process and technology to reduce the likelihood and impact of cyber incidents.

The Group assessed its potential vulnerabilities in advance of the war in Ukraine and took steps to support its partners whilst ringfencing development activities, with a regular re-assessment cadence as the situation evolved.

The Information Security team aligns the Group's approach to the National Institute of Standard and Technology CyberSecurity Framework. Best of breed security controls and technologies are key to reducing the likelihood of an attack and are regularly tested. These include firewalls, virus protection, email threat protection and intrusion detection. A combination of penetration testing, vulnerability scanning and breach simulation technology is used to test and measure the Group's security posture and address any vulnerabilities. All changes to technology solutions require Information Security review and approval.

The Group continues to utilise a 24/7 security operations centre, designed to monitor for suspicious activity and behaviours and work with resolver teams.

The cyber-incident response protocol is regularly updated with lessons learned from attempted attacks and external cases. Third-party forensic capability is in place, if needed, to support the Group's response capability.

The Group continues to prioritise a number of initiatives to focus on the most material opportunities to reduce risk associated with cyber threat and data security, including a programme to support ongoing GDPR compliance.

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

Health, safety & wellbeing

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide

Description
Keeping people safe and well is clearly aligned to the Group's purpose. It is one of the Group's leading ESG commitments and remains the Group's number one priority.

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 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 Covid-19, and 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 so far.

Mitigation
Health, safety and wellbeing is fundamental to the Group's values. The Group continue to challenge current ways of thinking to de-risk the Group's operations and improve safety performance through the established 'Stay Safe' brand. The Group fosters an open reporting culture around safety. Colleagues continue to be encouraged to 'Call It Out' if they see anything that they consider to be unsafe and regular communications highlight examples where 'calling it out' has avoided a safety issue.

Staircraft is being integrated into the Group's Safety Management System and a dedicated Safety Manager has been appointed to support delivery of a tailored safety improvement plan.

Governance of Stay Safe is well established and designed to promote a continual focus on health and safety. Stay Safe performance is reviewed at all Board Meetings, by the Group Leadership Team, by every business leadership team and by the dedicated Stay Safe Committee, which is chaired by a Non-executive Director. The Group Leadership team also monitors the achievement of transport compliance requirements.

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.

The Group's support for mental health and wellbeing has continued to develop, with an inaugural Mental Health First Aider conference, expansion of colleague resources in the online Stay Well Hub and the creation of a wellbeing room for colleagues in the Group's Northampton offices.

Further information on progress made during the year can be found in the Safety and Wellbeing report on page 47.

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

Legal compliance

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide

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 the Group 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.

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.

Upcoming changes to UK corporate governance requirements, the continued implementation of the Building Safety Act 2022 and the ongoing global development of ESG frameworks and related reporting all require the Group to assess current processes, controls and related assurance.

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 and a comprehensive framework of detailed policies, sets out the Group's requirement for all colleagues to do business in the right way with adherence regularly monitored by the Group Leadership Team. This year the Group launched a new suite of mandatory training to colleagues, Licence to Operate. This delivers essential role-based learning that underpins the Code of Conduct and core operating practices to support all colleagues to do the right thing.

The Group encourage colleagues to speak up whenever they see or suspect activity that contravenes our values, Code of Conduct or policies. All cases reported through the independent hotline are investigated.

The Group shares Supplier Commitments with suppliers to articulate expectations and higher risk suppliers are assessed against these requirements using an Online Risk Assessment.

Good progress is being made in the first phase of the finance modernisation programme, which will underpin the Group's journey to demonstrate compliance with the UK's upcoming corporate governance reforms.

The Group continues to make progress 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.

Further information on the Group's climate disclosures in line with TCFD guidelines can be found on pages 50 to 61.

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	Change in risk level: ↔	Relevance: Company specific

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, such as a pandemic, 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 our 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 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, the older systems present an increasing risk of failures or outages and require more effort to maintain. Execution of our technology roadmap will lead in time to the replacement of a number of legacy systems.

Mitigation
Business continuity management
The Group takes a risk-based approach to business continuity management. Key distribution locations maintain business continuity plans which 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.

Crisis management
The Covid-19 pandemic tested the Group's crisis response capability as tiered crisis response teams were mobilised to coordinate activity and provide ongoing monitoring, decision support and communications. The crisis management capabilities were refreshed this year, overseen by a new Group-level steering group. This enhances the existing approach with the lessons learned from the pandemic to deliver an updated control framework and improved oversight.

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 during 2022. 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.

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

Non-financial information statement

The information below is intended to help users of these accounts understand the Group's position on key non-financial 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 14-15
		KPIs – Accident frequency rate	Page 27
		Safety and wellbeing	Page 47
	Managing change	Development	Page 44-45
		Modern slavery and human rights	Page 42
		Diversity and inclusion	Page 46
		Colleague voice and engagement	Page 48
		Reward	Page 48
		Directors' Remuneration report	Page 98-116
		Directors' report – Employees	Page 118
Environment	Climate change and carbon reduction	Business model	Page 14-15
		KPIs – Carbon emissions	Page 27
		Climate-related financial disclosure	Page 50-61
		Sustainability report	Page 30-49
		Carbon	Page 36-37
		Waste	Page 40-41
		Sustainable products and services	Page 36-37
Human rights, anti-bribery and anti-corruption	Legal compliance	Human rights and modern slavery	Page 42
	Supply chain resilience	Legal compliance	Page 42
		Directors' report – Modern slavery	Page 118
Social and community	Managing change	Business model	Page 14-15
		Charities and volunteering	Page 49
		Responsible sourcing	Page 38-39

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 & 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.

Strategic report approval

The Strategic report on pages 2 to 82 was approved by the Board of Directors and signed on its behalf by:

Nick Roberts
Chief Executive
27 February 2023

Alan Williams
Chief Financial Officer
27 February 2023