Travis Perkins plc

Leading partner to the construction industry

Annual Report and Accounts
2023

Our purpose

Here to help build better communities and enrich lives.

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

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

Purpose

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

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Strategy

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

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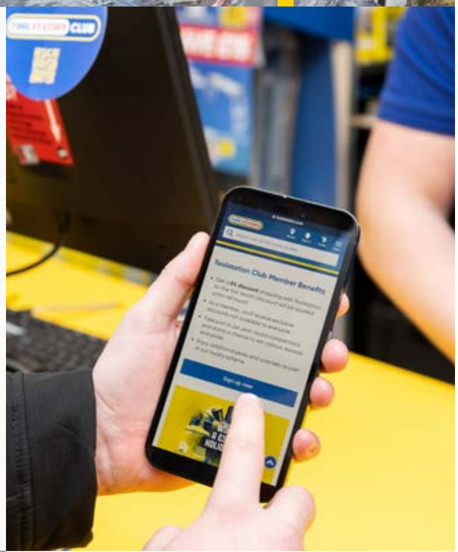

Markets

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

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Sustainability

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

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Highlights

2023

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

Revenue

£4,862m

2022: £4,995m

Adjusted operating profit

£180m

2022: £295m

Dividend per share

18.0p

2022: 39.0p

Profit after tax

£38m

2022: £192m

Net debt/adjusted EBITDA

2.6x

2022: 1.8x

Return on capital employed

6.3%

2022: 10.8%

Graduated apprentices

414

2022: 370

Carbon emissions (kt of CO_2e)

8,004

2022: 8,294

Protecting market position in challenging conditions

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

Transforming the operating model to build a stronger business

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

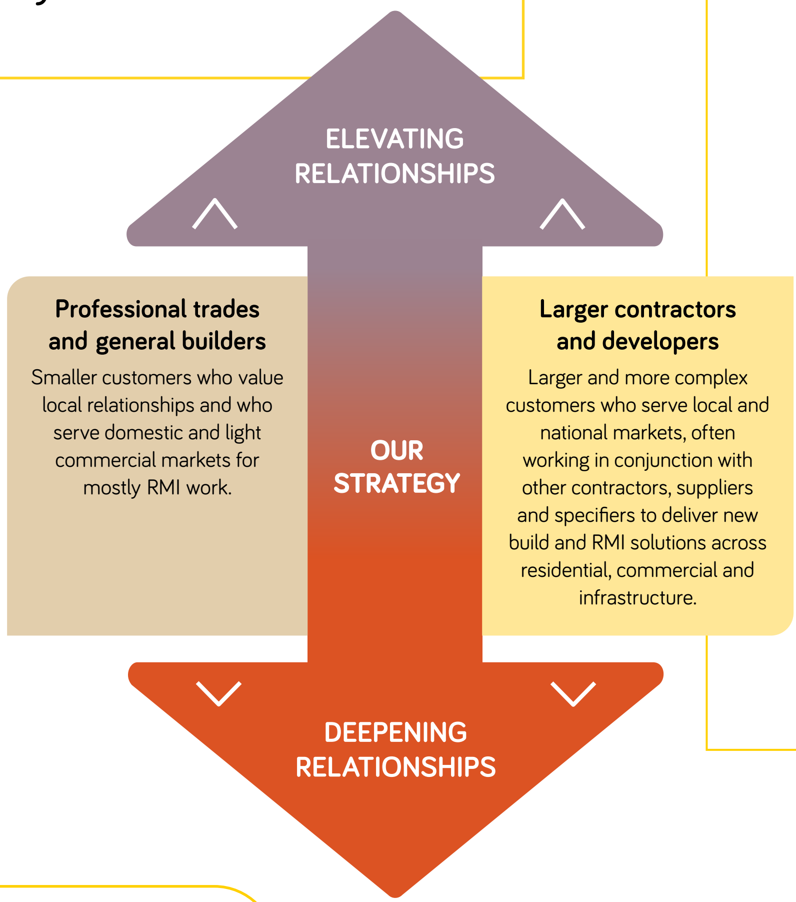
Enhancing cash generation to support future capital allocation

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

Purpose
To help build better communities and enrich lives

Ambition
To be the leading partner to the construction industry

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



Sustainability priority
Decarbonising the industry

Building for better

Changing the game

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

Doing the right thing

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

Values

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

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

Delivering shareholder value

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

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

Large and varied customer base

200k

Trade credit customers

Broad geographical spread in the UK

£4.9bn

Revenue

Engaged colleagues in the UK and Europe

19k

Colleagues

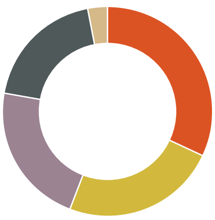
Evolving branch network

1,509

Branches

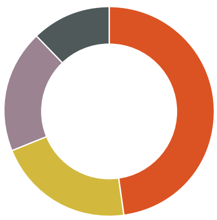
The Group's goal is to deliver exceptional customer service from advantaged businesses operating from well-positioned networks in chosen geographies. The Group offers a range of high-quality products and gives customers the choice of a range of channels, fulfilment options and ways to pay.

Geographic split



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

Product mix



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

Channel

Collect	38%
Deliver	62%

Product mix

Cash	28%
Credit	72%

Merchanting

Travis Perkins

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

BSS

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

CCF

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

Keyline
CIVILS SPECIALIST

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

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Toolstation

TOOLSTATION

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

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

Jasmine Whitbread
Chair

Distributions to shareholders

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

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

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

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

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

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

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

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

People and culture

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

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

Board and leadership

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

Jez Maiden was appointed to the Board in June as a Non-executive and became Senior Independent Director when Pete Redfern stepped down from the Board in September. Jez brings significant public company and diverse industry experience.

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

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

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

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

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

Summary and looking forward

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

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

The Group operates in a £73bn market

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

Private domestic and new build

Market mix

23%

Group revenue mix

17%

Growth drivers:

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

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

Market mix

16%

Group revenue mix

33%

Growth drivers:

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

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

Commercial and industrial

Market mix

25%

Group revenue mix

24%

Growth drivers:

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

Public sector

Market mix

36%

Group revenue mix

26%

Growth drivers:

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

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

A compelling investment proposition

1

Well-invested businesses with market leading positions

2

Long-term structural growth drivers

3

Merchanting returns driven by network investment and value-added services

4

Substantial Toolstation growth potential

5

Robust balance sheet providing financial flexibility

6

Attractive and sustainable returns for shareholders

A strong and dynamic model

Robust balance sheet and focused allocation of capital

Merchanting leadership and Toolstation expansion driving above market growth

Strong cash conversion from disciplined working capital management

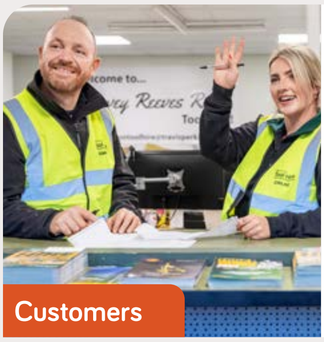
Incremental cash release from freehold property development

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

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

Inputs

Competitively-advantaged resources and relationships



Customers

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

Resources

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

Suppliers

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

What we do

Collaborative value chain

Requirements

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

Products and services

Underpinned by

Responsible and sustainable approach

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Outputs

Self-reinforcing model generating growth and value to stakeholders

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

Purpose goals

Decarbonising the industry

Modernising construction

Sourcing responsibly

Operating sustainably

Developing the next generation

Group ambition

Leading partner to the construction industry

Sound corporate governance

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Robust risk management

Go to page 74 to see more

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

Nick Roberts
Chief Executive Officer

A challenging year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q How have you had to adapt?

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

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

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

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

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

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

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

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

A platform for growth and profitability

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

Elevating relationships by adding services and new areas of added value

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

Deepening relationships to earn a greater share of spend

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

Overview of strategic initiatives

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

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

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

Elevating relationships

Travis Perkins
Staircraft

BSS
Keyline Civils Specialist
CCF
tf solutions

Toolstation

Deepening relationships

- Data-driven customer segmentation
- Network investment

- Own-brand investments
- Increased trade-focused range

- Ongoing digital investment
- Network rollout

Sustainably lower-cost organisation

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

A platform for growth and profitability

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

Significant value opportunity

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

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

Digital is at the heart

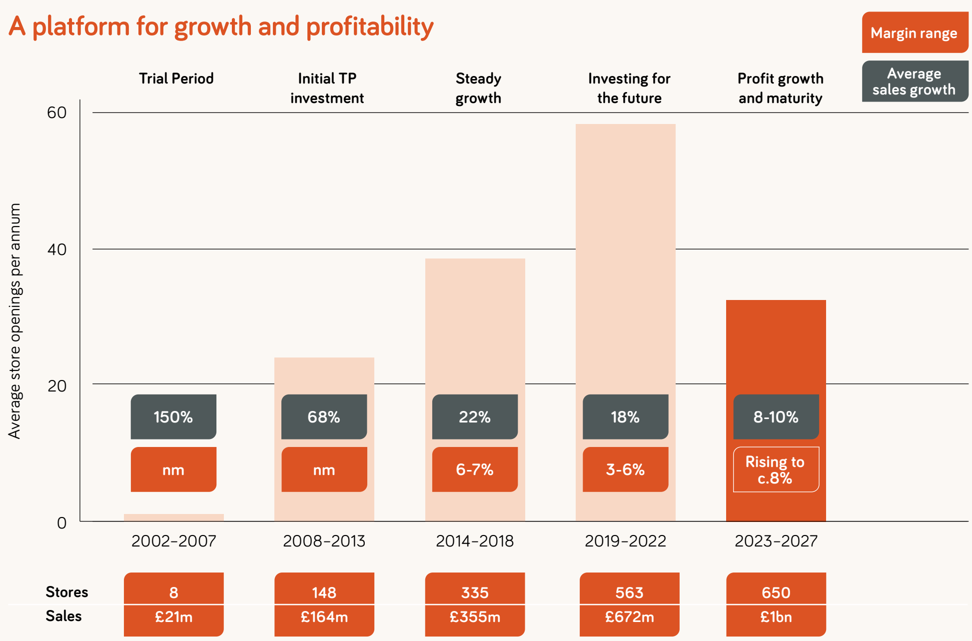
Digital capability is core to the success of Toolstation: 80% of journeys start online and almost 50% of sales are transacted digitally. The app represents over 25% of ecommerce spend and the website has nine million hits each month. The aim is for the customer to have an enhanced digital experience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

A core investment focus

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

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

A platform for growth and profitability



Category expansion

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

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

Optimal estate plan

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

Synergies within the Group

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

Retrofit

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


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

Travis Perkins Managed Services

Managed Services

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

Strength of the Group

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

Growth from the core

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

Decarbonisation

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

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

Case Study – Halton Housing

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

Go to page 37 to see more

Halton Housing

A data-driven business

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

Customers

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

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

Suppliers

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

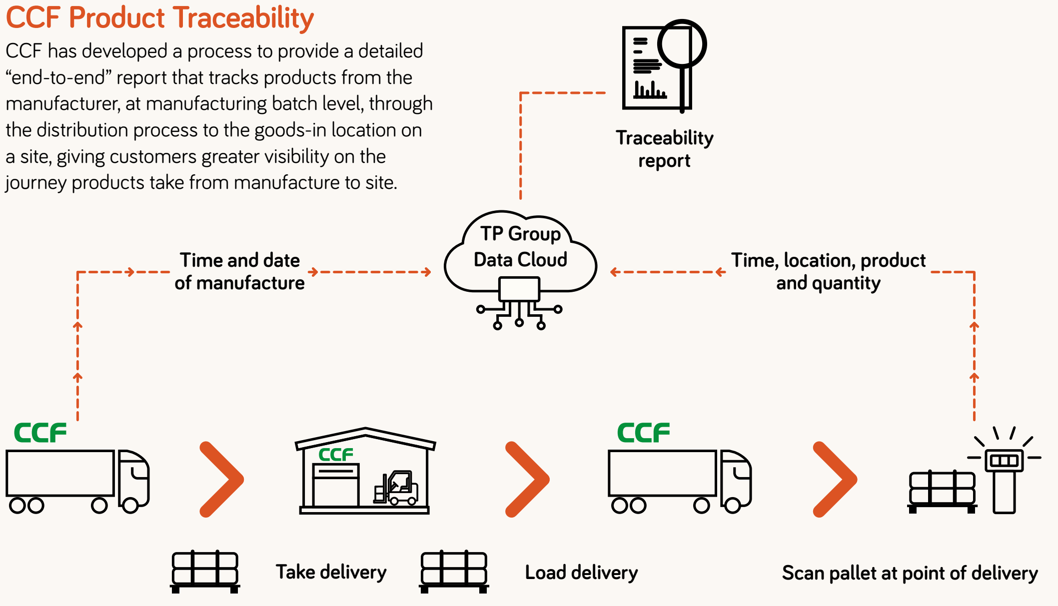
Colleagues

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

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

CCF Product Traceability

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



Key performance indicators (KPIs)

Operational

Adjusted operating profit

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

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

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

Sales growth

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

Definition (note 1b)
Total revenue growth.

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

Financial

Leverage ratio

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

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

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

Free cash flow

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

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

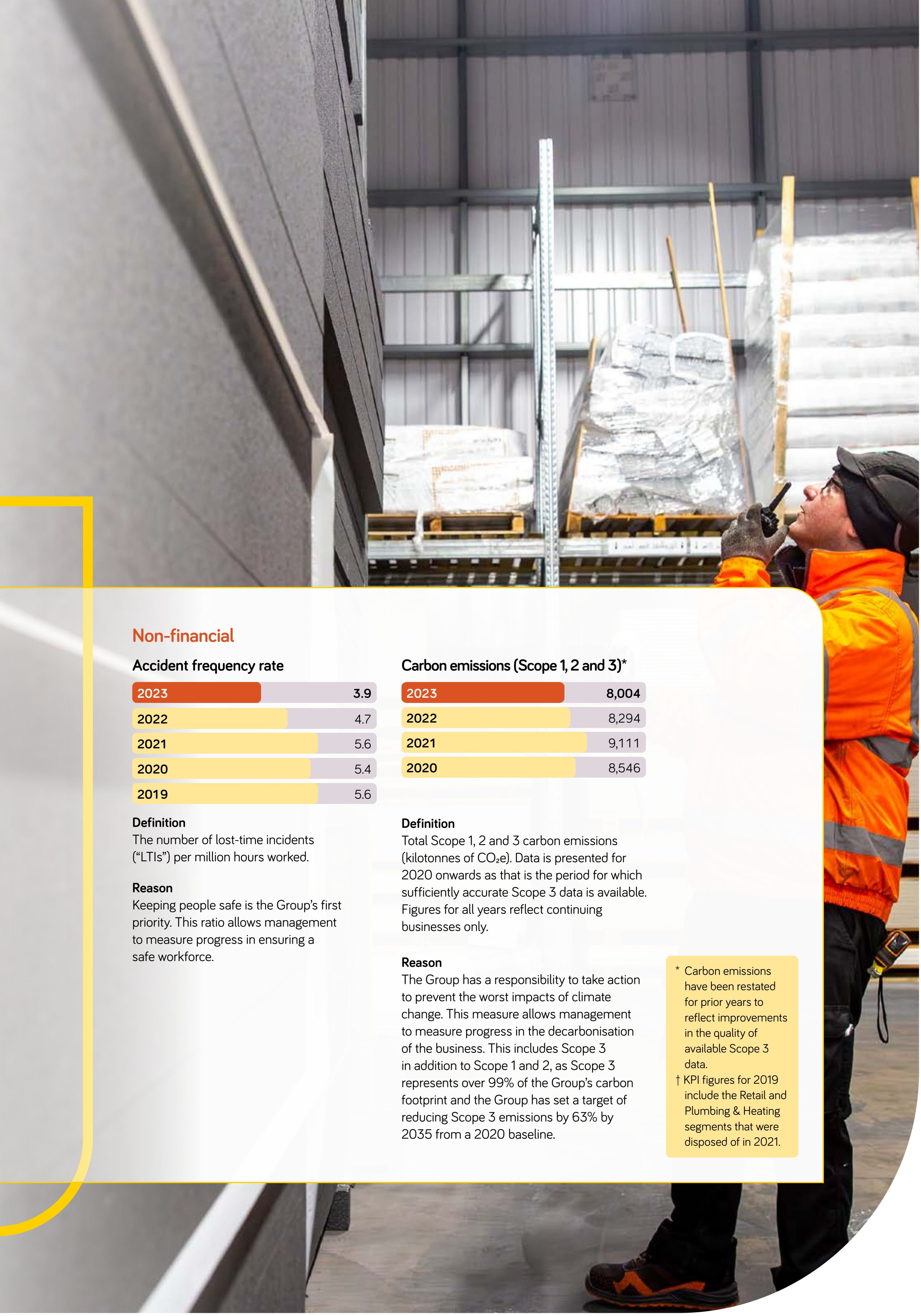
Reason
The Group needs to generate strong free cash flows to enable it to invest, expand its operations and pay dividends to shareholders. Freehold investments are financed by property disposals and enable the Group to access the best property locations.

Return on capital employed

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

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

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



Non-financial

Accident frequency rate

2023	3.9
2022	4.7
2021	5.6
2020	5.4
2019	5.6

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

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

Carbon emissions (Scope 1, 2 and 3)*

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

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

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

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

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

Building for better

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

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

AMBITION
Leading partner to the construction industry

SUSTAINABILITY PRIORITY
Decarbonising the industry

BUILDING FOR BETTER

Changing the game

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

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

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

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

Doing the right thing

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

Leading partner to the industry on ESG

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

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

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

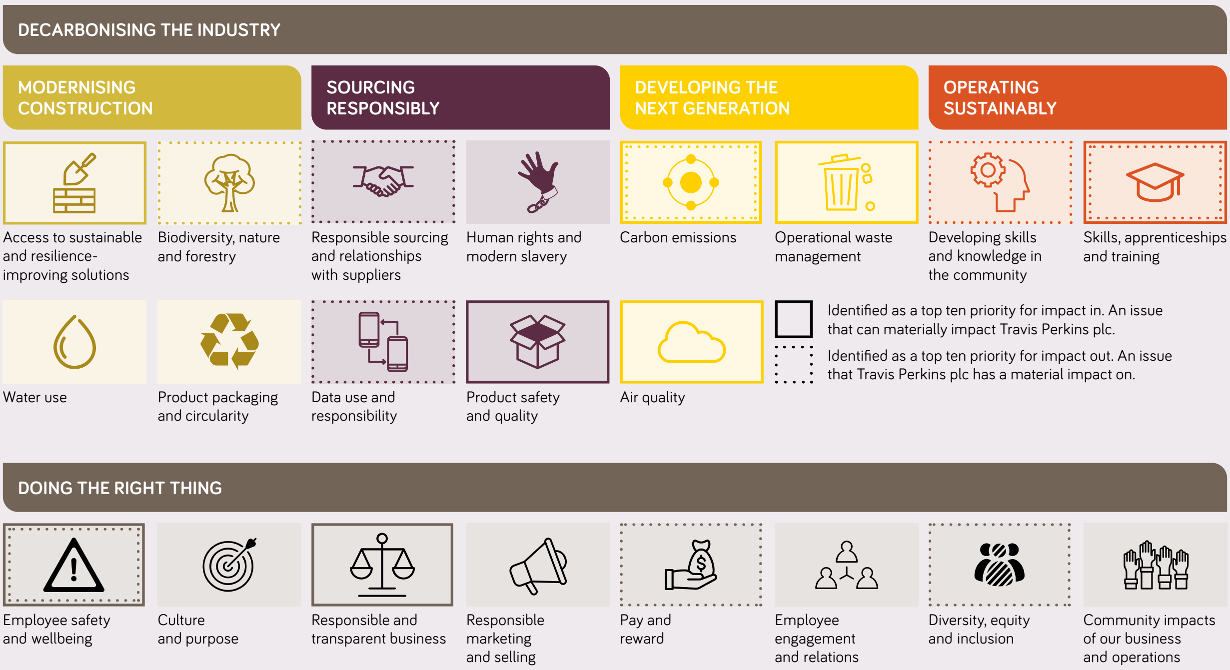
Continually monitoring the material focus areas

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

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

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

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



Building better communities and enriching lives: 2023 social value impact

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

Skills development

Graduated apprentices

414 359 for Group colleagues, 55 for the industry

Enrolled apprentices

876 693 for Group colleagues, 183 for the industry

Female apprentices

29%

Apprentices under 25 years old

21%

Apprentices from ethnic minorities

7%

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

51,823

Operational impact

Transport carbon reduction

11%

Revenue from products with Environmental Product Declarations

10.7%

Spend on goods-for-resale with SMEs

47%

Employed colleagues (FTE)

18,680

Investment in colleague total reward packages

£623.5m

Total tax contribution

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

Community investment

Amount raised for charity

£1.3m

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

5

Engaging with stakeholders

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

Governance of sustainability

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

Climate-related financial risks and opportunities

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

Alignment to UN Sustainable Development Goals

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

Decarbonising the industry

1.5 degree-aligned, SBTi-approved carbon reduction targets

Good progress

Some progress

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

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

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

Modernising construction

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

The Group's purpose and sustainability priority

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

Progress in 2023

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

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

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

Suppliers

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

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

Customers

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

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

Wider industry

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

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

Harnessing the power of the Group on retrofit solutions

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

What's next?

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

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

A community approach to retrofit

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

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

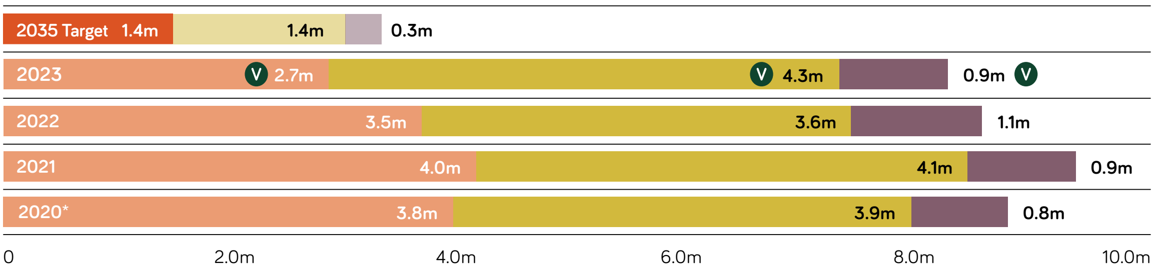
The first of its kind to bring the community together in this way, it is a fantastic example of how delivering retrofit requirements can also deliver strong local economic and social value.

Improving the efficiency of SME builders

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

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

Tonnes of CO_2e (Absolute) – Scope 3



* Baseline year for target.

Tonnes of CO_2e (Absolute) – Scope 3

Category 1 | Category 11 | All other categories

Carbon reduction (Absolute Scope 3, 2020 to 2023)

6%

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

Sourcing responsibly

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

The Group's purpose and sustainability priority

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

Progress in 2023

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

Due diligence on product suppliers

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

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

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

Bespoke assessments for GNFR suppliers

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

New training launched for colleagues

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

Maintaining safe and sustainable timber supply chains

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

Certified timber purchased in 2023

90.2% V

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

Case study

Collaboration across the industry

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

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

Case study

Upskilling the supply chain

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

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

What's next?

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

Operating sustainably

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

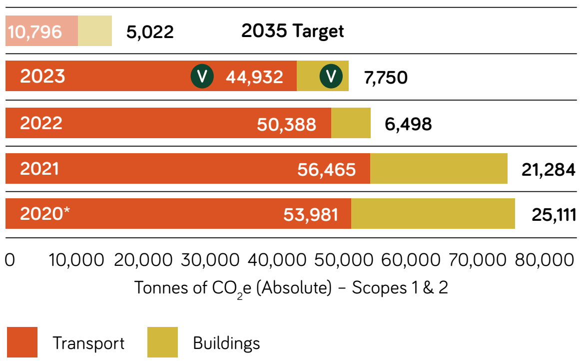
The Group's purpose and sustainability priority

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

Progress in 2023

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

Tonnes of CO_2e (Absolute) – Scopes 1 and 2



* Baseline year for target.

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

33%

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

Decarbonising the fleet

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

Decarbonising the estate

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

Expanding colleague knowledge

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

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

Reducing packaging

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

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

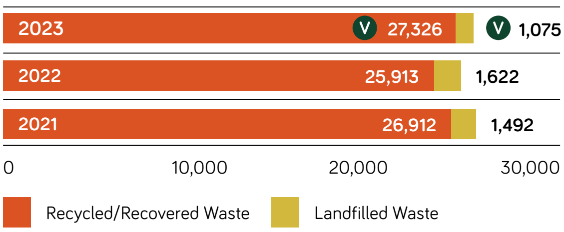
Environment Incidents

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

Assurance

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

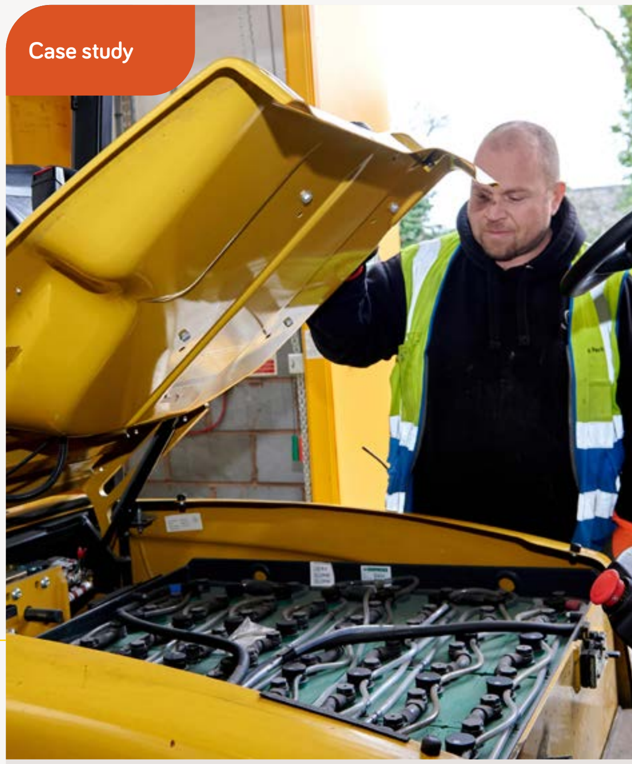
Total Waste (Tonnes)



Percentage of waste diverted from landfill – 2023

96%

Case study



UK's largest electrification forklift programme

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

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

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

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

What's next?

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

Doing the Right Thing

Protecting against modern slavery and complying with all relevant laws.

The Group's purpose and sustainability priority

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

Progress in 2023: Modern slavery and human rights

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

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

Progress in 2023: Legal compliance

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

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

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

What's next?

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

What's next?

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

People

“”

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

Robert Halfon MP
Minister for Skills, Apprenticeships and Higher Education

Developing the next generation

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

The Group's purpose and sustainability priority

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

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

Progress in 2023

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

More apprenticeships, better apprenticeships

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

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

Successful assessment by Ofsted

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

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

External recognition

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

Case study

Transformation of Bradby Youth Club in Rugby

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

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

2023 apprentice graduates

414

2030 graduated apprentices target

10,000

What's next?

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

Diversity, equity and inclusion

Creating an environment where everyone can be themselves.

The Group's purpose and sustainability priority

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

Progress in 2023

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

New industry coalition to tackle lack of diversity

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

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

A foundation for strong governance and leadership

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

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

Angela Rushforth
Construction Inclusion Coalition Chair and Toolstation Managing Director

What's next?

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

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

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

Safety and wellbeing

Getting everyone home safe and well, every single day.

The Group's purpose and sustainability priority

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

Progress in 2023

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

Stay Safe.

Advancing a safety culture through colleague engagement

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

A data-led "safety beacon" drives targeted action

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

Leading partner to the industry on safety

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

Case study

Virtual GP and other digital wellbeing services

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

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

Colleague testimonial

Case study

Industry leading research on driver behaviour to enhance fleet safety

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

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

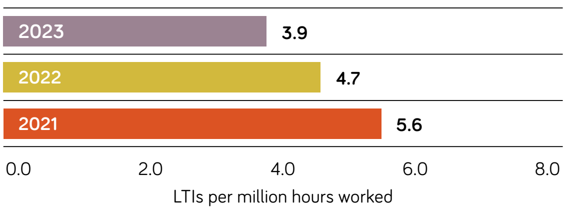
With one of the largest fleets in the UK and around 3,000 drivers, drivers are at the forefront of the Group's business. They deliver building materials to customers across all segments of construction and are often required to drive specialist vehicles including light commercial vehicles and heavy goods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

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

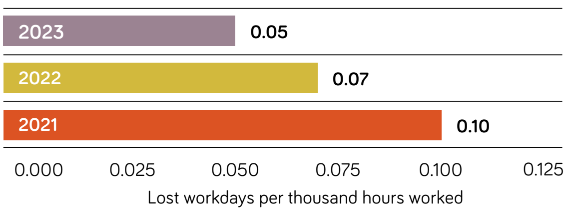
The study involved a comprehensive literature review of existing research and took into consideration studies in other industries, such as aviation, emergency services, marine, military and the rail industry to review their experiences and adapt them for use with the Group's fleet and drivers.

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

Lost time incident frequency rate



Severity rate



The figures reported do not include Toolstation Europe

What's next?

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

Colleague voice and reward

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

The Group's purpose and sustainability priority

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

Progress in 2023

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

Further embedding the Group's purpose and values

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

Learning from colleagues and benchmarking progress

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

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

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

Engagement survey response rate

79%

Survey engagement score

73

The Group's purpose and sustainability priority

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

Progress in 2023

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

Supporting colleagues manage their finances

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

Colleague support in a tough economic climate

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

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

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

What's next?

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

What's next?

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

Charity and community

Taking pride in helping others and making positive changes happen.

The Group's purpose and sustainability priority

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

Progress in 2023

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

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

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

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

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

Framework to encourage colleague participation

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

Expansion of VIY partnership

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

Case study

Netball tournament for Macmillan

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

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

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

What's next?

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

TCFD Disclosure

Compliance statement

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

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

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

Governance

Scope and sphere of influence.

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

Leadership role

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

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

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

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

Advocates for change

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

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

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

Accountabilities

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

Board oversight and engagement

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

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

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

Alignment of incentives to carbon commitments

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

Strategy

Principal risks and opportunities

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

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

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

Top climate-related financial impacts

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

RISK – PHYSICAL: RISING SEA LEVELS AND EXTREME WEATHER EVENTS				
Description:	**Risk for TP Group***	**Scenario in which this impacts:**	**Time period in which this impacts**	**Parts of the value chain most impacted:**
Decreased asset values *(assumes some branches affected)*	L M	P R I		In-house: Travis Perkins Group

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

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

OPPORTUNITY – PRODUCTS AND SERVICES: DEVELOPMENT AND OR EXPANSION OF LOW EMISSION GOODS AND SERVICES				
Description:	**Risk for TP Group***	**Scenario in which this impacts:**	**Time period in which this impacts**	**Parts of the value chain most impacted:**
Rising demand for new product mix and new technologies *(to meet changing building regulations and low-emission targets)*	H	P R		In-house: Travis Perkins Group

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

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

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

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

Timeline considered

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

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

Strategic response to risks and opportunities

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

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

Our low carbon transition plan

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

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

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

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

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

Our climate adaptation plan

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

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

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

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

Heinrich Richter
Head of Commercial – Sustainable Products and Services.

Risk and opportunity management

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

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

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

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

Climate-related financial disclosure continued

Scenarios and modelling process†

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

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

Scenario risk lenses

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

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

Policy and Legal risks

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

Market risks

- increased cost of raw materials
- changing customer behaviour

Reputation risks

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

Technology

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

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

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

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

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

Scenario results

Resilience over the 3 Scenarios

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

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

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

Summary of Transitional Risks

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

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

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

Steel price

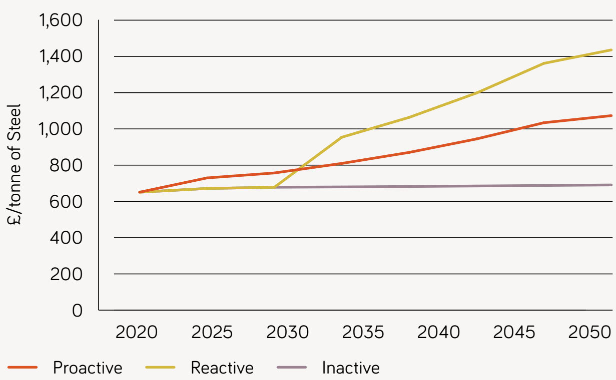
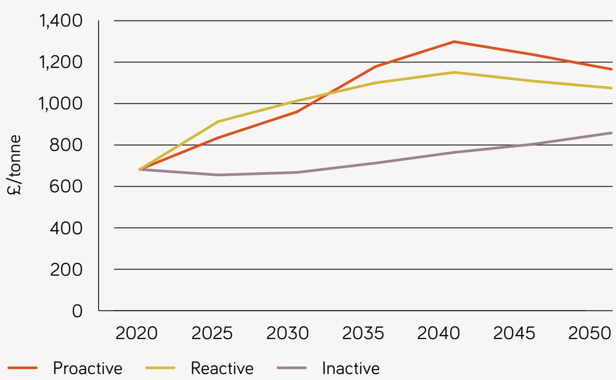


Figure 8: The price of steel after the introduction of a carbon border mechanism across each climate scenario and timeframe.

PVC price

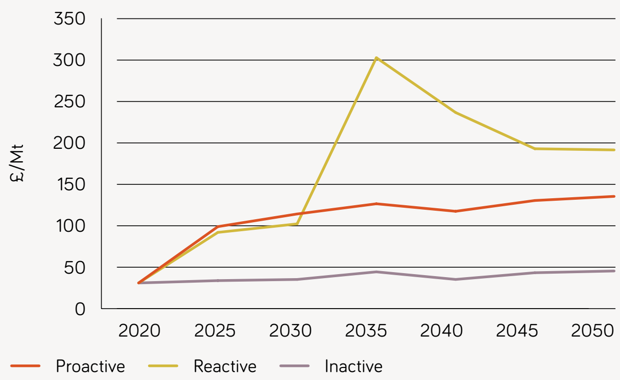


The price of PVC across each scenario and timeframe.

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

Climate-related financial disclosure continued

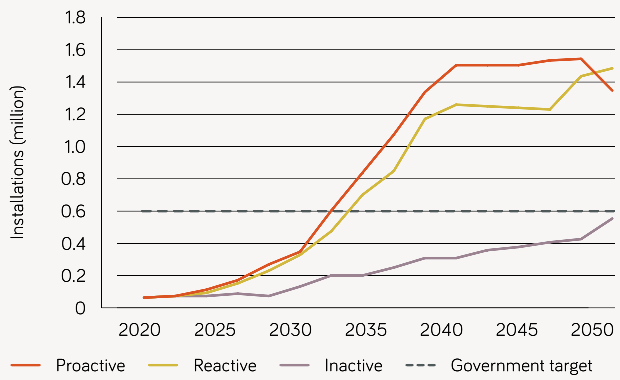
Cement price



The price of cement across each scenario.

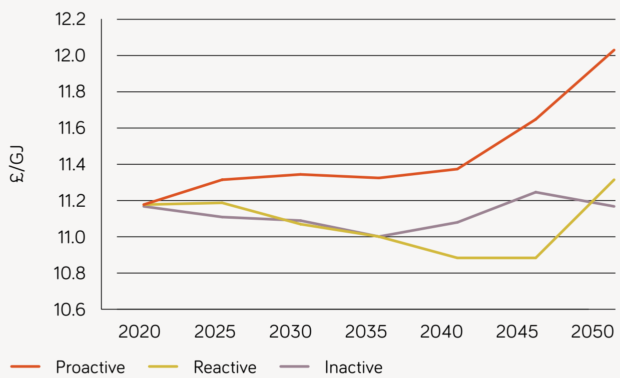
In addition to the cost increase of high-embodied carbon products, there will also be a **move to heating technologies with a lower carbon impact in-use**, such as heat pumps instead of gas boilers.

Heat pump installation projections



Heat pump installation projections.

Oil price



Pricing for Oil under each of the three scenarios.

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

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

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

Summary of physical risks

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

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

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

Nick Pinney
Group Property Director

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

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

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

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

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

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

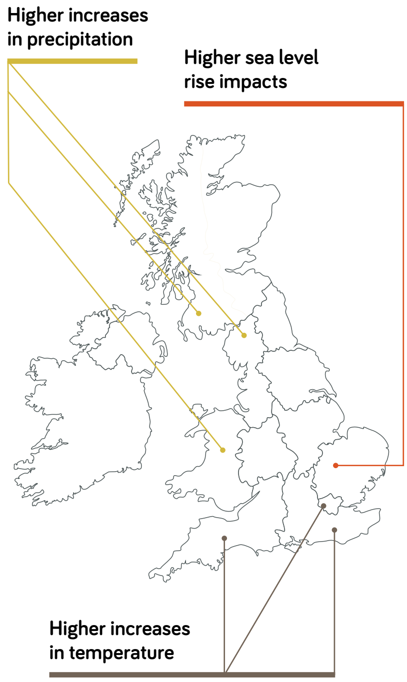
Region	Reference period (1980–2011)	Average daily temperature projection by 2052 (°C)		
		Proactive	Reactive	Inactive
Greater London	10.77	11.44 (6%)	11.76 (9%)	12.22 (13%)
South East	10.69	11.36 (6%)	11.68 (9%)	12.14 (14%)
South West	10.48	11.15 (6%)	11.47 (9%)	11.93 (14%)

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

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

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

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



Climate-related financial disclosure continued

A deep-dive on physical risk to UK infrastructure

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

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

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

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

A deep-dive on physical risk to timber supply chains

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

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

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

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

Rosie Wise
Category Director – Timber and Joinery

2023 transport-related carbon reduction

11%

2023 investment in fleet decarbonisation

£41m

Metrics and KPIs

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

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

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

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

2023 headline performance

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

James Vance,
Group Head of Environment

Scope 1 and 2 carbon reduction

7%

Scope 3 carbon reduction

3%

Spend with suppliers engaged on carbon

57%

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

Carbon data table

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

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

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

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

Business performance and priorities

Protecting market position in challenging conditions

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

Transforming the operating model to build a stronger business

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

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

Summary

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

2023 Performance

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

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

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

Transformation of the Group's operating model

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

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

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

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

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

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

Adjusting items

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

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

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

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

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

Capital structure and shareholder returns

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

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

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

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

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

Property

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

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

Outlook

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

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

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

Technical guidance

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

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

Business performance and priorities continued

Merchanting

Revenue

£4,036m

2022: £4,220m

Adjusted operating profit

£212m

2022: £314m

2024 priorities

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

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

Segmental adjusted operating profit excludes property profits

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

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

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

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

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

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

Toolstation

Revenue

£826m

2022: £775m

Branch network

739

2022: 721

2024 priorities

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

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

Segmental adjusted operating profit excludes property profits

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

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

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

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

Toolstation Europe

France

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

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

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

Benelux

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

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

Revenue analysis

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

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

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

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

Quarterly revenue analysis

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

* Trading day adjusted

Operating profit

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

Finance charge

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

Taxation

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

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

Earnings per share

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

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

Cash flow and balance sheet

Free cash flow

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

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

Capital investment

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

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

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

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

Uses of free cash flow

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

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

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

Net debt and funding

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

Note – All covenant metrics measured post IFRS16

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

Funding

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

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

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

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

Financial risk management

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

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

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

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

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

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

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

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

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

Tax strategy and tax risk management

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

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

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

Total Tax Contribution

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

Reconciliation of tax paid to tax charge:

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

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

Viability assessment

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

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

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

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

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

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

Statement of principal risks and uncertainties

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

Risk management framework

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

Key Activities

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

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

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

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

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

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

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

Top Down

Board – Audit Committee – GLT – Risk function

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

Bottom Up

Risk Function – Business and Functional Leadership – Major Programmes

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

The Board

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

The Audit Committee

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

The Group Leadership Team

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

Business & functional leadership

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

The Risk function

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

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

Risk appetite

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

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

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

Development of the Risk Management Framework in 2023

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

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

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

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

Principal risks

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

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

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

Statement of principal risks and uncertainties continued

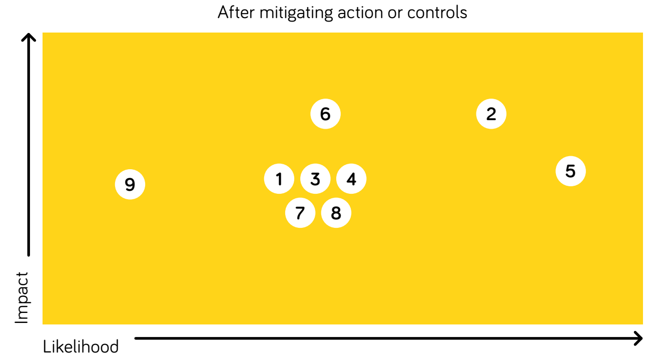
Risk Category	Principal Risks	Strategic Objective	Risk Trend 2023	Risk Trend 2022	Inherent Risk
External	1. Long-term market trends	ABCD	↔	↔	High
	2. Macroeconomic volatility	AE	↑	↑	High
	3. Supply chain resilience	BC	↔	↑	High
Strategic	4. Managing change	ABCDE	↔	↔	Medium
	5. Climate change and carbon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

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

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

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

Principal risks heat map:



Emerging risks

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

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

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

Long-term market trends

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

Macroeconomic volatility

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

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

Supply chain resilience

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

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

Managing change

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

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

Climate change and carbon reduction

Inherent Risk: High	Relevance: Industry-wide	Risk Trend:
Description Climate change will significantly impact the construction sector during the transition to a low carbon environment. The nature, extent and scale of that change remains unclear although headline risks and opportunities have been forecasted through climate scenario analysis. The Group is committed to helping the industry to decarbonise by using the most efficient products, supplied in the most efficient way to produce the right outcomes for communities. This commitment not only promotes a sustainable and value-generating business model, underpinning the ambition to be the leading partner to the construction industry, but more fundamentally aligns with the Group's purpose, to build better communities and enrich lives, fulfilling its responsibility to take action now, and influence the wider industry, to mitigate the significant threats posed by climate change. The Group's top climate-related risks relate to: • The move to a low-carbon fleet, given the Group has one of the largest UK vehicle fleets; • Increasing costs of goods due to producer country carbon pricing mechanisms; • The ability to transition to new lower-carbon product categories; and • Product obsolescence for higher-carbon product categories. Delivering the Group's industry-leading carbon reduction targets, approved by the Science Based Targets initiative, will be challenging. It requires significant investment and engagement with the wider construction products industry to reduce supply-chain and product carbon. In a difficult economic environment, both the Group and the wider industry must seek to deliver this change amid short-term capital expenditure restrictions which could limit progress and shorten the target period for investment. Environmental matters are increasingly important to colleagues, customers, suppliers, investors and government, driving changes to demand, expectations and information requirements, which the Group must identify and effectively respond to.	**Mitigation** The Group regularly identifies its most material climate-related responsibilities and challenges in order to target investment and drive effective mitigation. Governance is led by the Board, which receives regular reports on the most material climate risks and opportunities, the action taken and the progress made. The Group continues to make progress against its SBTi accredited targets, which are underpinned by clear roadmaps for delivery in each business. The Group allocates capital to meet its commitments. A number of fleet initiatives will significantly reduce future carbon emissions: in July the Group began to take delivery of its new electric fork lift trucks that replace diesel alternatives and will save 6,600 tonnes of carbon a year. The Group has also invested this year in a new fleet of 26-tonne trucks, which are engineered to reduce emissions, reduce fuel consumption, and can also run on HVO. The LED roll out continues across the branch network and EV chargers have been installed this year for colleagues and visitors. A key element of plans to address Scope 3 carbon emissions is engagement throughout the whole supply chain. Earlier this year the Group was ranked in the top 8% of companies globally by CDP for its engagement with suppliers on climate change. The Group has upskilled colleagues in Sales and Commercial to support ongoing engagement and a series of workshops were run this year with over 200 key suppliers to work with them on the collation of carbon data. Alongside targeted investments and ongoing engagement, developments to support ongoing carbon reduction in 2023 include: • Upskilling colleagues to help customers make more sustainable choices; • Improving delivery carbon data reporting for CCF customers; and • Developing more sustainable products and services for customers. Further information on progress made during the year can be found in the Sustainability Report on page 30.	↔

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

Cyber threat and data security

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

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

Health, safety and wellbeing

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

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

Legal compliance

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

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

Critical Asset Failure

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

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

Non-financial and sustainability information statement

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

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

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

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

Section 172 statement

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

Strategic Report approval

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

Nick Roberts
Chief Executive
11 March 2024

Duncan Cooper
Chief Financial Officer
11 March 2024

Governance

Governance

Board of Directors

Jasmine Whitbread
Chair

Nationality
British/Swiss

Appointment date
31 March 2021

Committee membership: N R S

Skills and experience
Jasmine has extensive boardroom experience from a number of large public companies. These include Standard Chartered and BT Group plc, where she chaired the Digital Impact and Sustainability Committee. Jasmine currently serves as Non-executive Director with Compagnie Financière Richemont SA and WPP plc.

A seasoned executive leader, whose career spans over two decades, she was most recently CEO for London First where she worked with business leaders to keep the UK's capital globally competitive. Prior to this Jasmine was CEO of Save the Children UK, where she also became the first CEO of Save the Children International to align 30 federation members in over 100 countries. Jasmine's experience in the nonprofit sector began in 1999 when she worked in West Africa with Oxfam.

Prior to this Jasmine's career was in marketing in the technology sector, holding management positions with Rio Tinto and then in the US with Cortex and Thomson Financial.

Nick Roberts
Chief Executive Officer

Nationality
British

Appointment date
1 July 2019

Committee membership: S

Skills and experience
Nick joined the Board of Travis Perkins plc as Group Chief Executive in July 2019. He has spent over 30 years in the international engineering design and construction industry, serving 25 years at WS Atkins plc where he was CEO of the UK & Europe business before becoming Global President following the acquisition of Atkins by SNC Lavalin of Montreal. He has led businesses across multiple industry sectors and geographies, living overseas for several years.

At Travis Perkins he has led the portfolio transformation and modernisation of the Groups operations in the UK and continental Europe, particularly in respect of the Group's approach to safety and wellbeing, inclusion, apprenticeships and sustainability.

A Fellow of the Institution of Civil Engineers, he leads the Construction Leadership Council's work on People and Skills, bringing together industry and government to drive long-term change in opportunities for young people. A former reservist officer in the British Army, he has served on the Board of the Forces in Mind Trust as Trustee and Deputy Chair for over six years and will complete his extended term in February 2024.

Duncan Cooper
Chief Financial Officer

Nationality
British

Appointment date
9 January 2024

Committee membership: N/A

Skills and experience
Duncan is a Chartered Accountant and, in addition to having a strong finance background, has experience in corporate communications, strategy design and implementation as well as large-scale technology change. Duncan joined the Group from Crest Nicholson plc, where he was appointed Chief Financial Officer in 2019. He formerly worked at J. Sainsbury plc where he held multiple roles since 2010, culminating in Director of Group Finance. Prior to that Duncan held finance roles at BSkyB plc and GlaxoSmithKline plc.

Committee membership key:

- A Audit
- N Nominations
- R Remuneration
- S Stay Safe
- ● Chair

Marianne Culver

Non-executive Director

Nationality
British

Appointment date
1 November 2019

Committee membership: R S

Skills and experience
Marianne has extensive executive and board experience in the global distribution and logistics sectors. She has served as Chief, Global Supply Chain with Premier Farnell plc and as Chief Executive (UK & Ireland) of TNT. Marianne was latterly Global President of the RS Group plc (formerly Electrocomponents plc). Her non-executive career to-date has included membership of the boards of Rexel SA (listed on Euronext Paris), The British Quality Foundation and EDS Corporation and she is a current member of the Supervisory Board of BME B.V.

Jez Maiden

Senior Independent Non-executive Director

Nationality
British

Appointment date
1 June 2023

Committee membership: A N

Skills and experience
A qualified accountant (FCMA), Jez is a proven Senior Independent Director with diverse sector experience spanning household FMCG, management consultancy, food manufacturing, transport, life sciences and chemicals. He has extensive finance, public company and capital markets expertise and has held a number of Executive Director CFO positions, latterly as Group Finance Director for Croda International plc. He has previously served as a Non-executive Director at PZ Cussons plc and Synthomer plc. He is currently a Non-executive Director and member of the Audit Committee at Intertek Group plc, a Non-executive Director, Chair of the Audit Committee and member of the Remuneration Committees at Smith & Nephew plc and a Non-executive Director and Chair of the Audit Committee at the Centre for Process Innovation Limited.

Louise Hardy

Non-executive Director

Nationality
British

Appointment date
1 January 2023

Committee membership: R

Skills and experience
Louise has over thirty years of business and leadership experience across the construction and infrastructure industries. A civil engineer by background, Louise has held a range of senior roles at London Underground, Bechtel and Laing O'Rourke, where she was the Infrastructure Director for the London 2012 Olympic Park. Her most recent executive appointment was European Project Excellence Director for AECOM.

Louise is currently a Non-executive Director of Crest Nicholson Holdings plc, Severfield plc and Balfour Beatty plc and the independent chair of Oriel. Louise was formerly a Non-executive Director of Renew Holdings plc, Sirius Minerals plc and Genuit Group plc.

Louise remains a keen volunteer within the construction industry as a STEM ambassador and diversity champion.

Heath Drewett

Non-executive Director

Nationality
British

Appointment date
11 May 2021

Committee membership: A R

Skills and experience
Heath is an experienced CFO and currently Chief Financial Officer at Aggreko; a global power, temperature control and energy solutions company and former constituent of the FTSE 250 prior to its takeover in August 2021. Heath has extensive experience in the engineering, leisure and transportation and industrial sectors having previously worked for WS Atkins, British Airways, Morgan Advanced Materials and PwC. Heath brings a wealth of financial and commercial acumen to the Board at Travis Perkins based on his experience across a number of markets and sectors adjacent to the construction industry.

Jora Gill

Non-executive Director

Nationality
British

Appointment date
4 August 2021

Committee membership: A N S

Skills and experience
Jora has extensive data and digital experience having held a number of Chief Information Technology Officer and Chief Digital Officer roles in significant organisations, including Standard and Poors, Elsevier, The Economist, and latterly SHL Group Ltd where he served as Chief Digital Officer until December 2021. Jora is now the CEO and Co-founder of an AI company, Insights Driven. In addition, he serves as a Non-executive Director of the Phoenix Life Limited, a role he has held since June 2023.

Corporate governance report

Jasmine Whitbread
Chair
11 March 2024

I am pleased, on behalf of the Board, to present the corporate governance report for the year ended 31 December 2023.

UK Corporate Governance Code

Throughout the year ended 31 December 2023, the Company was in compliance with the principles and provisions of the UK Corporate Governance Code 2018 issued by the Financial Reporting Council ('the Code'), which is available at www.frc.org.uk.

Role of the Board

The Board is responsible for considering the opportunities and risks relevant to the success of the overall Group strategy and for setting the tone and approach to corporate governance. The Board does this with the aim of promoting the long-term sustainable success of the Company, such that it generates value for shareholders and contributes to wider society.

The Board has a schedule of matters reserved to it, which was last reviewed and approved in November 2023. The latest approved schedule of matters reserved can be found on the Company's website. In line with the Code, the Board has a number of Committees to which it delegates certain responsibilities: Audit, Nominations, Remuneration and Stay Safe. Aligned with the Code the Audit, Nominations, and Remuneration Committees all have three independent Non-executive members. The Committees all have defines terms of reference, which can be found on the Company's website.

Culture

The Board receives regular updates on cultural indicators to assist its oversight of the Group's culture. This assists the Board in monitoring the alignment of policy, practices and behaviour with Group purpose, strategy and values. These cultural indicators include feedback from the Group-wide colleague engagement survey ("Your Voice, Our Future") and updates from a number of listening groups and colleague communities. The Chair, CEO and other members of the Board also visit branches around the country to gain further insight into the Group's culture.

The extent of alignment of our culture with the Group's purpose, values and strategy is reported in the Colleague Voice section of the Sustainability Report found on pages 30 to 49.

Engaging with stakeholders and the workforce

Engagement with stakeholder groups such as shareholders, customers, suppliers and colleagues occurs when formulating the strategic direction of the Group. The Board takes the views of its stakeholders into account when strategic decisions are made.

A statement on the ways in which the Group meets its duties under Section 172 of the Companies Act 2006 is described in the Section 172 statement on pages 94 to 97. This includes reporting on engagement with major shareholders and the outcomes of that engagement.

The role of the designated workforce Non-executive Director is to help bring the colleague voice into the boardroom. Responsibility for this role transitioned to Louise Hardy from Pete Redfern in June 2023. Louise has used the activity conducted as part of her familiarisation with the Group in 2023 to meet colleagues and gauge engagement.

Conflicts of interest and raising concerns

Declarations of any actual or potential conflicts of interest with items on the agenda are requested and made at the start of every Board and Committee meeting. A register of the Directors' interests and conflicts is maintained by the Company Secretariat. Directors complete an annual questionnaire on potential or actual conflicts of interest and their activities throughout the year. Any potential conflicts are reviewed by the Board as a whole and if necessary, mitigating actions are taken and recorded on the register of Directors' interests and conflicts. The impact of any relationships or involvements are considered carefully to ensure that they do not compromise or override the Directors' ability to exercise independent judgement.

Concerns in relation to the operation of the Board can be raised with the Chair or the Senior Independent Director ("SID"). No such concerns were raised during the year.

During 2023 we continued to emphasise the principle of "calling it out" across the Group and the importance of the Code of Conduct and the Speak Up line. The Speak Up line is available for colleagues and others who interact with the Group to raise matters that are inconsistent with the Group's values or otherwise require investigation and attention. The Audit Committee, on behalf of the Board, received regular reports on issues raised through the Speak Up line and subsequent action taken. The Board reviewed the effectiveness of the Speak Up line at its meeting in November 2023.

Board composition and nominations

Board composition

There were a number of changes to the Non-executive Directors during 2023. Louise Hardy and Jez Maiden were appointed in January and in June respectively. Pete Redfern stepped down from the Board in September. As at 31 December 2023 the Board comprised seven Non-executive Directors and two Executive Directors. Coline McConville stepped down from the Board as a Non-executive Director on 31 December 2023 and as of the date of the Annual Report and Accounts the Board comprised six Non-executive Directors and two Executive Directors. The biographies of the Board are listed on pages 88 to 89

Appointments of new Directors are made by the Board on the recommendation of the Nominations Committee.

Re-election of Directors

All Directors are considered to be eligible, on the basis of performance and contribution to the long-term sustainable success of the Company, to submit themselves for re-election at the 2024 Annual General Meeting.

Board effectiveness review

Consistent with the requirements of the Code, evaluation of the performance of the Board and its Committees was carried out in 2023 as described in the Nominations Committee report on pages 98 to 100.

Division of responsibilities and meetings

Chair and CEO

The roles of the Chair and CEO are split and the Board has approved a written statement of the division of key responsibilities between the Chair and CEO which was reviewed in November 2023 and is available on the Group's corporate website. The Chair leads the Board and ensures its effectiveness. I was independent on appointment as Chair and remain so.

Non-executive Directors

Provision 10 of the Code sets out circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence, including where individuals hold cross-directorships or have significant links with other Directors through involvement in other companies or bodies. There were no relevant cross-directorships or other links in 2023.

The Board ensures that at least half of its members, excluding the Chair, are independent Non-executives and reviews any relationships or circumstances which are likely to affect their independence. The Board is satisfied that none of the circumstances set out in provision 10 of the Code currently apply and that all Non-executive Directors remain independent. The Non-executive Directors provide constructive challenge, strategic guidance and appraise Executive Directors' performance against agreed performance targets, including through the work of the Remuneration Committee. The Non-executive Directors and Chair meet regularly without the Executive Directors present.

Pete Redfern was the Company's SID until 1 June 2023. Jez Maiden is the Company's SID with effect from 1 June 2023. The SID acts as a sounding board for the Chair and an intermediary for Directors and shareholders. The SID's responsibilities are set out in writing and are available on the Company's website. The SID is available to shareholders should they wish to raise an issue through an alternative channel. The Non-executive Directors led by the SID meet without the Chair present annually to discuss the Chair's performance and any other matters as required.

Time commitment

When making new appointments, the Board considers the competing demands on candidates' time. Prior to appointment, candidates are required to disclose any significant commitments along with the estimated associated time commitment. Each Non-executive Director's letter of appointment sets out the time commitment expected of them and these letters will be available for inspection at the Annual General Meeting.

The Board considers, on an annual basis, the time commitments of each Director and it is satisfied that all Directors continue to have sufficient time available to fulfil their duties. Any new external appointments during the year are given careful consideration, taking into account the number and scale of each Director's other commitments before approval is given and recorded. Subject to approval by the Board, Executive Directors are allowed to accept one external non-executive directorship with a listed entity.

So far as is practicable, the Company liaises with the Non-executive Directors to ensure the schedule of meetings does not clash with external appointments. Directors are able to attend meetings by video or telephone conferencing if there is an issue with location or travel.

Board and Committee meetings

The Board held twelve meetings in 2023, dealing with the annual cycle of activity planned in advance of the year and other matters arising during its course. The format for meetings of the Board in 2023 was a mix of in person and virtual using video conferencing. Regular items on the agenda for consideration included:

- Detailed updates on financial results and performance against related KPIs
- Health and safety
- Progress in the execution of the Group's strategy
- Strategic reviews of the Group's businesses
- Governance matters, including review of the work of the Committees to the Board and the conduct of matters reserved to the Board

Examples of other areas of particular focus in certain meetings include:

- Investor relations; review of feedback received from investors in the course of the 2022 results roadshow and discussion of investor relations priorities for 2023
- Technology and data enablement; review of the delivery of technology enabled business change aligned to the objectives of the Group
- Sustainability and corporate affairs; review of climate-related risks and opportunities, the sustainability reporting landscape and the roadmap for the Group's external engagement
- Group talent agenda; review with particular focus on talent and succession at the GLT level
- Colleague voice; review of key themes in the feedback from the Your Voice our Future engagement survey
- The Group's response to the trading conditions prevailing in 2023

The Chair meets regularly with Board members and with members of the GLT between Board meetings and ensures that Board members are kept informed of material developments. At meetings the Chair encourages debate and equal contribution from each Board member within a transparent and constructive atmosphere. The names of the Directors who served on the Board during the year together with the number of Board and Committee meetings attended by each Director is set out below.

	PLC Board	Audit Committee	Stay Safe Committee	Nominations Committee	Remuneration Committee	Overall attendance (%)
Number of meetings	12	4	4	8	7	
Attendance:						
M. Culver*	12/12	n/a	1/1	n/a	7/7	100%
H. Drewett	12/12	4/4	n/a	1/1	n/a	100%
J. Gill	12/12	n/a	4/4	8/8	n/a	100%
L. Hardy**	12/12	n/a	n/a	n/a	6/7	95%
J. Maiden***	7/8	1/1	n/a	1/1	n/a	90%
C. McConville	12/12	4/4	n/a	n/a	7/7	100%
P. Redfern****	9/9	3/3	2/2	6/6	6/6	100%
N. Roberts	12/12	n/a	4/4	n/a	n/a	100%
J. Whitbread	12/12	n/a	4/4	8/8	7/7	100%
A. Williams	12/12	n/a	n/a	n/a	n/a	100%

* Marianne Culver joined the Stay Safe Committee on 19 September 2023.

** As a result of a potential conflict of interest, Louise Hardy was recused from one Remuneration Committee meeting during the year.

*** Jez Maiden joined the Board on 1 June 2023, but due to a pre-existing arrangement was unable to attend the Board meeting on 27 July 2023. Jez provided his comments on the papers ahead of the meeting. He joined the Audit Committee and Nominations Committees on 20 September 2023.

**** Pete Redfern left the Board in September 2023 (last meeting was on 20 September 2023).

Group Leadership Team

The Board has delegated responsibility for the execution of the Group's strategy and the day-to-day management and operation of the Group's business to the CEO. The CEO has established and chairs the GLT which comprises key business and functional leaders.

Other colleagues are invited to attend GLT meetings from time to time in relation to specific matters. The main purpose of the GLT is to assist the Executive Directors in the performance of their duties, particularly in relation to the development and implementation of strategy, operational plans, policies, procedures and budgets; the monitoring of operational and financial performance; the assessment of control of risk; and the prioritisation and allocation of resources.

Provision of information and support

All Directors have direct access to the General Counsel & Company Secretary who is responsible for advising the Board on all governance matters. Directors may also seek independent professional advice at the Company's expense in the furtherance of their duties as required.

Annual General Meeting

In 2023 we were pleased to welcome shareholders, their proxies and corporate representatives to attend our Annual General Meeting in person at the London offices of Linklaters. All Directors were present and available for questions at our 2023 Annual General Meeting. We received strong support from shareholders for the resolutions put to the meeting with an average of 96% of votes in favour of each resolution and with no resolution receiving 20% or more of votes cast against them the threshold that is a general trigger for the Board to consult with shareholders to understand the reasons behind their voting (the Board may choose to consult with shareholders regarding reasons for voting in any event).

We look forward to welcoming attendance by shareholders, their proxies and corporate representatives at the 2024 Annual General Meeting in person again. Having reviewed the apparent shareholder appetite for broadcasts of the Annual General Meeting, we have decided that there will be no broadcast of the Annual General Meeting this year in order to use shareholders funds appropriately by avoiding unnecessary expenditure. We will keep shareholder demand for remote participation under review in respect of our future Annual General Meetings.

Statement by the Board

A review of the performance of the Group's businesses and the financial position of the Group is included in the Strategic Report on pages 2 to 86. The Board uses it to present a full assessment of the Group's position and prospects, its business model and its strategy for delivering that model. The Directors' responsibilities for the financial statements are described on page 136.

Going concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- The Group's cash flow forecasts and revenue projections
- The impact on trading performance of severe but plausible downside scenarios. Key assumptions include significant reductions in revenue removal of property profits and limited reductions in fixed overheads, as well as mitigating actions such as delayed capital expenditure and dividend suspension
- The committed debt facilities available to the Group and the covenants thereon
- The Group's debt maturity profile
- The Group's robust policy on liquidity and cash flow management
- The Group's ability to successfully manage the principal risks and uncertainties outlined on pages 74 to 85 during periods of uncertain economic outlook and challenging macroeconomic conditions

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements.

The Board's fair, balanced and understandable declaration

At the Board meeting during which the Group's results for the year were presented by the CEO and the CFO, the Board considered whether the Annual Report and Accounts, when taken as a whole, present a fair, balanced and understandable overview of the Group and its performance. After hearing from the Executive Directors, receiving a report from the Audit Committee Chair on that Committee's meeting to review the preparation and content of the year-end financial statements and the audit conducted upon them, and reviewing the content of the Annual Report and Accounts; the Board concluded that the Annual Report and Accounts are fair, balanced and understandable and accordingly the Directors' declaration to that effect can be found under the Statement of Directors' responsibilities on page 136.

Effectiveness of the system of internal control and risk management

In conjunction with the Audit Committee and in a process that accords with the Financial Reporting Council guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Board has carried out an annual review of the overall effectiveness of the system of internal control and risk management during the year and up to the date of approval of the Annual Report and Accounts, and concluded that these systems are effective. A further description of this work is set out in the Audit Committee report on pages 101 to 105.

The Corporate governance report has been approved by the Board of Directors and is signed on its behalf by:

Jasmine Whitbread
Chair
11 March 2024

Engaging with stakeholders

Building positive relationships through strong engagement, collaboration and dialogue with stakeholders that 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.

The Group's Chair and management team undertook 144 investor interactions during 2023, including attendance at 10 investment bank conferences. The management team recognises the benefits of virtual meetings with regard to efficiency and reaching a wide investor base but remains focused on in person meetings as it is their belief that this facilitates better quality of conversation and helps to build long term relationships with shareholders. In 2023, two-thirds of all investor interactions were in-person, this figure rising to over 80% with UK based investors.

Key ESG interests: Carbon, Responsible Sourcing.

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 continues to invest 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 the straight supply of 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 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. Many of these examples are shared under "Modernising construction" on pages 36 to 37.

Two ESG forums were hosted for national house builders and two for regional house builders during 2023 and three working groups have been formed to work together on shared ESG opportunities. Customers increasingly invite the Group to participate in events or present at conferences to advance sustainability agendas. The ESG team engaged with over 250 customers in 2023.

Key ESG interests: Carbon (product, delivery, data, solutions for Net Zero new build and Retrofit), Sustainable products, Responsible sourcing, Social value, Packaging, Safety.

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 2023 was sent to just under 18,000 colleagues with a completion rate of 79%, representing the views of over 14,000 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.

The Group also continued to embed its storytelling process in 2023 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 are easily communicable and capable of being embellished with personal stories from the tellers to make narratives both resonate with the audience and be capable of being passed on. The story has been kept alive and further embedded in 2023 through the businesses' conferences and Group and business level communications. Further information on how the Group engages with colleagues can be found under "Colleague voice" on page 48.

ESG training sessions were delivered across a number of teams at Group and within the businesses by the Group Sustainability team and the ESG module, which is now included in all apprenticeships, was revised in 2023 to keep the content current.

Key ESG interests: Safety and Wellbeing, Skills, Diversity, Equity and Inclusion, Carbon, Responsible Sourcing.

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 2023. Online workshops were held for suppliers in July, September and October, focusing on decarbonisation, packaging and waste, and modern slavery. Between the workshops and individual supplier engagements, over 350 suppliers were supported by the Group sustainability team during 2023. 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.

Key ESG interests: Carbon, Responsible sourcing (including QA), Sustainable products, Packaging, Safety, Modern slavery.

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Working together towards shared goals assists us in delivering long-term sustainable success.

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. In 2023, we continued to work towards the long-term target for people development that we announced in 2022 for 10,000 people to successfully complete 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 2023 progress was made towards the Group's targets for buildings and fleet (Scope 1 and 2) and for the supply chain (Scope 3). Further information is available in the Sustainability report on pages 30 to 49.

Key ESG interests: Carbon, Sustainable products, Safety, Quality, Skills, Responsible sourcing.

Government and regulations

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. In 2023, Nick Roberts, Chief Executive, joined the Construction Leadership Council (CLC) board as industry sponsor for People and Skills. Key areas of focus during 2023 were around the skills gap, a national retrofit strategy, decarbonisation of specialist fleets and health and safety. The Group became a partner to the National Retrofit Hub in 2023 and is represented on each of its working groups. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Key ESG interests: Carbon, Retrofit, Skills, Governance.

Trade and professional bodies

The Group has committed to be the leading partner to the industry. This involves close collaboration with trade and professional bodies to raise awareness, to share best practices and to move forward together as an industry on shared opportunities, issues and challenges. For example, the Group sits on the Builders Merchant Federation Board and each of its industry working groups, in some cases chairing those groups. The Group was also a member of the Institute of Environmental Management & Assessment ("IEMA") in 2023, benefiting from and contributing to cross sector knowledge sharing. The Group is a CO_2nstructZero Business Champion, the Construction Leadership Council's framework for net zero in the construction industry. As a partner to the Supply Chain Sustainability School, experts from across the Group participate in key industry forums to co-develop plans and solutions for key sustainability issues.

The Group also participates in working groups with the Future Homes Hub and the West Midlands Combined Authority Future Homes Taskforce. The Group is a founding member of The Construction Inclusion Coalition ("CIC"), which has been established by CEOs at leading organisations including Aliaxis, Baxi, Bradfords, Highbourne Group, Ibstock PLC, Knauf, Travis Perkins PLC, Wavin, Wolseley, the Builders Merchants Federation and the National Merchant Buying Society to raise sector standards on equity, diversity and inclusion, with an immediate focus on gender representation in its first year.

Key ESG interests: Carbon, Retrofit, Skills, Safety, Packaging, Diversity, Equity and Inclusion.

Decision-making in practice

One of the major decisions made by the Group this year was to strengthen the Group's involvement and investment in Retrofit. This was to meet increasing social housing customer requirements and upcoming consumer requirements relating to the retrofitting of their buildings to improve energy and thermal efficiency, reduce carbon, reduce utility costs and improve health and comfort. Recognising our role as leading partner to the industry, the Group has further developed its retrofit plans and retrofit basket of goods, as well as joining the National Retrofit Hub, investing in bespoke retrofit projects with customers and recruiting new dedicated team members to drive this agenda forward. 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 a cost of living crisis, poor quality and leaky housing and a challenging national decarbonisation target, the UK must address the existing built environment. The retrofit revolution ahead will offer significant opportunities for increased sales.
Colleagues	Our colleagues want the Group to do the right thing and to help build better communities. They are also interested in improving their own homes and costs. For both current and future colleagues, the Group's alignment to key national sustainability and economic issues is expected.	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 evolve its product and service offering to customers keeps the business relevant and attractive to colleagues. Colleagues can relate to the need to better manage energy, particularly in light of recent energy price increases.
Customers	Our customers want industry partners who can meet their needs relating to products, data and value-add services. These needs are evolving and becoming more complex as the industry addresses the challenges of carbon reduction and modernisation, and one of the emerging and significant opportunities is around retrofit. Our customers are facing their own challenges in addressing retrofit requirements and look to partners such as our Group for solutions, advice and support.	The Group maintains regular communication with its customers, consulting regularly with them on their changing needs. Both social housing landlords and Tier 1 contractors have increasing needs to support the successful delivery of their retrofit plans. Other customer segments are also involved as many trade types are needed to fulfil whole house retrofits. It is critical for the Group to support its customers to participate in and benefit from new opportunities in the market.
Suppliers	Our suppliers want us to enable the success of their own businesses by opening up market opportunities. If the Group establishes itself as a key retrofit partner within the industry, our suppliers will have the opportunity to sell more products.	The business has worked with suppliers to introduce new product ranges which are needed to complete whole house retrofits. The Group has also offered Suppliers the opportunity to showcase their products in a new decarbonisation hub developed by one of its social housing landlords.
Construction Supply sector	The Construction supply sector needs to work together, and with government, to effectively establish the supply chain solutions needed for high volume retrofits.	The Group has partnered with the newly launched National Retrofit Hub and sits on all of the working groups in order to shape the plans around retrofit, making sure that manufacturers and merchants can effectively play their part.
Communities	Communities are challenged to keep their community buildings and housing stock in good repair and with high levels of energy and thermal efficiency. With energy price increases and a cost of living crisis, this is particularly relevant.	As a Group our purpose is to Build Better Communities and Enrich Lives. Retrofitting the UK's old and leaky built environment is a key pillar in delivering our purpose.
Government and regulators	The government and regulators are very aware of the need to retrofit as 80% of the homes that will exist in 2050 exist today – UK Net Zero cannot be achieved simply by focusing on new build. A retrofit revolution is needed to address the existing built environment. The regulators are also focused on building health (due to damp and mould) and safety (following the Building Safety Act), and the energy cost crisis.	The Group is the largest supplier of materials into the UK construction sector, serving all customer types and selling the vast majority of product categories. Retrofit represents a clear opportunity to demonstrate the value of the Group as the combined "basket of goods" across all businesses is essential to fulfil retrofit product needs. The Group can play a leading role in delivering against the government's retrofit agenda.

Jasmine Whitbread
Chair
11 March 2024

2023 focus areas

- Board succession planning
- Appointment of Duncan Cooper
- Board and Committee effectiveness review
- Board and senior management pipeline diversity

Number of scheduled meetings during 2023

6

Dear Shareholder,

As Chair of the Nominations Committee I am pleased to present to you the Committee's report on its activities in 2023.

The last year saw further changes to the Company's board of Directors ("Board"). In 2023, Pete Redfern reached the milestone of nine years' service on the Board and at the end of the year, Coline McConville also stood down having served for nearly nine years. Pete and Coline's departures necessitated searches for their successors. The Committee had already conducted searches in 2022 and by 1 January 2023 Louise Hardy had joined the Board as Coline's successor, enabling her to spend some time working on the Remuneration Committee alongside Coline before assuming the role of Chair of that Committee on 1 December 2023. The search for Pete's successor continued into 2023 culminating in Jez Maiden joining the Board on 1 June last year. Alan Williams's early indication of his desire to retire enabled the Nominations Committee to lead an appropriately measured search for a new Chief Financial Officer on behalf of the Board which I'm delighted to say resulted in Duncan Cooper joining the Board on 9 January this year.

We have in place a talented Board with deep sectoral and excellent general business and commercial, as well as strong public company experience.

Board diversity policy and diversity

For financial years commencing on or after 1 April 2022, Disclosure Guidance and Transparency Rule ("DTR") 7.2.8AR, which deals with corporate governance, requires disclosure of the diversity policy applied to a Board and its Remuneration, Audit and Nomination Committees. It has always been our approach to seek diversity in all senses, including age, gender, ethnic and social backgrounds, sexual orientation and disability and to foster a culture of inclusion. That remains our approach in all the activities of the Board and its Committees. In light of DTR 7.2.8AR the Board has approved and adopted a formal diversity policy which can be found in the Governance section on the Company's website www.travisperkinsplc.co.uk.

The Board supports the principles and aims of the FTSE Women Leaders Review (FWLR) and its recommendations that Boards should comprise 40% female directors with a female in at least one of the roles of Chair, SID, CEO or CFO; and that by the end of 2025 40% of the leadership team (executive committee (or its equivalent) and its direct reports) should be female. At the end of the year, four Directors out of nine were female (44.44%) with a female Chair. Accordingly, we met the currently applicable recommendations of the Review. With the departure of Coline McConville from the Board at the end of 2023, at the date of this report, three out of eight Directors are female (37.5%). We would like to further strengthen the Board's diversity and enhance our sectoral/distribution industry experience. We are scanning the market for suitable potential future candidates to recruit when the time is right.

Our executive committee, which we call our Group Leadership Team (GLT), currently comprises ten colleagues, of whom 30% are female. Full details of our gender diversity as a Group are set out at page 45 in the Sustainability report. The gender split amongst the direct reports to the GLT are 64% male and 36% female. If we are to meet the FWLR's recommendation for the leadership team to comprise 40% female by the end of 2025, we have our work cut out. We have calculated that if headcount remains stable for the leadership team and if we assume that female attrition remains in line with overall attrition in that cohort at 7%, to reach the review's target of 40% female colleagues in the leadership team, we shall have to recruit females to fill 77% of anticipated vacancies. Although we are committed to achieving the FWLR's aims, in light of historic and current female representation in our industry as a whole, and the impact the legacy of years of female under representation has on the available talent pool, we are unsure how realistic the target of filling 77% of vacancies with females really is. We will actively endeavour to do so, but it may take longer than the end of 2025 to meet the FWLR's recommendation. That will not stop us trying though.

The Parker Review (on ethnic diversity) has recommended that by 2024, FTSE 250 companies should have at least one director who identifies as minority ethnic. At the end of the year and at the date of this report, the Board has met that recommendation. In its latest report, the Parker review recommended that listed companies should set targets to be met by 2027 for ethnic diversity in leadership teams (executive committees and their direct reports) and that from December 2024 onwards, listed companies should report on their progress towards those targets. Our current ethnic diversity amongst our leadership team is poor with 96% from white ethnic backgrounds and 4% from Asian ethnic backgrounds. We are not yet ready to disclose targets as we have further work to do before we can set them. It is our aim to complete that work during 2024 so that we can report targets for ethnic diversity amongst our leadership team in our next annual report and thereafter, we can report progress against them.

At 31 December 2023, the Company met the targets on board diversity set out in Listing Rule 9.8.6R (9). As Coline McConville has stepped down from the Board, at the date of this report the Company no longer meets the target in LR9.8.6R(9)(a)(i) as 37.5% of the Board are women. The following table is included in compliance with Listing Rule 9.8.6R(10) in the format prescribed by that rule and set out in Listing Rule 9 Annex 2:

Gender identity or sex

At 31 December 2023	No. of Board members	% of the Board	No. of senior positions on the Board	No. in executive management	% of executive management
Men	5	55.56	3	5	62.5
Women	4	44.44	1	3	37.5
Not specified/prefer not to say	–	–	–	–	–

Ethnic Background (at 31 December 2023)

At 31 December 2023	No. of Board members	% of the Board	No. of senior positions on the Board	No. in executive management	% of executive management
White British or other White (including minority-white groups)	8	88.88	4	8	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	11.12	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Board effectiveness review

As the Board undertook an externally-facilitated effectiveness review last year, this year the Board effectiveness review was conducted in-house with the process facilitated by the General Counsel & Company Secretary. Using a combination of questionnaires and discussion, the effectiveness of the Board, its Committees and the Chair was assessed. The Board, its Committees and the Chair were found to be operating effectively with good constructive challenge and better focus on operational issues, albeit, in light of current economic pressures, the Board has had to be conscious not to allow its focus to become too short-term and to maintain its longer-term strategic perspective.

2023 focus areas identified by the effectiveness review and progress:

Focus area	Progress
Board agendas and meeting frequency, including addressing what should come to the Board and why the Board needs to be involved	Good progress has been made with the introduction of an approach whereby the Board's annual work plan, including meeting frequency, for the subsequent year is agreed with the Board at the end of each year with detailed agendas mapped out. As agendas naturally evolve in response to changing circumstances and demands, the agenda for the subsequent meeting is reviewed and discussed at each Board meeting. In that discussion the rationale for bringing each item to the Board is considered, including an examination of why the Board needs to be involved in anticipated agenda items.
A focus on constructive challenge and on operational issues (but not operational detail) in addition to strategy	In response to the increasingly challenging economic environment in which the Group is operating, the Board has increased its focus on key operational matters but actively sought to ensure that it has not done so to the detriment of its core focus on strategic planning and execution. It has consciously recalibrated the balance of the Group's focus on elevating and deepening relationships with customers with a greater balance on deepening activities in the short term which are intended to win a greater share of customer spend through making the purchasing process as smooth and integrated as possible. Operational excellence is a key facet of deepening customer relationships.
Succession planning for Non-executive Directors and the GLT	The successful navigation of the succession of Non-executive Directors over the last two years, including the critical roles of Remuneration Committee Chair and SID, is testament to the progress achieved with Non-executive Director succession. Focus remains on robust future succession planning with regular review of the skills and experience of the existing Non-executive Director cohort against the evolving business environment and anticipated demands of the Group. Horizon scanning work using the services of external search organisations is embedded and ongoing to ensure that the Board is aware of the availability of suitable talent so that it has the opportunity to move pre-emptively in anticipation of future Board changes. The Nominations Committee leads oversight of GLT succession planning and pipeline build on behalf of the Board which regularly reviews the current and future GLT constituency examining the pipeline of talent into the GLT and the pipeline from the GLT to potentially fill future Executive Director roles. In doing so, regard is had to the Board's Diversity Policy and the recommendations of the FWLR and the Parker Review.
Competitive landscape and associated learnings	Each of the business units attends a Board meeting at least annually for an in-depth review of business unit performance, key issues and strategic execution. Standing items have been introduced for those reviews including, amongst other matters, market share performance, competitor performance and initiatives to address relative performance and how to beat competitors. In addition to providing better insight to the Board, that approach achieves consistency across the business units and enables comparison of performance, which also helps insight and learnings to be shared across the business units of the Group.

2024 Focus areas:

The Board has agreed the following focus areas for 2024:

- In light of changes in the Non-executive and Executive Director constituencies, focus should continue on the balance of constructive challenge and support as relationships between Directors become better established.
- Improving the feedback loop with the Board regarding actioning within the business of issues raised by the Board, for example the introduction of clear milestones against which to judge the success of implementation of initiatives.
- Continuing to improve risk management processes, in particular, the articulation of the Board's risk appetite to the business with attention to the language used to bridge between the articulation of risk appetite and how it is embedded in the business.
- Achieving an appropriate balance between the Board's focus on short-term performance improvement against the backdrop of current economic challenges and long-term strategic success.

Process for Board appointments

Through a rigorous selection process, appointments to the Board are made on merit and against an agreed set of specific and objective criteria. The Committee oversees this process on behalf of the Board and advises the Board on the identification, assessment and selection of candidates. The appointment process includes: 1. Agreeing the key skills, attributes and business experience required for the role as well as diversity priorities 2. Preparing a role description 3. Engaging independent search consultants 4. Conducting a market search via the search consultants 5. Preparing a "long list" of candidates, taking into account diversity considerations and the Committee's review of the composition, experience and skill-sets of the Board 6. Selecting a shortlist which meets the Committee's criteria 7. Candidate interviews and assessments 8. Making a recommendation to the Board, following detailed references, appointees are provided with a programme of induction meetings with key personnel and visits to key areas of the businesses within the Group.

During the year the Committee used the services of Russell Reynolds. Other than the use of their services in search assignments and advising on succession planning, the Directors have no connection with Russell Reynolds.

Jasmine Whitbread
Chair
11 March 2024

Heath Drewett
Chair, Audit Committee
11 March 2024

2023 focus areas

- Monitoring integrity of financial statements and formal announcements relating to financial performance
- Assessment of effectiveness and maturity of risk management and internal control
- Assurance in connection with the Group's finance modernisation programme ("Apex")

Number of meetings during 2023

4

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2023. The report sets out the Audit Committee's work in relation to financial reporting, internal audit, risk management and oversight of the external audit process.

I will be available at the Annual General Meeting to answer any questions about the work of the Audit Committee.

Audit Committee membership and attendance

The members of the Audit Committee for the year ended 31 December 2023 have been:

- Heath Drewett
- Jez Maiden (from the close of the Board's meeting on 19 September 2023)
- Coline McConville
- Pete Redfern (up to the close of the Board's meeting on 19 September 2023)

(Coline McConville stepped down from the Committee on 31 December 2023 and Jora Gill joined the Audit Committee from 1 January 2024)

All members are independent Non-executive Directors. At any time at least two of the members have recent and relevant financial experience and all members have competencies relevant to the Company's sector, gained through a variety of corporate and professional appointments, as required by the UK Corporate Governance Code (see biographies on pages 88 to 89.

The Audit Committee held four formal meetings in 2023. Attendance of members at the Audit Committee's meetings during the year can be found in the Corporate Governance report on page 92.

The following were also invited to attend each of the Audit Committee's meetings in 2023:

- Chair of the Board
- Chief Executive Officer
- Chief Financial Officer
- General Counsel & Company Secretary
- Director of Group Finance
- Director of Internal Audit & Risk
- Director of Financial Accounting & Control
- the Group's external auditor

From time to time Directors who are not members of the Audit Committee may be invited to attend meetings of the Audit Committee where this will facilitate a richer discussion and avoid potential inefficiencies in repeating a review of matters at both an Audit Committee and Board meeting. Directors who are not members of the Audit Committee but who have a pending appointment may also be invited to attend meetings. In 2023 other Directors were invited to attend the meetings in February, July and November on these bases for, among other reasons, the review of principal and emerging risks.

The Group's Director of Legal Services & Deputy Company Secretary is the Secretary to the Audit Committee, as nominee of the General Counsel & Company Secretary.

The Audit Committee held separate meetings with the Director of Internal Audit & Risk and external auditor without the presence of management and held separate meetings with management without the external auditor.

Role of the Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities. The main roles and responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, which includes reviewing significant financial reporting judgements contained therein.
- Reviewing the effectiveness of the Company's internal financial controls and internal control and risk management systems.
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function.
- Maintaining an appropriate relationship with the Company's external auditor and reviewing and monitoring its independence, objectivity and effectiveness in carrying out the audit process, taking into account relevant professional and regulatory requirements and ethical guidance.

Work of the Audit Committee

In carrying out the activities referred to above, the Audit Committee places reliance on regular reports from management, the Company's Internal Audit function and the external auditor. The Audit Committee is satisfied that it received sufficient, timely and reliable information to enable it to fulfil its responsibilities during the year.

The Audit Committee's performance evaluation has been conducted as part of the Board Effectiveness Review set out on page 99, which found the Audit Committee to be operating effectively.

The Audit Committee conducts an annual agenda of business covering financial reporting, internal controls, risk management, internal audit activity and external audit. This agenda is reviewed regularly by the Committee to ensure that it reflects the priorities of the Company and continues to include all matters for which consideration must be given in order to meet the Audit Committee's corporate governance responsibilities. Details of the main matters covered in the business of the Audit Committee at each of its meetings in 2023 are as follows:

Q1 (February 2023)	Q2 (May 2023)	Q3 (July 2023)	Q4 (November 2023)
• Year-end accounting for 2022* • External audit report for 2022 • Review of internal controls • Review of principal and emerging risks • The content of the Annual Report and Accounts, the results announcements prepared by management and the associated press release issued at year-end	• Developments regarding UK corporate reform and in that context the Group's systems of internal financial controls • Progress reports on information security initiatives • External audit plan including half year strategy • Review of performance and effectiveness of external auditors	• Half year accounting for 2023* • External audit report including auditor quality control and independence • Review of principal and emerging risks	• Audit Committee effectiveness review • External auditors report including progress against plan for 2023 audit and findings • Updates regarding the outcome of impairment testing and other significant accounting matters relevant to year-end accounting • Internal Audit – Independence and effectiveness assessment; re-approval of charter • Internal Audit – approval of Internal Audit plan for 2024 • Progress report on security matters

In addition to the above specific matters, the Audit Committee considered at each of its meetings in 2023 the following standing agenda items:

- Review of non-audit fees
- Review of progress reports concerning the Internal Audit Plan for 2023, including approving additions and deferrals proposed
- Review of internal audit reports, including progress on implementing recommendations arising from internal audit work
- Review of reports on activity within the relevant period of the Operational Compliance Support teams
- Review of updates regarding assurance activity concerning the Group's Apex programme (delivery of new finance system)
- Review of reports regarding matters disclosed to the Group's SpeakUp Hotline (save that this formed part of the business of the meeting of the Board in November 2023, rather than the Audit Committee's November 2023 meeting)

* In considering accounting for both the year end and the half year, in discharging its financial reporting responsibilities, the Audit Committee has special regard for accounting policies and compliance with accounting standards, going concern and viability assumptions, and significant financial reporting estimates and judgements made during the preparation of the Group's annual and interim accounts.

The Board is updated on key matters and recommendations following each Audit Committee meeting.

Significant issues related to the financial statements

The Audit Committee has assessed whether suitable accounting policies have been adopted by the Group and whether management has made appropriate judgements and estimates.

The table below sets out the key judgement areas associated with the Group's financial statements for the year ended 31 December 2023 that were considered by the Audit Committee. This is not a complete list of all accounting issues, estimates and policies, but includes those which the Audit Committee believes are the most significant.

In reaching its conclusions, set out in more detail in the table below, the Audit Committee considered papers and explanations given by management, discussed each matter in detail, challenged assumptions and judgements made and sought clarification where necessary. It reviewed and discussed any internal audit reports in respect of the matters under consideration and the Audit Committee also received a report from the external auditor on the work undertaken to arrive at the conclusions set out in the audit report on pages 138 to 144, discussing all relevant matters in depth.

Area	Issue and nature of judgement	Factors considered and conclusions reached
Inventory valuation	To meet customer expectations, the Group carries a wide range of inventory in around 1,500 locations. Inventory should be included in the balance sheet at the lower of cost or net realisable value. At 31 December 2023 the Group's inventory was valued at £728m. The determination of cost is made more difficult by the ageing accounting systems and material rebate and fixed price discount agreements; requiring regular reconciliations in areas such as accruals for goods received not invoiced.	During the year, management regularly reported on inventory valuation and provisioning to the Committee and did so again at its meeting to consider the year-end Annual Report and Accounts. The Committee reviewed and discussed the information presented about gross inventory values and the adjustments made by management to reduce inventory carrying values to allow for rebates and fixed price discounts attributable to inventory and provisions to reflect obsolescence or slow-moving inventory. The Committee assessed the judgements made by management and concluded from the information it had received and its discussions with management and the external auditor that inventory was fairly stated in the balance sheet. Further information is given in the notes to the financial statements (note 11 – Inventories and note 12 – Supplier Income).
Defined benefit pension schemes	At 31 December 2023 the Group's balance sheet included a net asset position of £101m in respect of its defined benefit pension schemes, which reflects a gross pension asset of £1,097m and pension liability of £996m. The valuation of the pension liability is calculated under the unit credit method specified in IAS 19 – Employee Benefits and depends on several key assumptions including the discount rate, inflation forecasts and life expectancy. By their nature, these estimates are subject to considerable uncertainty and small changes in the value could materially impact the valuation of the liability.	Management presented the Committee with papers setting out the results of the work done, the assumptions made and the conclusions reached with respect to the Group's defined benefit pension schemes. Management explained to the Committee how the discount rate, inflation and life expectancy estimates were prepared and how sensitive the valuation was to changes in these key assumptions. After reviewing these papers and obtaining further explanation where necessary, the Committee concluded that management had taken a consistent, balanced and reasoned approach to preparing its calculations and made acceptable judgements. Further information is given in the financial statements (note 17 – Pension arrangements).

Risk management and internal controls

Risk management

Risks are logged and managed on an ongoing basis at a Group level and within the businesses and assessed in key strategic and performance review processes throughout the year. Key risks are regularly collated and reviewed by the GLT and the Board to assess the potential impact and likelihood of occurrence, after taking into account key controls and mitigating factors, as well as interdependencies. Additional mitigating actions are put in place as required to manage risks within the Board's risk appetite. Regular horizon scanning and risk benchmarking is undertaken to test the Group's risk set and identify emerging risks, which are reviewed by the Board.

The Group adopts a continuous improvement approach to risk management. Refinement of the risk management framework continued in 2023 in response to the independently conducted maturity assessment in 2022 of the Group's risk management framework. Risk appetite has been an area of particular focus this year. An exercise was undertaken in Q3 to consult with a selection of senior managers and the GLT to assess existing appetite levels and ways of working, with the outputs considered by the Board in resetting its risk appetite in November 2023.

The principal risks and uncertainties are set out on pages 74 to 85, together with information on how those risks are mitigated and how emerging risks are assessed.

Internal controls

The Company operates a "three lines of defence" assurance model. The Audit Committee plays a key role in monitoring activities in respect of the Company's internal control and assurance framework throughout the year, to ensure that risks are adequately mitigated (see "Statement of principal risks and uncertainties" on page 74). The Audit Committee has received regular updates on the status of these activities.

The Audit Committee conducted a review of the effectiveness of the Company's risk management and internal controls, concluding that they remain effective. The internal control framework is intended to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

In 2023, particular Audit Committee focus has been on continuing management initiatives to improve the internal financial control environment. There are a number of system replacements in progress, including Apex, which will deliver a new finance system, as well as enhancing and improving the Group's control framework to lead to greater consistency and automation of controls. An independent assurance provision has been procured from PwC to underpin the plan for assuring Apex. The assurance plan has been reviewed by the Audit Committee. Regular reports on results were presented to both the Apex steering committee and the Audit Committee throughout 2023 and progress will continue to be monitored in this way in 2024. Reviewing such major system transformation programmes will also remain an area of focus for the Internal Audit function. It is also the case that all major internal assurance processes, including operational compliance, health and safety and internal audit, track control improvement actions to completion, which is a core part of the continuous improvement of controls.

Internal audit

The delivery of the Internal Audit Plan, which is the annual plan of internal audit activity structured to align with the Group's strategic priorities, major change programmes and principal risks, is a key source of internal assurance for the Group. The Internal Audit function develops the Internal Audit Plan, with consideration of relative risk, historic coverage and management requests, and delivers the majority of reviews, supported as needed by co-source partners to provide specialist knowledge and skills. The Audit Committee assesses and approves the Internal Audit Plan and reviews results and progress at each Audit Committee meeting. The Internal Audit Plan is reviewed periodically throughout the year and is updated as business priorities and risks change, to ensure that it remains relevant. The Audit Committee oversees and approves all changes to the Internal Audit Plan throughout the year.

The audits delivered during 2023 covered a broad range of operational, financial, legal, regulatory, IT and transformation activities. Core financial control areas are audited regularly. In 2023 this included reviews of the new treasury system, supplier payments in Toolstation UK, the certification process for key financial controls and the process supporting the Senior Accounting Officer tax declaration. In addition, Internal Audit has supported the Apex programme and, alongside the external programme assurance provider, has undertaken reviews of related architecture, system integration testing and access controls, as well as a number of changes to operational ways of working. Internal Audit continues to conduct risk assurance mapping for key areas including safety, credit services and cyber security in the Toolstation businesses.

The 2024 Internal Audit Plan was approved by the Audit Committee at its meeting in November 2023. As with every year, a rolling risk assessment will continue throughout 2024 to ensure that internal audit activities remain targeted at the areas presenting the most risk to the Group, which can change over time. Any changes to the proposed 2024 Internal Audit Plan will be approved by the Audit Committee. The 2024 Internal Audit Plan is targeted at assurance in relation to, follow-ups in key areas that have previously been the subject of the most significant audit findings, key technology programmes including those related to Group finance systems, control effectiveness (in response to expected changes to the UK Corporate Governance Code in 2024) and areas or processes that align to any of the Group's principal risks. The annual Internal Audit Plan includes standing requirements to review internal financial controls self-assessments, the basis for the Group's Senior Accounting Officer declaration regarding tax controls and rolling assurance coverage to support the Group's ISO14001 certification.

All audit findings and agreed management actions are communicated to the Audit Committee and tracked through to completion. The Audit Committee receives an update at every meeting on the age of findings and the level of risk to the business. Significant progress has been made in the last year to address outstanding audit findings, thereby reducing the ongoing risks to the business.

The Internal Audit function has a continuous improvement strategy, with initiatives set annually and progress reported regularly to the Audit Committee. Opportunities identified by the external effectiveness assessment of internal audit activity undertaken in 2022 were integrated into the continuous improvement process for 2023. This informed the decision to focus on activities such as improving within the wider Group the understanding of governance, risk and controls and increasing audit coverage and depth through a greater use of data within audits. A range of development actions have been undertaken and completed in 2023 with the development of the data analytics capability of the Internal Audit function and the monitoring of team skills and knowledge to continue as priorities into 2024. The Internal Audit function also reported to the Audit Committee that good progress continues against all three of its strategic pillars: Alignment to Business Needs; Leverage Data & Technology; Continuous Improvement.

Based on its review of the updates on activity undertaken and progress made, the Audit Committee was satisfied with the overall effectiveness of the Internal Audit function throughout 2023.

External auditor

The Audit Committee confirms that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

KPMG LLP has been the external auditor since 2015. There are no contractual restrictions on the Group with regard to this appointment. The individual lead audit engagement partner for KPMG LLP is James Tracey, appointed in August 2022. The Company expects to retender the external audit in accordance with the timescales set out in the Financial Reporting Council's guidance, which require the external audit to be put out to tender by 2025. Based on the Audit Committee's assessment of the effectiveness of the audit, the Audit Committee considers a tender for the 2025 audit to be in the best interests of the Company's shareholders.

Audit scope and effectiveness

The external audit plan and strategy for the external audit of the 2023 Annual Report and Accounts was presented by the external auditor to the Audit Committee in November 2023 to enable the Audit Committee to discuss and challenge the key elements.

The Audit Committee considers the effectiveness of the external auditor during the year and, with input from management, carries out a formal review of its performance after the year-end audit has been completed. In undertaking this assessment the Audit Committee considers:

- The experience and expertise of the external auditor
- The completion of the agreed external audit plan
- The content, quality of insights and added value of external audit reports
- The robustness and perceptiveness of the external auditor in its handling of key accounting and audit judgements
- The interaction between management and the external auditor
- The provision of non-audit services

Financial Reporting Council

During 2023 the Audit Committee monitored the Group's engagement with external stakeholders relevant to the Audit Committee's areas of oversight, including the Financial Reporting Council ("FRC").

The Audit Committee began the process of familiarising itself with the FRC's *Audit Committees and the External Audit: Minimum Standard* ("FRC Minimum Standard") following its publication in May 2023 and will identify any areas of Audit Committee practice that may be enhanced in line with the FRC Minimum Standard for so long as it applies on a voluntary basis. It is the current intention of the Audit Committee that the tender for the 2025 audit referred to above will be conducted in line with the FRC Minimum Standard.

In preparing the Group's Annual Report and Accounts, the Group responds to the recommendations of the FRC made through its reviews of corporate reporting and its "thematic reviews" of specific areas of corporate reporting.

Independence and objectivity

One of the Audit Committee's responsibilities is to ensure compliance with the Board's policy on services provided by and fees paid to the external auditor. The policy sets out the work that is permitted to be performed by the external auditor and the work that is prohibited.

The process for approving all non-audit work provided by the external auditor is overseen by the Audit Committee to safeguard the objectivity and independence of the external auditor. The Audit Committee considers whether it is in the interests of the Company that the services are procured from KPMG LLP rather than another supplier.

In 2023 KPMG LLP was engaged to provide non-audit services only in relation to the June 2023 review of the Group's interim financial statements. KPMG LLP was considered the most appropriate firm to carry out the work in respect of the interim review given its knowledge of the Group and the synergies that arise from running this engagement alongside the main audit.

The amount of non-audit fees payable to the external auditor in any particular year cannot exceed 70% of the average of the current and previous two years' audit fees. The Audit Committee determines the policy on provision of non-audit services by the external auditor, reviews the nature and extent of non-audit work performed and monitors and annually confirms compliance with the policy.

Reporting

The CFO reports to the Audit Committee on fees for non-audit services payable to the external auditor at every meeting. As shown in note 4 to the accounts, during the year the auditor was paid £2,093,000 (2022: £1,891,000) for audit-related work and £90,000 (2022: £85,000) for non-audit work. Non-audit work related to the review of the Group's interim financial statements. Fees for non-audit work were 4% (2022: 4%) of fees for audit-related work. The total fees paid by the Group to KPMG LLP in 2023 represent 0.1% of KPMG LLP's UK fee income. In addition, £2.7m (2022: £1.3m) of fees were paid to other accounting firms for non-audit work.

Assessment of the external auditor

Having considered the external auditor's performance and representations from the external auditor about its internal independence processes, the Audit Committee was satisfied with the independence, objectivity and effectiveness of the external auditor and recommended to the Board that it recommend that KPMG LLP be reappointed by shareholders at the Annual General Meeting on 22 April 2024.

This report has been approved by the Board of Directors and signed on its behalf by:

Heath Drewett
Audit Committee Chair
11 March 2024

Louise Hardy
Chair, Remuneration Committee
11 March 2024

2023 focus areas

- Remuneration policy review
- Shareholder, proxy and adviser consultation
- Appointment of Duncan Cooper, Chief Financial Officer
- Transition to new Remuneration Committee Chair

Number of meetings during 2023

7

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to introduce the 2023 Directors' remuneration report.

Challenging trading conditions and impact on executive pay

The Group has made good progress against its strategic priorities during the year, growing margin-accretive value-add services, delivering a substantial proportion of planned technology and modernisation programmes to improve operational effectiveness, as well as continuing to drive positive actions in support of the Group's longer-term sustainability plan. However, challenging market conditions continued for longer than expected during 2023, which significantly impacted on sales volumes. In light of lower than anticipated profit delivery by the end of the year, the Group will not pay any bonuses to Executive Directors or members of the Group Leadership Team in respect of 2023 performance. Actual total remuneration for the Chief Executive for 2023 was 43% lower than the year before.

Across the Group, there is a renewed focus on significantly reshaping the organisation to capitalise on its scale, expertise and partnerships with suppliers and customers, and to operate in a more agile and customer-focused way, enabling the business to more consistently outperform its markets over the long term.

Remuneration policy review – minor changes to policy and no change to quantum

The current Directors' remuneration policy was approved by 89% of shareholders at the 2021 Annual General Meeting. This policy simplified and refocused executive remuneration in order to support sustainable, long-term business performance, to align management and shareholders and to foster a culture of collaboration and ownership across the Group. The primary change to the policy was the replacement of two long-term incentive plans (Performance Share and Co-Investment Plans) with a Restricted Share Plan ("RSP").

In accordance with the requirement to put a remuneration policy to a shareholder vote every three years, the Committee has undertaken a comprehensive review of each element of the policy to ensure it supports the Group's strategic ambition, purpose and values. The Committee believes the Directors' remuneration policy is operating effectively and remains the right approach to support the delivery of the Group's strategic objectives and long-term value for shareholders. No material changes have therefore been proposed to either the policy or the approach to the implementation of remuneration (including quantum and metrics) this year.

The Group has consulted with major shareholders as well as proxy and advisor bodies over the past few months, listening carefully to a range of views and taking on board the feedback in considering what is in the best interests of the Group.

The Committee believes that the RSP continues to be an appropriate and effective long-term incentive for executives and senior leaders across the Group. The RSP was implemented in 2021 in the knowledge that there would be an extended period of strategic change, and that the RSP would better support long-term growth and shareholder value by providing more flexibility around long-term decision making, particularly in times of significant external volatility. The intention was also that the RSP would enable a focus on vital aspects of the business strategy, such as customer relationships, modernisation, sustainability and decarbonisation.

The benefits of operating an RSP in support of long-term business strategy remain applicable to the Group, as summarised below:

Purpose of RSP:

- **Reward long-term sustainable performance**
  Delivery of the strategy requires longer-term decision making in order to drive value creation for shareholders. As the Group elevates and deepens its relationships with customers as well as taking actions to modernise the business and decarbonise t he industry, these decisions may not always maximise short-term performance but will enable the delivery of a strong and sustainable business over the long term. The RSP supports long-term growth and shareholder value by providing more flexibility around long-term decision making, particularly in times of significant external volatility.
- **Align management and shareholders**
  The RSP aligns management with the experience of shareholders through the direct link between reward outcomes and the share price.
- **Aligned to our culture**
  The RSP has been cascaded throughout the organisation to other senior leaders and key talent and in doing so supports the culture of collaboration and alignment to the Group's purpose, values and strategy. Working in tandem with the all-employee share purchase plan (which has had a take-up of around 20% over recent years), the RSP also enhances a sense of share ownership and collective accountability throughout the Group.
- **Simple and transparent**
  The RSP provides a single, simple mechanism for long-term incentivisation. It encourages positive behaviours and improved strategy execution without the distraction of shorter-term targets and avoids potential boom and bust cycles inherent with plans containing performance outcomes.
- **Effective retention tool**
  The RSP is a clear and easily understood incentive structure and therefore acts as an effective retention tool.

The first awards granted under the RSP in 2021 are due to vest in 2024. The Committee believes the RSP has operated effectively in that time, enabling management to react to evolving market conditions.

Under the new remuneration policy, the RSP is proposed to continue in its existing form for awards granted in 2024, with one change to simplify the vesting structure under the plan. For Executive Directors, currently 75% of RSP awards vest after three years and 25% after five years, with a two-year holding period on the three-year tranche, taking the timeframe for the entire award to five years. For RSP awards made in 2024 and beyond, it is proposed that 100% vests after three years, subject to a further two-year holding period, meaning that no shares will be delivered to executives until five years after grant. This approach is simpler and more transparent for participants and shareholders, is aligned with recent market practice, and the use of a three-year vesting period is consistent with the approach that is already applied for RSP participants below the Board.

Each part of the remuneration package plays an important role in driving performance to deliver the Group's long-term strategy and improve shareholder returns, as outlined in the remuneration policy on pages 112 to 119. The link between the Group's strategic ambition and incentive measures is detailed under the "Remuneration in 2023 – at a glance" section on page 110.

2024 salary review

The approach to this year's annual salary review was again a difficult balancing act. In light of business performance and ongoing challenges in the external market, affordability was a key concern in ensuring that fixed costs are managed carefully and sustainably. However, it has also been very important to recognise that inflation remains high and that cost of living pressures continue to impact colleagues across the Group. The other priority has been to maintain fair internal relativities between different levels in the organisation, given the impact of the near double-digit uplift to the National Living Wage rate, acknowledging that a substantial proportion of colleagues are paid at various steps just above the Group's entry level rate of pay. As a result, a majority of colleagues will receive a salary increase above the rate of inflation, whilst higher earners will receive a salary increase of 1.5%.

The Remuneration Committee subsequently reviewed the salaries of Executive Directors and members of the Group Leadership Team and, taking into account current market conditions, cost challenges and financial performance in 2023, determined that there would be a salary increase of 1.5% from 1 April 2024, in line with the approach taken for other management levels across the Group. This follows a similarly restrained approach to setting salaries for executives in the past. Both the Chief Executive and Chief Financial Officer received a 4% salary increase in April 2023 and a 3% increase in April 2022, which were lower than the increases offered to the wider workforce in both years in order to prioritise investment in raising wages at lower levels across the organisation.

Non-executive Directors' fees were increased by 4% in April 2023, consistent with the annual salary review for Executive Directors last year. The Chair's fee was not increased in 2023 as it is already in line with the FTSE 250 benchmark data. The fees for the Chair and Non-executive Directors will next be reviewed in April 2024.

2024 bonus plan

The Committee reviewed the 2024 annual bonus plan and in light of the challenging economic environment, decided to retain the primary focus on financial performance measures for a further financial year, with 55% of the bonus based on operating profit, 25% on operating cash conversion and the remaining 20% on strategic measures. These financial measures ensure the business is focused on delivering top and bottom line growth, while continuing to drive accountability on efficient management of stock and debtors together with disciplined capital expenditure. For 2024, the Committee also decided to adjust the structure of the bonus plan, so that there would be no payout for profit or cash delivery below target, and a payout of 25% of maximum for achieving target. This change has been implemented at all levels across the organisation, and is intended to drive accountability across the business in ensuring the budget is delivered as a minimum commitment for 2024, to restore confidence in the Group's ability to achieve volume and margin in line with market guidance. It is the current intention that this payout structure will be reviewed after one year for 2025.

Incentive outcomes in 2023

External volatility and weak trading demand continued for longer than expected during 2023, and the uncertain economic outlook continues to impact across the industry. As a result of these challenging conditions the Group issued two profit warnings during the second-half of the year when it became clear that the initial guidance on profit would not be achievable. The Group saw a total year-on-year sales decline of 2.7%, however the general merchanting businesses, Toolstation and several of the value-added service lines held or grew market share.

Performance against key financial objectives in 2023 was as follows:

- Group adjusted operating profit of £180m vs bonus target of £280m; and
- Group adjusted operating cash conversion of 81% vs bonus target of 75%.

2023 bonus payout – downward discretion exercised to award 0% of maximum

The annual bonus plan for Executive Directors in 2023 was based on adjusted operating profit (weighted at 55% of maximum), operating cash conversion (25% of maximum) and strategic performance (20% of maximum).

Operating profit performance for 2023 was below the threshold level of performance under the annual bonus plan, resulting in no payout against this financial measure. Operating cash conversion was delivered above target, equating to 20% of the maximum bonus opportunity. The Group Leadership Team also made progress against the Group's strategic objectives on value-added services, operational efficiencies, critical change programmes and sustainability during 2023 (more details on page 125), despite ongoing volatility and uncertainty in the external environment. The Committee assessed the achievement of strategic measures at 50% of maximum (10% of total bonus opportunity). This level of strategic performance, combined with operating cash conversion performance, meant that a total of 30% of the maximum bonus opportunity was achieved during 2023.

However, in light of profit performance for 2023 significantly below the initial guidance to market earlier in the year, and given that the majority of the wider workforce will not be receiving bonus payouts for performance over the same period, aligned with management's recommendation, the Committee used its discretion and did not award any bonus payout for Executive Directors and the Group Leadership team for 2023.

2021 RSP award – full vesting in 2024 and 2026

Long-term incentive awards granted to Executive Directors in 2021 were made in the form of Restricted Share Plan ("RSP") awards, the first of such awards made under the new plan that was introduced as part of the previous Directors' remuneration policy approved at the 2021 AGM.

In accordance with the previous remuneration policy, for Executive Directors, 75% of the 2021 RSP award vests after three years (March 2024) and 25% of the award vests after five years (March 2026), subject to being employed on the vesting dates. For other participants, RSP awards vest three years after grant. Whilst there are no performance targets attached to the vesting of RSP awards, the Committee may consider adjusting the extent to which awards will vest in the event the Group fails to meet the applicable performance underpins over the vesting periods.

The performance underpins for 2021 RSP awards were:

- Average Return on Capital Employed ("ROCE") above 9%; and
- Satisfactory governance performance including no ESG issues occurring or being identified by the Board which, in the Board's opinion, have resulted in, or could result in, material reputational damage to the Company.

Average ROCE performance over the three financial years ended 31 December 2023 at 10.5% was above the underpin threshold and there were no governance including ESG issues which in the Board's opinion had resulted or could result in material reputational damage to the Company. The Committee therefore concluded that it was appropriate that RSP awards vest in full. For Executive Directors, 25% of the 2021 RSP award remains subject to the performance underpins over the five financial years ending 31 December 2025.

The share price is currently below the share price at grant, so it is clear that there have been no windfall gains. The Committee carefully considered the circumstances and concluded that the vesting of 2021 RSP awards was appropriate and therefore did not apply any discretion.

Continuing to support colleagues in challenging times

Whilst needing to manage costs carefully in an uncertain external environment, a comprehensive package of benefits has been offered to colleagues throughout the year to support their financial, health and wellbeing needs. A key part of this has been the provision of the Wagestream tool, which was launched across the Group in 2022, building on the successful implementation in Toolstation the year before. This enables easy-to-access financial management support for all colleagues, the ability to access a portion of their salary each month before pay day to help manage short-term cash flow needs and the opportunity to set up a savings fund directly from their pay to earn a competitive interest rate, all of which helps to build colleague's longer-term financial resilience. One-in-three colleagues have now enrolled with Wagestream and the short term savings built up by colleagues across the Group to date have exceeded £1m. Other benefits have been provided on an ongoing basis for several years, including short-term loans, extensive retailer discounts on essential spend such as groceries and utilities, an employee assistance programme and a range of wellbeing and financial education resources.

Recognising the difficult economic climate, the Group made a cost of living cash payment in January 2023 at a cost of £8m to over 17,000 colleagues (around 95% of the workforce) and in April 2023 awarded a pay rise of 6% to the majority of colleagues, with those on lower salaries receiving a larger award. In 2023, the Group also introduced a free mortgage advice service and a new health and wellbeing benefit, accessible by all colleagues and their families, which includes virtual GP advice, health checks, mental health and nutritional support. These additional benefits have been received well by colleagues.

All colleagues in the UK and the Netherlands have the opportunity to participate in the discounted Sharesave programme, which has seen consistently high take-up over time. The RSP is also used in a targeted way to recognise critical roles and key talent across the Group.

2024 Annual General Meeting

The Committee will submit its remuneration policy and annual remuneration report to the 2024 AGM, where the policy will be subject to a binding shareholder vote and the remuneration report will be subject to an advisory shareholder vote. I look forward to receiving your support, and will be available to answer any questions.

Louise Hardy
Remuneration Committee Chair
11 March 2024

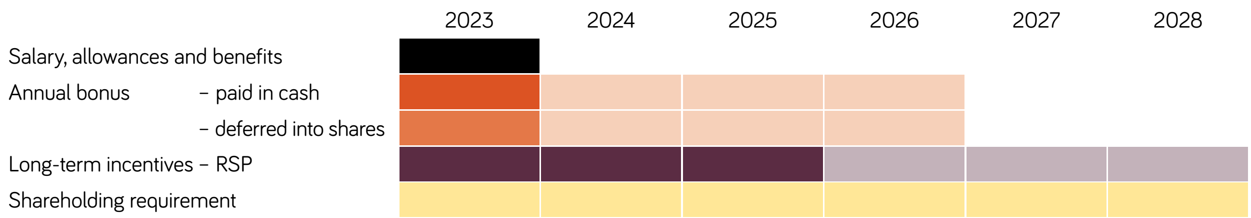
Remuneration in 2023 – at a glance

2023 remuneration outcomes

	Nick Roberts, CEO		Alan Williams, CFO	
Element	**2023**	2022	**2023**	2022
Base salary (annualised from 1 April)	**£681,605** **+4%**	£655,389	**£554,507** **+4%**	£533,180
Annual bonus (% of maximum)	**0%**	0%	**0%**	0%
Long-term incentives:				
RSP (% of maximum)	**100%**	N/A	**100%**	n/a
PSP (% of maximum)	n/a	65%	n/a	65%
CIP (% of maximum)	n/a	100%	n/a	100%
Share ownership (% of salary) (as at 31 December)	**392%**	236%	**648%**	605%

Proportionality and management of risk

The remuneration structure ensures that executives have a vested interest in delivering performance over the short and long term. There is a three-year deferral of half of the annual bonus payout into shares, a two-year retention period on vested awards under the long-term incentive plan and a shareholding requirement that applies for two years after leaving the Group. Malus and clawback provisions apply for up to six years from the date of long-term incentive awards and for three years from the date of payment of the annual bonus. The performance, retention and clawback periods for each element of remuneration are shown below.



Holding or clawback periods are shown in lighter shade.

Pay for performance in 2023 – at a glance

The following table shows how performance is measured under the annual bonus and long-term incentive plans.

Ambition	Strategic KPI	Bonus weighting	RSP weighting
Profit growth	Adjusted operating profit	55%	–
Turning profit into cash	Adjusted operating cash conversion	25%	–
Delivery against investments	Average Return on Capital Employed (ROCE)	–	Underpin
Strategic delivery	Strategic and operational objectives that continue to lay the foundations to deliver future success	20%	–
Governance	ESG measures and strong governance framework	–	Underpin
Delivering value to shareholders	Alignment to shareholder experience through share price movement	–	100% (since awards are made in shares)

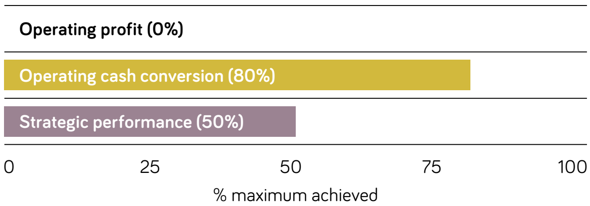
Annual bonus outcome for 2023: 0% of maximum

The maximum bonus opportunity for Executive Directors is 180% of salary. Half of the bonus earned is deferred into shares for three years. Despite strong cash conversion and good progress against strategic measures, in light of financial performance and lower bonus payments across the wider workforce than in previous years, the Committee used its discretion and did not award a 2023 bonus payout to Executive Directors and the Group Leadership Team.

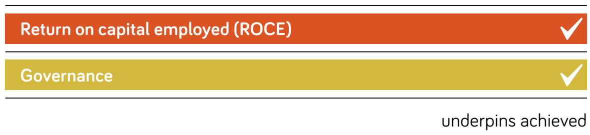
Long-term incentive plan outcome for 2021–2023: underpins met

The maximum RSP award for Executive Directors was 125% of base salary, representing a 50% reduction on the combined maximum award under the previous performance-based plans (PSP and CIP).

Annual bonus performance for 2023

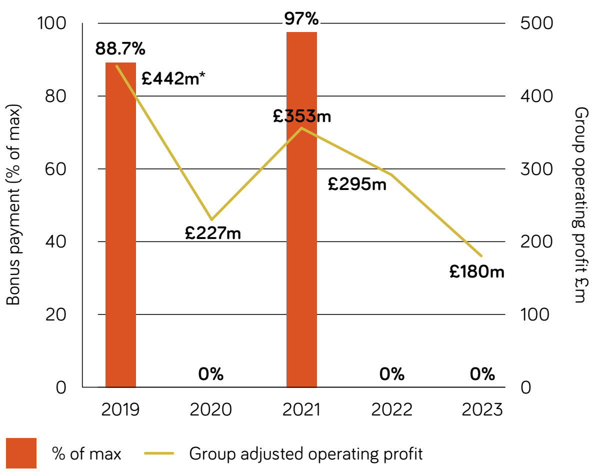


RSP underpin performance for 2021 – 2023



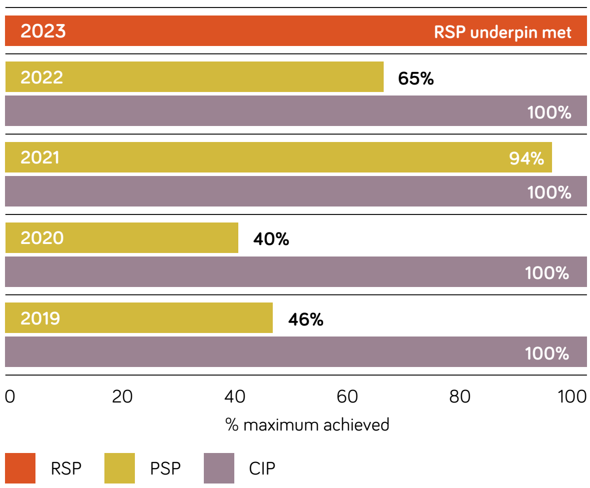
The following charts illustrate how incentive outcomes for the Executive Directors have reflected performance over the past five years.

Historical bonus outcomes for the last 5 years vs Group operating profit



* Includes Wickes and Plumbing & Heating

Historical LTIP vesting outcomes for the last 5 years



All annual bonus and long-term incentive outcomes are subject to malus and clawback. Performance weighting and measures are unchanged from the previous year.

Remuneration policy report

The following sets out the Group's Directors' remuneration policy (the "Policy"). The Policy is subject to a binding shareholder vote at the Annual General Meeting on 22 April 2024 and, if approved by shareholders, will apply to payments made on and from this date. This Policy will replace in full the Directors' remuneration policy set out in the 2020 Annual Report, which was approved at the Annual General Meeting held on 27 April 2021.

Remuneration philosophy

The principles of the Group's remuneration policy, which were developed taking into account provision 40 of the UK Corporate Governance Code, are:

- **Alignment to our culture, purpose and values**
  Remuneration arrangements are determined taking into account the culture, purpose and values of the Group, wider workforce remuneration and emerging best practice as well as ensuring there is robust governance and compliance with the 2018 Corporate Governance Code.

- **Delivery of business strategy**
  Remuneration should support the execution of the strategy and long-term decision making, contributing to the delivery of short and long term financial returns for shareholders. Reward mechanisms should ensure that a significant proportion of variable pay is delivered in deferred shares, ensuring that executives retain a meaningful personal stake in the Group's long-term success.

- **Rewarding sustainable and consistent performance**
  A significant proportion of executive remuneration is delivered in variable pay that is linked to business performance. Bonus payments are linked to performance against a limited number of measures which are clearly linked to our strategy, balancing collective ownership of strategic deliverables and collaboration across the Group with clear line of sight for individual accountabilities, and subject to stretching but fair targets. Reward structures should also reinforce the company's sustainability strategy and ESG agenda where relevant and appropriate.

- **Attraction, development and retention of talent**
  Total remuneration should be competitive, fair and equitable, taking into account the size and scope of the role, external market practice as well as internal relativities and the wider workforce context. The principles that guide the approach to remuneration should be consistent for all colleagues across the Group. Reward structures should be clear, simple and transparent so that colleagues understand the value of their total remuneration and know how to contribute to performance.

- **Fair and balanced remuneration outcomes**
  Remuneration outcomes are reviewed in the context of the shareholder experience, external climate and wider workforce. The Committee has the discretion to adjust reward outcomes to ensure that pay appropriately reflects underlying business performance and the wider context in a consistent and responsible way. All colleagues should be able to share in the success of the Group through participation in both annual bonus schemes and longer-term share plans.

- **Management of risk**
  Malus, clawback and discretion provisions, RSP holding periods and shareholding guidelines, including post-employment guidelines, should be in place to create alignment with shareholders and to mitigate reputational and other risk.

These principles apply across the Group. In addition to a competitive base salary and bonus, colleagues also have access to an extensive range of benefits and support under the 'MyPerks' programme, which includes flexible and voluntary benefits, retirement benefits, our all-colleague Sharesave scheme and recognition awards.

Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Base salary				
Core element of total package, essential to support recruitment and retention of high calibre executives.	The Committee sets base salary levels taking into account: • Role, experience and individual performance • Pay awards elsewhere in the Group • Salary levels at other companies of a similar size Any salary increases are normally effective from 1 April.	Whilst there is no maximum salary level or maximum salary increase, the increase for Executive Directors will normally be no greater than the general employee increase.	None	The Committee retains discretion to award salary increases in excess of the general population where this is considered appropriate to reflect performance or significant changes in market practice or the size or complexity of the Group, to recognise changes in roles and responsibilities, where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role or in other exceptional circumstances.
Benefits				
Maintains a competitive package with a range of benefits for the executive and their family.	Executive Directors are currently entitled to benefits including: • Private medical insurance • Income protection • Annual leave • Car allowance or alternative car provision • Life insurance of up to 5 times salary • All employee share plans such as Sharesave and Buy As You Earn The Committee may introduce other benefits if it is considered appropriate to do so. Executive Directors shall be reimbursed for all reasonable expenses and the Group may settle any tax incurred in relation to these where appropriate.	Benefit levels reflect those typically available to senior managers within the Group and may be subject to change. The maximum potential value being the cost of providing those benefits.	None	The Committee may remove benefits that Executive Directors receive or introduce other benefits if it is considered appropriate to do so taking into account the circumstances.
Pension				
Helps executives provide for retirement and aids retention.	Pension provided either as a cash allowance in lieu or as a contribution to a personal pension plan (or a combination of both).	The maximum contribution or allowance is aligned with the maximum rate available across the wider workforce (currently 10% of salary).	None	None

Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Annual bonus and Deferred Share Bonus Plan				
Rewards achievement of annual performance objectives. Deferred element encourages longer-term shareholding and aligns reward to shareholder interests. Malus and clawback based forfeiture provisions discourage excessive risk taking and short term outlook ensuring that executive and shareholder interests are aligned.	Total bonus level is determined after the year end, based on achievement of targets. Normally up to 50% of the total bonus is paid in cash. The remainder of the bonus is normally deferred as shares for three years. Targets are normally set annually in line with the performance metrics. Dividend equivalents on shares that are released may be paid. Malus and clawback provisions apply as explained further in the notes to this table.	Maximum bonus opportunity under the plan is 180% of annual salary.	Bonus measures may include: • Financial targets • Individual or Group targets pertaining to delivery of the business strategy including ESG measures. Financial targets will account for at least 50% of the bonus. Performance below threshold normally results in zero bonus. Bonus earned rises from 0% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets. The Committee retains discretion to use an alternative payout structure if appropriate. Performance measures and weightings are set out in the statement of Implementation of the Remuneration Policy on page 120.	The Committee retains the discretion to review the measures, the weighting of measures and to set the performance targets and ranges for each measure. The Committee will determine financial targets and the amount of bonus which can be earned for achievement of the Group's plan. This determination will be based upon an assessment of the degree of difficulty in achieving the targets taking into account market conditions, improvement on prior year performance required, and other relevant factors. The Committee may, in its discretion, adjust annual bonus payments, if it considers that such level would not reflect the underlying performance of the Executive or the Group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances.
Restricted Share Plan				
Aligns participants with the shareholder experience, whereby participants build up a shareholding in Travis Perkins plc and are incentivised to deliver sustainable financial performance and enhance shareholder value over the longer term. Helps retain executives.	Awards are normally granted annually in the form of restricted shares. For Executive Directors, awards will normally vest on the third anniversary of the award, subject to a further two-year holding period, with a total time horizon of five years until shares are released. Dividend equivalents on shares that are released may be paid. Malus and clawback provisions apply as explained further in the notes to this table.	The maximum annual award for all Executive Directors is 125% of salary.	Awards will be subject to performance underpins measured over the vesting period. If the Group does not meet one or more of the underpins the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee would retain discretion to determine what level of scale back was appropriate.	The Committee retains discretion to review the performance underpins, and to set the triggers for each underpin. The Committee may in its discretion, adjust the vesting level of an award, if it considers that the vesting level would not reflect the underlying performance of the executive or the Group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances.
Shareholding requirement				
Aligns the interests of executives and shareholders.	Formal requirements (not voluntary guidelines) apply to Directors and senior executives. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained. For the purposes of assessing compliance with the shareholding requirement vested but unexercised awards will be considered as well as unvested awards with no further performance conditions attached to them.	None	Executive Directors are expected to hold shares valued at 200% of salary within five years of appointment to the Board.	The Committee retains discretion to increase shareholding requirements.

Changes to Policy

The key changes to this Policy compared to the previous policy are as follows:

- Simplification of the RSP vesting schedule, which provides for the full award to vest after three years and subsequently be released after a further two-year holding period, replacing the current policy of 75% of the award vesting after three years (held for a further two years) and the remaining 25% vesting after five years; and
- Other minor amendments to the wording of the Policy to reflect current practice, increase clarity and aid policy implementation in the future.

Summary of decision making process

In determining the revisions to the Policy, the Committee followed a robust process, which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and independent advisors, as well as consulting with major shareholders and proxy and advisory services.

Performance metrics

In considering appropriate performance metrics for the annual bonus, the Committee seeks to incentivise and reinforce delivery of the Group's strategic objectives achieving a balance between delivering annual return to shareholders and ensuring sustainable long-term profitability and growth. Measures will therefore reflect a balance of direct shareholder value, as well as measures focused on meeting specific strategic objectives aligned to long-term growth.

The Committee calibrates these targets by due reference to market practice, the Group's strategic plan, general and bespoke market intelligence, lead indicators and other indicators of the economic environment such that targets may represent relative as well as absolute achievement. Awards under the RSP are subject to performance underpins that act as safeguards to ensure that awards do not pay out if vesting is not justified. For 2024 awards, the underpins will be linked to average ROCE performance and satisfactory governance performance over the vesting period. These underpins have been selected as they are considered to reflect a good overall balance and safeguard the financial stability of the business whilst ensuring a continued focus on governance.

Malus and clawback

Malus and clawback provisions are included in all incentives: the annual bonus (up to three years from the date of payment), and the Restricted Share Plan (up to six years from the date of the award).

The circumstances in which malus and clawback could apply include:

- A material misstatement resulting in an adjustment to the Group's audited consolidated accounts;
- The determination of the bonus or the number of shares subject to an award or the assessment of any performance condition was in error or based on inaccurate or misleading information;
- The Board determining in its reasonable opinion that any action or conduct of the participant amounts to serious misconduct, fraud or gross misconduct;
- The Board determining that there has been a material failure of risk management (for 2020 bonus and incentive awards onwards);
- The Board determining that there has been serious reputational damage (for 2020 bonus and incentive awards onwards);
- The Board determining that there has been a material corporate failure (for 2020 bonus and incentive awards onwards); or
- Any other circumstances which the Board in its discretion considers to be appropriate.

Discretion

Areas where the Committee has discretion have been outlined in the Policy. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. A number of Committee discretions apply to awards granted under each of the Group's share plans, including that:

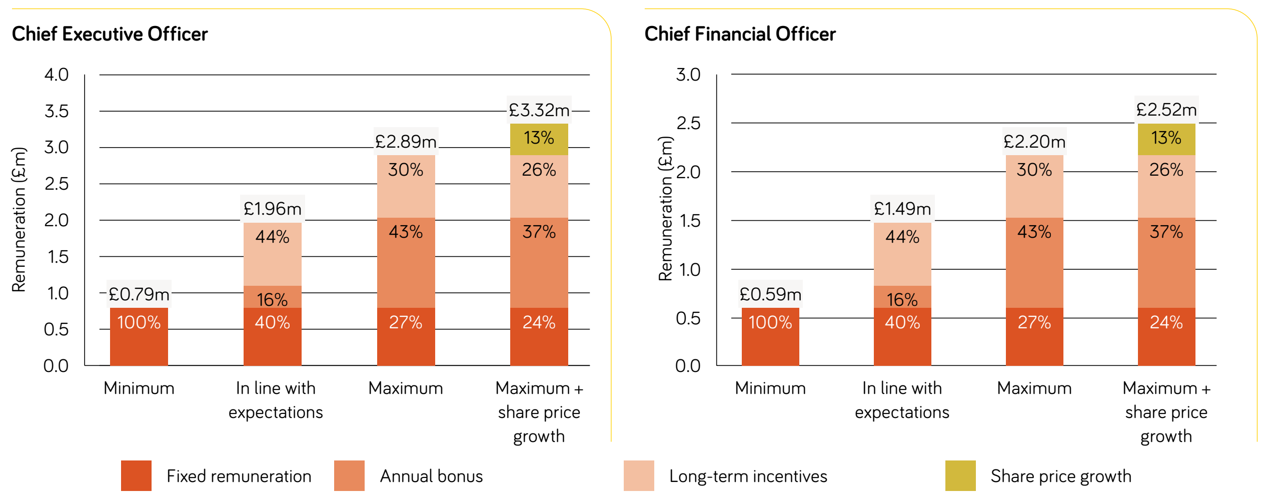
- Awards may be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect.
- Awards may be settled in cash at the Committee's discretion (for Executive Directors this provision will only be used in exceptional circumstances where for regulatory reasons it is not possible to settle awards in shares).
- Awards may be adjusted in the event of any variation of the Group's share capital or any demerger, delisting, special dividend or other event that may affect the Group's share price.

In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, inappropriate to seek or await shareholder approval.

The Committee retains discretion to amend or substitute performance measures, targets and underpins and the weightings attached to performance measures part-way through a performance year if one or more significant corporate events occur which causes the Committee to believe that amended or substituted performance measures, weightings or targets would be more appropriate and not materially less difficult to satisfy. Discretion may also be exercised in cases where the Committee believes that the outcome is not considered to be reflective of the underlying financial or non-financial performance of the business or the performance of the individual. Any exercise of this discretion will typically be discussed with shareholders in advance and explained in full.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Group (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time of the award.

Illustration of the application of the remuneration policy



Fixed remuneration includes basic salary (from 1 April 2024), pension provision (from 1 April 2024) and other benefits (based on the value disclosed in the single figure for 2023).

- The "Minimum" scenario includes fixed remuneration only.
- The "In line with expectations" scenario includes fixed remuneration plus target annual bonus (25% of maximum for 2024) plus 100% vesting of RSP (125% of salary).
- The "Maximum" scenario includes fixed remuneration plus maximum bonus (180% of salary) plus 100% vesting of RSP (125% of salary).
- The "Maximum + share price growth" scenario is as per the "Maximum" scenario and assumes share price growth of 50%.

Non-executive Directors' Fees

Fees for the Non-executive Chair and Non-executive Directors are set at an appropriate level to recruit and retain Directors of a sufficient calibre to guide and influence Board level decision making without paying more than is necessary to do so. Fees are set taking into account relevant factors, which may include the following:

- The time commitment required to fulfil the role.
- Typical practice at other companies of a similar size and complexity to Travis Perkins.

Non-executive fees will typically be reviewed annually with increases normally being effective from 1 April each year. Non-executive Director fees policy is to pay:

- A basic fee for membership of the Board.
- An additional fee for the Chair of a Committee and the Senior Independent Director to take into account the additional responsibilities and time commitment of the role.

Additional fees may be paid to reflect additional Board or Committee or other responsibilities or additional time commitments as appropriate. The Non-executive Chair receives an all-inclusive fee for the role.

Current fees are detailed within the statement of Implementation of the Directors' remuneration policy on page 120.

Non-executive Directors do not normally receive any benefits (other than a staff discount card for purchasing products) and are not eligible to join a Company pension scheme. Benefits may be provided if considered appropriate. No compensation is payable on termination of office, which may be without notice from the Group. They cannot participate in any of the Group's share plans. The Group will pay reasonable expenses incurred by the Chair and Non-executive Directors (including any tax incurred in relation to these where appropriate).

Recruitment remuneration

It is the Group's policy to recruit the best candidate possible for any executive Board position. It seeks to avoid paying more than is considered necessary to secure the candidate and will have regard to guidelines and shareholder sentiment when formulating the remuneration package. Generally the Group will set salary, incentives and benefits for candidates in line with the above remuneration policy and accordingly participation in short- and long-term incentives will typically be on the same basis as existing Directors. In all cases the Group commits to providing shareholders with timely disclosure of the terms of any new executive hires including the approach taken to determine a fair level of compensation. The maximum level of variable remuneration which may be awarded (excluding any buyout awards referred to below) in respect of recruitment is 305% of salary, which is in line with the current maximum limit under the annual bonus plan and the Restricted Share Plan.

The table below outlines the Group's normal recruitment policy:

Base salary and benefits	The pay of any new recruit would be determined following the principles set out in the remuneration policy table.
Pension	The appointee will be able to receive either a contribution to a personal pension scheme or cash allowance or combination in lieu of pension benefits, in line with the Group's policy as set out in the remuneration policy table.
Annual bonus	The appointee will be eligible to participate in the annual bonus and Deferred Share Bonus Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Remuneration Committee's discretion.
Restricted Share Plan	The appointee will be eligible to participate in the Group's Restricted Share Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable under the Plan Rules at the Remuneration Committee's discretion.
Share buy-outs and replacement awards	Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards if after careful consideration it is determined that it is appropriate to offer a buyout. Any buyout may be in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such buyout, the guiding principle would be that awards would generally be on a like-for-like basis unless this is considered by the Committee not to be practical or appropriate. The incentive plan rules allow for awards to be made outside of the plan limit to facilitate the recruitment of an Executive Director. To the extent that it was not possible or practical to provide the buy-out within the terms of the Group's existing incentive plans, a bespoke arrangement may be used (including granting an award under the Listing Rule 9.4.2 which allows for the granting of awards, to facilitate, in unusual circumstances, the recruitment of an executive Director). Any buyout award made under the Group's Deferred Share Bonus Plan or long-term incentive plans will not count towards the individual's maximum opportunity under those plans.
Relocation	Where the Group requires a candidate to relocate in order to take up an executive position it will normally reimburse the reasonable costs of the relocation. This may include one-off or ongoing expenses such as schooling or housing for a reasonable period of time.

Where an internal candidate is promoted to an executive position, the Group will honour any contractual commitments made through their employment prior to the promotion including any accrued defined benefit pension provision. Future pension provision will be aligned with the policy set out above.

Recruitment remuneration for Non-executive Directors would be assessed following the principles set out in the policy for Non-executive Director fees.

Policy on payment for Directors leaving employment

Executive Directors' contracts do not have a fixed expiry date but can be terminated by serving notice. Contractual notice periods for Directors are normally set at six months' notice from the Director and 12 months' notice from the Group and the Group would normally honour contractual commitments in the event of the termination of a Director. Notwithstanding this approach, it is Group policy to seek to minimise liability in the event of any early termination of a Director.

The Group classifies terminations of employment arising from death, ill health, disability, injury, retirement with company agreement, redundancy or the transfer from the Group of the employing entity as 'good leaver' reasons. In addition the Committee retains discretion under incentive plan rules to determine good leaver status in other circumstances. In the event such discretion is exercised a full explanation will be provided to shareholders.

Leaver reason may impact the treatment of the various remuneration elements as follows:

Remuneration element	Good leaver reason	Other leaver reason
Salary	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies.	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies.
Annual bonus including Deferred Share Bonus*	Unpaid bonus from a completed performance period prior to cessation will be paid in full. For the performance period in which cessation occurs a pro rata bonus may be paid, subject to normal performance conditions. Any unvested deferred bonus share awards will normally continue until the normal vesting date and vest in full. The Committee may determine that awards should vest on cessation of employment.	All unpaid annual bonus payments lapse. Any unvested deferred bonus shares also lapse on leaving.
Benefits	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period.	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period.
Restricted Share Plan*	Unvested awards will normally vest at the normal vesting date and remain subject to the performance underpins. Where a participant ceases employment before vesting, awards will be time pro-rated unless the Committee decides otherwise. Awards will normally remain subject to any applicable holding period. The Committee may determine that awards should vest and be released at cessation of employment taking into account the extent to which underpins have been met and, unless the Committee decides otherwise, the period of time elapsed since award. Where a participant ceases employment during any holding period (other than for reason of gross misconduct) they will continue to retain their award in full and it will be released at the end of the holding period unless the Committee determines that the award should be released at the time of cessation. For awards in the form of options participants will have six months from vesting or the end of any applicable holding to exercise their award.	Unvested awards lapse at cessation of employment. Where a participant ceases employment during any holding period (other than for reason of gross misconduct), they will continue to retain their award in full and it will be released at the end of the holding period, unless the Committee determines that the award should be released at the time of cessation. For awards in the form of options, participants will have six months to exercise any vested awards.

* Leaver vesting provisions are fully defined in the appropriate plan documents.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. In addition, the Group may pay any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with their cessation of office or employment. Where a Director was required to relocate to take up their role then reasonable repatriation expenses may be included.

Post-employment shareholding

In the event of stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of base salary (or actual shareholding if lower) for a period of two years after leaving the Board. This policy ensures appropriate alignment with shareholder interests. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance or to determine that this guideline should not apply to certain shares (for example, purchased shares).

Non-executive Directors

The Chairman and Non-executive Directors' appointment letters provide for no compensation or other benefits on their ceasing to be a Director.

Change of control

In the event of a takeover or winding up of the Group, share awards may vest early. The Committee will determine the extent to which awards shall vest taking into account the extent to which any of the performance conditions/underpins have been satisfied and unless the Committee determines otherwise, the proportion of the performance period that has elapsed. Deferred share bonus awards will normally vest in full. In the case of a winding-up, demerger, delisting, special dividend or similar circumstances, awards may, at the Committee's discretion, vest early on the same basis as for a takeover.

Considering colleagues' views

The Committee reviews information regarding the typical remuneration structure and reward levels for other UK-based employees to provide context when determining executive remuneration policy. The Company undertakes regular engagement surveys for all Group employees to understand their views on working for Travis Perkins and how this can be improved. Employee feedback on all matters of reward is provided as part of this survey, and through supplementary surveys focusing on specific areas such as employee health and financial wellbeing.

The Company established a Colleague Voice Panel in 2019, which includes within its terms of reference the aim of listening to colleagues' views when developing the Directors' Remuneration Policy. Louise Hardy replaced Pete Redfern as the designated workforce engagement Non-executive Director on 1 December 2023, and pursuant to the UK Corporate Governance Code 2018, is the Colleague Voice representative on the Board. Louise has engaged with a number of colleagues on branch visits throughout the year and all relevant views are incorporated into remuneration reviews. A significant portion of colleagues are shareholders, meaning that they are also able to express their views in the same way as other shareholders.

Considering shareholders' views

The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. The Committee regularly consults with significant shareholders regarding its approach to executive remuneration and the views of shareholders are important in determining any final changes. The Committee engaged extensively with shareholders regarding the changes proposed to the Policy. The Committee intends to continue to consult with shareholders regarding any material changes to remuneration arrangements.

Annual remuneration report

The following sets out the annual remuneration report for 2023, which includes details of how the Policy was implemented in 2023 and how the Policy is intended to be implemented in 2024. This report is subject to an advisory shareholder vote at the 2024 AGM.

Implementation of the Directors' remuneration policy in 2024

Executive Directors:

The following provides a summary of how the Group intends to implement the Policy during 2024.

Purpose and link to strategy	Individual maximum opportunity in 2024	Performance measures and weighting in 2024	Operation in 2024
Base salary (increase of 1.5% for the CEO from 1 April 2024)			
Core element of total package, essential to support recruitment and retention of high-calibre executives.	CEO: £691,829 (2023: £681,605) CFO: £525,000 (2023: n/a)	n/a	The Remuneration Committee reviewed executive salaries and, taking into account current market conditions, determined that the Chief Executive's base salary would increase by 1.5% from 1 April 2024, which is less than the workforce as a whole but in line with other management increases. The Chief Financial Officer was appointed on 9 January 2024 and his salary will not be reviewed until 2025.
Benefits (no change)			
Maintains a competitive package with a range of benefits for the executive and their family.	n/a	n/a	Executive Directors continue to be entitled to benefits in line with the Policy, including private medical insurance, income protection, annual leave, company car (or cash alternative), life insurance of up to five times salary and participation in all-employee share plans such as Sharesave and Buy As You Earn.
Pension (no change)			
Helps executives provide for retirement and aids retention.	10% of salary in line with the rate available across the wider workforce.	n/a	Executive Directors participate in a defined contribution arrangement or receive a cash allowance.

Annual bonus (no material change)			
Rewards achievement of annual performance objectives. Deferred element encourages longer-term shareholding and aligns reward to shareholder interests. Malus and clawback based forfeiture provisions discourage excessive risk taking and short-term outlook, ensuring that executive and shareholder interests are aligned.	Maximum annual bonus opportunity of 180% of salary.	The 2024 annual bonus will be based on the following measures: • 55% on adjusted operating profit • 25% on adjusted operating cash conversion • 20% on strategic performance For 2024, strategic performance will include: • Deepening customer relationships to drive greater share of customers' business • Evolution of Group operating model to enable greater collaboration, efficiency and effectiveness, reflecting the power of the Group • Progress against the Group's sustainability strategy Adjusted operating profit has been chosen to ensure that there is a continued focus on driving revenue and managing costs to deliver profit to shareholders. Likewise operating cash conversion is a critical measure for the business to ensure that we have the necessary resources to invest in the business and return value to shareholders. Strategic measures ensure there is also focus on key opportunities that will deliver long-term growth and sustainable performance.	Targets are determined in relation to the Group's budget. For 2024, there is no bonus payment below the target level of performance, 25% of the bonus is payable for target performance, and maximum payment is made only for performance in excess of the Group's budget. 50% of bonus earned is deferred as shares that are held for three years. Malus and clawback provisions apply up to three years from the date of award.
Restricted Share Plan (change to vesting period for awards granted in 2024 onwards)			
Aligns participants with the shareholder experience, whereby participants build up a shareholding in Travis Perkins plc and are incentivised to deliver sustainable financial performance and enhance shareholder value over the longer term. Helps retain executives.	Maximum annual award of 125% of base salary.	For RSP awards granted in 2024, the performance underpins remain as follows: • Average ROCE above 9%. ROCE is one of the business' key KPIs assessing how successful the Group's investments have been in returning value to shareholders. Return measures have been a feature of the incentive plans for a number of years. • Satisfactory governance performance including no ESG issues that result in material reputational damage to the Company.	100% of the award vests after three years, subject to a holding period of a further two years. If the Group does not meet one or more of the underpins, the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee retains discretion to determine what level of scale back is appropriate. Malus and clawback provisions apply up to six years from the date of award. The Committee is mindful of shareholder guidance regarding windfall gains. Based on the current share price, the Committee does not consider that it is necessary to scale back awards.
Share ownership requirement			
Aligns the interests of executives and shareholders.	Executive Directors are required to hold shares valued at 200% of salary within five years of appointment.		Executive Directors are also expected to maintain this level of shareholding (or their actual shareholding if lower) for a period of two years after stepping down from the Board.

Bonus targets are considered to be commercially sensitive, and disclosure of such may provide an unfair advantage to the Group's competitors. However targets, and the corresponding level of bonus earned, will be disclosed retrospectively, in the relevant reporting period.

Non-executive Directors:

Fees and benefits

- The Non-executive Director fees policy is to pay:
  - A basic fee for membership of the Board.
  - An additional fee to the Chair of a Committee and to the Senior Independent Director, taking into account the additional responsibilities and time commitment of the role.
- The Non-executive Chair receives an all-inclusive fee for the role.
- Non-executive Directors do not receive any other benefits (other than a staff discount card for purchasing products) and are not eligible to join the Group's pension scheme.
- The review date for Non-executive Directors' fees is 1 April. The basic fee was last increased by 4% with effect from 1 April 2023, in line with the approach for the wider workforce. The Chair's fee has not increased since her appointment on 31 March 2021.
- The current fees are as follows:

– Chair fee	£320,000
– Non-executive Director basic fee	£64,272
– Audit/Remuneration Committee Chair fee	£17,510
– Senior Independent Director fee	£12,875
– Stay Safe Committee Chair fee	£12,360

Remuneration elsewhere in the Group

The approach to setting reward for the wider workforce is guided by the same principles that apply to executives, with a focus on attracting and retaining the best talent, competing within the industry sector and against the local market, and ensuring that pay outcomes are fair and equitable. The salary review process and incentive plan design are broadly consistent throughout the Group. A higher proportion of total remuneration for Executive Directors and the Group Leadership Team is variable and linked to business performance compared to the wider workforce.

The Group has prioritised its salary review budget on lower earners in recent years in recognition of continuing cost of living challenges. The longer-term aim is to continue to work towards meeting the Real Living Wage across the Group over time, whilst acknowledging the need to remain competitive at all levels in the organisation and to protect fair and appropriate internal pay relativities reflective of the skills, capabilities and experience of the workforce.

When times have been tough, the Group has provided additional support to colleagues, such as topping up furlough pay and contributing towards heating and electricity costs for home-working colleagues during the pandemic, as well as making a one-off cash payment in January 2023 to over 17,000 colleagues (around 95% of the workforce) to support with cost of living pressures, at a total cost to the Group of £8m.

The Group's wellbeing and benefit programmes are well established and provide comprehensive support to colleagues and their families during the moments that matter. Benefits include pension, share acquisition schemes, an employee assistance programme, recognition awards, discounts on Group products, an extensive retailer discount programme (which provides savings on average of between 6–7% of spend to help colleagues manage their essential household expenditure) and a range of health, wellbeing, financial and lifestyle benefits. The take-up and use of benefits are closely monitored to assess the impact of cost of living pressures and resources have been invested in further communications direct with colleagues, as well as through line managers and offline communication methods such as driver handheld devices, to ensure that everyone is aware of the support that is available.

The benefits offering is regularly reviewed and has steadily expanded over the past few years, with positive feedback from colleagues.

- In 2021, the Group significantly enhanced its family friendly policies, improving and introducing paid leave for maternity, paternity, adoption, surrogacy and IVF treatment.
- In 2022, the focus on financial wellbeing was increased, with regular and ongoing communications and webinars around financial wellbeing topics, for example providing advice and support on retirement savings, budgeting, cost of living, mortgages, pre-retirement planning and the gender pension gap.
- The financial wellbeing tool, Wagestream, was also launched to all colleagues in June 2022, which allows colleagues to track their earnings, manage their budget and short-term borrowing needs more effectively, as well as encouraging long-term savings and providing financial coaching. 80% of the workforce now use the platform for their regular budgeting needs, a third use the short-term borrowing service and another third are working towards achieving their savings goals, with over a million pounds saved collectively since the benefit was launched. Take-up of this benefit has increased steadily over time and will continue to provide colleagues with valuable support, building their longer-term financial resilience through challenging times.
- In 2023, the Group also introduced a free mortgage advice service as well as a new health and wellbeing benefit, accessible by all colleagues and their families, which includes virtual GP advice, health checks, second medical opinion, mental health and nutritional support.

All colleagues based in the UK and the Netherlands also have the opportunity to participate in the Sharesave plan, which allows colleagues to save towards acquiring shares in Travis Perkins plc at a discounted option price. Leaders and key talent across the Group also receive long-term incentive awards under the Restricted Share Plan.

Audited information

Single total figure of remuneration

£000	Salary	Benefits	Pension	Total fixed	Bonus	LTI[1]	Total variable	Total
	2023							
Executive Directors								
Nick Roberts	**675**	**30**	**68**	**773**	**–**	**318**	**318**	**1,091**
Alan Williams	**549**	**19**	**55**	**623**	**–**	**259**	**259**	**882**
Non-executive Directors								
Jasmine Whitbread	**320**	**–**	**–**	**320**	**–**	**–**	**–**	**320**
Marianne Culver	**64**	**–**	**–**	**64**	**–**	**–**	**–**	**64**
Heath Drewett	**81**	**–**	**–**	**81**	**–**	**–**	**–**	**81**
Jora Gill	**76**	**–**	**–**	**76**	**–**	**–**	**–**	**76**
Louise Hardy[3]	**65**	**–**	**–**	**65**	**–**	**–**	**–**	**65**
Jez Maiden[4]	**45**	**–**	**–**	**45**	**–**	**–**	**–**	**45**
Coline McConville[5]	**80**	**–**	**–**	**80**	**–**	**–**	**–**	**80**
Pete Redfern[6]	**51**	**–**	**–**	**51**	**–**	**–**	**–**	**51**
Total	**2,006**	**49**	**123**	**2,178**	**–**	**577**	**577**	**2,755**

£000	Salary	Benefits	Pension	Total fixed	Bonus	LTI[2]	Total variable	Total
	2022							
Executive Directors								
Nick Roberts	651	29	65	745	–	1,160	1,160	1,905
Alan Williams	529	19	104	652	–	947	947	1,599
Non-executive Directors								
Jasmine Whitbread	320	–	–	320	–	–	–	320
Marianne Culver	61	–	–	61	–	–	–	61
Heath Drewett	79	–	–	79	–	–	–	79
Jora Gill	71	–	–	71	–	–	–	71
Coline McConville	79	–	–	79	–	–	–	79
Pete Redfern	74	–	–	74	–	–	–	74
Total	1,864	48	169	2,081	–	2,107	2,107	4,188

Notes:

1. Long-Term Incentives (LTI) reported for 2023 relate to RSP awards granted in 2021, of which the first tranche (75% of award) is due to vest in March 2024, based on the performance underpins. The value of these awards has been calculated based on the average share price for the last quarter of 2023 of £7.76. For 2021 RSP awards, the share price on the date of grant on 14 June 2021 was £16.26. As the share price used to value LTI for the single figure table is £7.76, none of the value reported is attributable to share price appreciation for either Executive Director.
2. The LTI figures for 2022 reported last year (£1,081 for Nick Roberts and £882 for Alan Williams) were calculated on an estimated basis using the average share price of the final quarter of 2022 of £8.83. These figures have been restated to reflect the actual share prices on vesting (£9.41 for the PSP awards vesting on 17 March 2023 and £9.54 for the CIP awards vesting on 3 April 2023).
3. Louise Hardy was appointed to the Board on 1 January 2023 and as Chair of the Remuneration Committee on 1 December 2023.
4. Jez Maiden was appointed to the Board as Senior Independent Director on 1 June 2023.
5. Coline McConville relinquished the role of Chair of the Remuneration Committee on 1 December 2023 and stepped down from the Board on 31 December 2023.
6. Pete Redfern relinquished the role of Senior Independent Director on 1 June 2023 and stepped down from the Board on 19 September 2023.

Explanatory notes for the single total figure of remuneration table

Salary

Annual salaries for the Executive Directors increased by 4% on 1 April 2023. Non-executive Director fees also increased by 4% on 1 April 2023. The Chair's fee has not been increased since her appointment on 31 March 2021.

Benefits

Benefits for 2023 for Nick Roberts and Alan Williams include private medical insurance and the provision of a company car and fuel (or allowance alternative).

Directors' pension entitlements

Nick Roberts receives 10% of salary, paid as a mix of pension contributions to the Group's defined contribution pension scheme and a cash allowance.

A gross cash allowance in lieu of pension of £103,530 was paid to Alan Williams during 2022. As previously disclosed, from 1 January 2020, the Committee agreed with Alan Williams that his pension would be reduced to 20% of salary. This monetary amount of £103,530 was frozen at this fixed level over the following two years. From 1 January 2023, Alan's pension has been reduced to the wider workforce rate of 10% of salary.

The value of Directors' pension entitlements for the year ended 31 December 2023 are outlined in the table below.

£000	Nick Roberts	Alan Williams
Pension value in the year from employer contributions to defined contribution scheme	£8,496	n/a
Pension value in year from cash allowance (salary supplement in place of employer pension contributions)	£59,009	£54,918
Total pension benefit accrued	£67,505	£54,918

Annual bonus for 2023

Annual bonuses for 2023 were based on adjusted operating profit (55%), adjusted operating cash conversion (25%) and performance against strategic measures (20%).

The following table summarises the bonus targets and achievement for 2023:

		Targets				
Performance measure	Weighting	Threshold (0%)	Plan (50% bonus)	Maximum (100% bonus)	Actual performance	Achieved (% of maximum)
Adjusted operating profit	55%	£259m	£280m	£301m	£180m	0%
Adjusted operating cash conversion	25%	65%	75%	85%	81%	80%[1]
Strategic performance	20%	The Committee assessed performance against a number of strategic measures which were set at the start of the year. A summary of performance is provided below. The Committee determined that delivery against the strategic measures would have resulted in a payout of 50% of maximum for this element of the bonus plan. [1] In light of financial performance and lower bonus payments across the wider workforce than in previous years, aligned with Management's recommendation, the Committee used its discretion and did not award a bonus payout against the strategic measures or operating cash conversion measure for 2023.				50%[1]

Strategic measure	Summary of strategic performance during 2023	Committee's assessment
Future sources of profit growth for the Group	Year-on-year revenue growth of 9% across TP value-add services such as Managed Services, Tool Hire and Benchmarx. 17% of Group revenue delivered from all value-add services (including specialist services such as Intelligent Solutions), up from 15% in the prior year. Delivery of carbon reporting proposition in CCF and external launch of "WholeHouse" programme.	Mostly delivered
Operational efficiency	Reduction in central and regional headcount alongside Group supply chain efficiencies, delivering annualised savings of £35m and a one-off restructuring charge of £17m in 2023. Overhead cost reduction delivered in line with budget at above branch levels. Cost savings driven in Goods Not For Resale, but not to the level that had been targeted for the year.	Partly delivered
Critical foundational programmes	The Oracle implementation programme will deliver better stock accuracy, simpler margin reporting, more streamlined and efficient finance processes and compliance with new audit standards. The technical build, integration of heritage systems and processes, data integration and general ledger balances was completed by October 2023. Full functionality is due to go live in 2024 for the Group excluding Toolstation and BSS, slightly later than planned in order to mitigate risk and complexity in relation to the scale of legacy processes and cultural change. Following the implementation of the supply chain element of the Kerridge (Enterprise Resource Planning) system for BSS last year, the finance element of the system went live in November 2023 and is operating in line with expectations. The final stage of the project (roll out to branches) is due to be delivered in 2024.	Mostly delivered
Sustainability	7% reduction in Scope 1 and 2 carbon was delivered during 2023, including an 11% reduction in transport carbon and a 31% deterioration in buildings carbon. Carbon from buildings has increased from a low base due to increased gas consumption in the year. Carbon from buildings has reduced by 69% from 2020. New site openings in 2023 have included net zero carbon measures such as PV solar panels, heat pumps and EV chargers and LED lighting has been installed across multiple sites. The roll-out of carbon awareness training has supported branch managers in identifying ways of reducing energy usage. Delivery diesel usage has reduced during the year, and other savings in the fleet carbon footprint have been achieved through the introduction of electric fork-lift trucks and vans, the trial of HVO vehicles across a number of sites and the ongoing upgrade of the fleet to switch to higher-efficiency engines. 57% of Group spend on products for resale during the year was with centrally-managed suppliers who have calculated their Scope 1 and 2 carbon and set their own carbon reduction target by the end of 2023 (vs 54% at the end of last year). 85% of colleagues completed training on the Group's environmental commitments, including a section on carbon awareness, in excess of the target of 25% set at the beginning of the year. 8.0% of all new hires in 2023 were apprentices, a reduction in the number of new apprentice recruits compared to the year before due to lower levels of recruitment across the Group as a whole. 414 TP/industry partner apprentices graduated during 2023, a 22% increase on graduations in the prior year. More detail on the Group's progress against its sustainability and ESG objectives is detailed on page 30.	Partly delivered

Long-term incentives (LTI)

Long-term incentives in the single total figure of remuneration for 2023 comprise the following awards, based on the average share price for the three months from 1 October 2023 to 31 December 2023, which was £7.76.

	Restricted Share Plan
Nick Roberts	**£318,370**
	48,931 shares granted
	36,698 shares due to vest in March 2024 (75% of award, held for a further two years)
	The remaining 25% of the award (12,233 shares) are due to vest in March 2026 and will be included in the single figure for 2025.
	5,781 shares in respect of dividend equivalents added in the vesting period
	41,034 shares in total represented in the single total figure of remuneration for 2023 (75% of shares and dividends)
Alan Williams	**£259,001**
	39,806 shares granted
	29,855 shares due to vest in March 2024 (75% of award, held for a further two years)
	The remaining 25% of the award (9,951 shares) are due to vest in March 2026 and will be included in the single figure for 2025.
	4,702 shares in respect of dividend equivalents added in the vesting period
	33,382 shares in total represented in the single total figure of remuneration for 2023 (75% of shares and dividends)

Consideration of performance underpin for 2021 RSP awards

When considering the long-term incentive vesting outcome, the Committee also considered the underlying performance of the Group in the context of the underpins that were set for the three-year performance period from 1 January 2021 to 31 December 2023. Average ROCE performance over the three financial years ended 31 December 2023 at 10.5% was above the underpin threshold and there were no governance issues resulting in reputational damage to the Group. Therefore the Committee concluded that it was appropriate that RSP awards vest in full for Executive Directors, the Group Leadership team and the extended group of senior leaders and managers across the business that received RSP awards in 2021. In accordance with the remuneration policy in force at the time of grant, for Executive Directors, 75% of the award vests in March 2024, subject to a further two-year holding period, and the remaining 25% of the award vests in March 2026, subject to the achievement of the performance underpins.

The Committee also noted that there were no windfall gains, since the share price is currently lower than the share price at grant. No discretion was consequently exercised by the Committee to adjust the vesting of 2021 RSP awards.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2023.

Payments to past Directors and payments for loss of office

No payments were made to past Directors and no payments were made to any Director for loss of office during 2023.

Departing Chief Financial Officer

The Chief Financial Officer, Alan Williams, stepped down from the Board and retired as Chief Financial Officer on 9 January 2024 and his employment with the Group ceased on 31 January 2024. Alan will not receive any payments or compensation for loss of office.

In accordance with the remuneration policy, Alan received salary and benefits until his last date of employment with the Group on 31 January 2024. As outlined on pages 123 to 124, Alan will not receive an annual bonus payment for performance during 2023. As a good leaver under the Policy, Alan remains eligible for a pro rata bonus for the 2024 performance year to the date of his retirement on 31 January 2024, with 50% of any bonus to be delivered in shares under the Deferred Bonus Share Plan and 50% in cash. In accordance with good leaver treatment under the Plan Rules, Alan's unvested RSP awards will vest on their normal vesting dates, subject to time pro-ration and will remain subject to applicable holding periods. Alan's existing Deferred Share Bonus Plan award will vest in full on its normal vesting date, will not be pro-rated and will remain subject to the applicable holding period. All other long-term incentive plan awards have vested but are, and will remain, subject to their applicable holding periods. Alan will continue to meet the shareholding requirement policy for a period of two years after stepping down from the Board.

Incoming Chief Financial Officer

Duncan Cooper was appointed CFO and Executive Director on 9 January 2024. Duncan's annual base salary is £525,000, which is 5% lower than the previous incumbent. Duncan's annual incentive opportunity and RSP grant value are set at the same level as the previous incumbent at 180% of salary and 125% of salary respectively. His pension entitlement is 10% of salary, which is at the same level as the CEO and in line with the rate available across the wider workforce.

As compensation for long-term incentives that have been forfeited on leaving the previous employer (comprising the performance share awards and deferred bonus share awards granted in 2021 and 2022), Duncan will be awarded replacement share awards under the RSP in 2024. The vesting of these replacement awards will be subject to the original performance conditions of the previous employer (Crest Nicholson plc) and subject to the original vesting and release schedule. The total face value of the replacement awards will be £1,084,891 (137,502 Travis Perkins plc shares), with £890,639 (112,882 Travis Perkins plc shares) subject to performance and the remaining £194,252 (24,620 Travis Perkins plc shares) subject to employment on the vesting date. The face value of the forfeited awards and replacement awards was based on the average share price in January 2024 for both Crest Nicholson plc and Travis Perkins plc.

The awards will be granted in accordance with the RSP Rules and subject to standard terms, including malus and clawback provisions. The vesting outcome will be subject to the discretion of the Remuneration Committee and may be scaled back in the event of a windfall gain.

Share interests awarded during the financial year

The Restricted Share Plan was approved by shareholders at the Annual General Meeting held on 27 April 2021, replacing the PSP and CIP.

Before granting awards under the RSP in 2023, the Committee took into account shareholder guidance that where the share price has fallen significantly compared to prior years awards should be scaled back. The Committee considered that, although the share price at grant was lower than the prior year, it was not significantly lower and therefore they felt that it was appropriate to grant at the normal levels. In line with best practice the Committee retains discretion to adjust the vesting outturns if they are not considered to be reflective of the underlying financial or non-financial performance of the business or the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders and other stakeholders.

2023 Restricted Share Plan (RSP) awards

<table>
<tr><th></th><th>Date of award</th><th>Type of award</th><th>Basis</th><th>Face value*</th><th>Underpin period</th></tr>
<tr><td>Nick Roberts</td><td rowspan="2">20 March 2023</td><td rowspan="2">Restricted shares</td><td rowspan="2">125% of salary</td><td>£819,230
(87,078 shares at £9.408 per share)</td><td rowspan="2">1 January 2023 to 31 December 2025 (75% of award) and 1 January 2023 to 31 December 2027 (25% of award) (for the purposes of assessing underpins only)
75% of the award vests after three years and 25% of the award vests after five years. Shares that vest after three years are subject to an additional two year holding period post vesting</td></tr>
<tr><td>Alan Williams</td><td>£666,472
(70,841 shares at £9.408 per share)</td></tr>
</table>

* Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and the end of the holding period.

If the Group does not meet one or more of the underpins, the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee retains discretion to determine what level of scale back is appropriate.

2023 Deferred Share Bonus Plan (DSBP)

As no bonus was earned in 2023, there will be no share awards under the Deferred Share Bonus Plan in 2024. There was also no annual bonus payout for 2022 (and therefore no deferred share award in 2023).

Director's shareholding and share interests – Executive Directors

Formal shareholding requirements apply to Executive Directors and senior executives. The Committee may decide to scale back or withhold participation in long-term incentives if the requirements are not met or maintained. Executive Directors are required to hold shares valued at 200% of salary within five years of appointment.

As at 31 December 2023, Nick Roberts' total shareholding which counts towards the shareholding guideline was 344,606 and represents 392% of salary. Alan Williams' total shareholding which counts towards the shareholding guideline was 463,469 shares and represents 648% of salary, based on the average share price for the last quarter of 2023 which was £7.76.

Directors' shareholdings and share interests as at 31 December 2023 are outlined in the table below:

Executive Director	Beneficially owned shares[1]	Unvested RSP options[2]	Unvested unconditional shares under DSBP[3]	Unconditional options under Sharesave[4]	Vested but unexercised options[5]	**Total interests**	**Total interests which count towards shareholding requirement[6]**	**Shareholding (% of salary)[6]**
Nick Roberts	96,299	215,580	39,284	4,692	213,639	**569,494**	**344,606**	**392%**
Alan Williams	297,329	175,379	31,959	2,004	106,134	**612,805**	**463,469**	**648%**

1. Includes ordinary shares beneficially held at 31 December 2023 by the executive and their spouse/partner.
2. Includes outstanding awards made under the Restricted Share Plan (RSP). Vesting of these awards may be scaled back if one or more of the performance underpins is not met, subject to Remuneration Committee discretion.
3. Includes outstanding awards made under the Deferred Share Bonus Plan (DSBP), which are not subject to performance conditions.
4. Includes outstanding options under the Sharesave (Save As You Earn) plan.
5. Includes outstanding awards under PSP and CIP which have vested but have not yet been exercised. No PSP and CIP awards have been granted since 2020.
6. Interests qualifying towards the shareholding requirement comprise ordinary shares beneficially held at 31 December 2023 by the executive and their spouse/partner and the post tax value (53%) of outstanding DSBP and RSP awards and any other share options which have vested but have not been exercised. Shareholding as a % of salary is calculated based on the Executive Director's salary as at 31 December 2023.

During 2023 the following awards were exercised:

Nick Roberts	**Exercise date**	**Number of shares**	**Price per share**
2020 Deferred Share Bonus Plan	**30 March 2023**	**16,986**	**£9.601**

Alan Williams	**Exercise date**	**Number of shares**	**Price per share**
2020 Deferred Share Bonus Plan	**30 March 2023**	**22,918**	**£9.601**

Director's shareholding and share interests – Non-executive Directors

Non-executive Director	**Beneficial shareholding (as at 28 February 2024)**	**Beneficial shareholding (as at 31 December 2023)**	Beneficial shareholding (as at 31 December 2022)
Jasmine Whitbread	**6,660**	**6,660**	4,528
Coline McConville	**4,003**	**4,003**	4,003
Pete Redfern	**10,012**	**10,012**	10,012
Marianne Culver	**728**	**728**	728
Heath Drewett	**–**	**–**	–
Jora Gill	**–**	**–**	–
Louise Hardy	**–**	**–**	–
Jez Maiden	**1,000**	**1,000**	

There were no material changes in Directors' share ownership between 31 December 2023 and 28 February 2024. Nick Roberts acquired an additional 28 shares through the all-employee Buy as you Earn ("BAYE") scheme.

Unaudited information

Service contracts

Each of the Executive Directors has a service contract, which will be available for inspection at the Annual General Meeting or at the Group's registered office. These contracts provide for six months' notice from the Directors and 12 months' notice from the Group. They do not specify any particular level of compensation in the event of termination or change of control. Details of the Group's policy on payments in respect of loss of office are provided in the Directors' remuneration policy.

The dates Executive Directors service contracts were entered into are as follows:

- Nick Roberts – 1 July 2019
- Alan Williams – 3 January 2017
- Duncan Cooper – 9 January 2024

Non-executive Directors do not have a service contract, but each has received a letter of appointment which will be available for inspection at the Annual General Meeting or at the Group's registered office.

Non-executive Directors' and the Chair's letters of appointment do not have expiry dates, however, other than in the most exceptional circumstances, Non-executive Directors and the Chair of the Board will not serve for more than nine years.

Director	Expiry of appointment letter
Jasmine Whitbread	March 2030
Marianne Culver	November 2028
Heath Drewett	May 2030
Jora Gill	August 2030
Louise Hardy	January 2032
Jez Maiden	June 2032

In accordance with best practice, the Non-executive Directors stand for re-election annually.

No compensation is payable on termination of the employment of Non-executive Directors, which may be with or without notice.

Outside appointments

Travis Perkins recognises that its Executive Directors may be invited to become Non-executive Directors of other companies. Such Non-executive duties can broaden a Director's experience and knowledge which can benefit Travis Perkins.

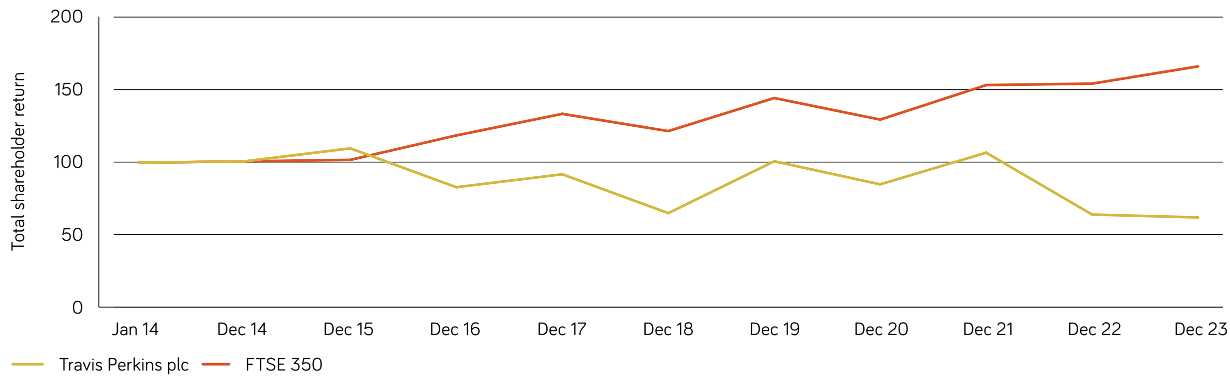
Subject to approval by the Board, Executive Directors are allowed to accept one Non-executive Directorship or other significant appointment, provided that these appointments will not lead to conflicts of interest, and they may retain the fees received. Nick Roberts is a Director and Trustee of the Forces in Mind Trust, and does not receive a fee for this appointment. Alan Williams was appointed as an independent Non-Executive Director of Cranswick plc on 24 July 2023.

Funding of equity awards

Both executive incentive arrangements and entitlements under the HMRC approved all-colleague Sharesave scheme are satisfied by shares purchased in the market. Shares purchased in the market are held by a trust and the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. As at 31 December 2023, the Trust held 1,668,682 shares.

Total shareholder return performance graph

For comparative purposes the FTSE 350 index has been selected as this is the index of which the Group was a member during the reporting year.



TSR is rebased to 100 from 1 January 2014.

Historical CEO pay

	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Single figure remuneration (£000)	£2,634	£2,360	£2,575	£2,532	£2,258	£2,622	£696	£4,446	£1,905	**£1,091**
Annual bonus payout (% of maximum)	89%	32%	24%	72%	35%	89%	–	97%	0%	**0%**
Vesting of Restricted Share Plan (% of maximum)	–	–	–	–	–	–	–	–	–	**100%**
Vesting of Performance Share Plan (% of maximum)	45%	97%	54%	40%	40%	46%	40%	94%	65%	**–**
Vesting of Co-Investment Plan (% of maximum)	–	44%	97%	100%	100%	100%	100%	100%	100%	**–**

Data for 2019 relates to both Nick Roberts and John Carter reflecting their tenure in the role of CEO during 2019. 2014–2018 relates to John Carter.

CEO to all-employee pay ratio

The following table provides pay ratio data in respect of the CEO's total remuneration compared to the 25th, 50th and 75th percentile employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	**Option A**	**45**	**39**	**32**
2022	Option A	79	69	56
2021	Option A	206	168	134
2020	Option A	37	30	23
2019	Option A	133	109	81

The employees used for the purposes of the table above were identified on a full-time equivalent basis as at 31 December 2023.
Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees.

Employee pay includes salary, allowances, overtime, bonus, commission, benefits and share plan proceeds. For the purpose of the calculation employee pay has been standardised to the equivalent of a 40-hour working week and where employees have started mid-period the employee's pay has been restated on a full year basis to ensure a like-for-like comparison.

The following table provides salary and total remuneration information in respect of the employees at each quartile:

Year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2023	Salary	£23,205	£26,062	£31,581
	Total remuneration	£24,372	£28,035	£34,349

The ratio is consistent with the Group's wider policies on employee pay, reward and progression.

There is a decrease in the CEO pay ratio for 2023. This reflects the fact that there was again no bonus payout for 2023 and a lower value for the long-term incentive since the value of the RSP award at grant in 2021 (vesting in 2023) is less than half of the value of the previous combined PSP and CIP awards vesting in 2023.

There are no changes attributable to changes in the Group's employment model nor in the methodology used to calculate the ratio.

Change in remuneration of Directors

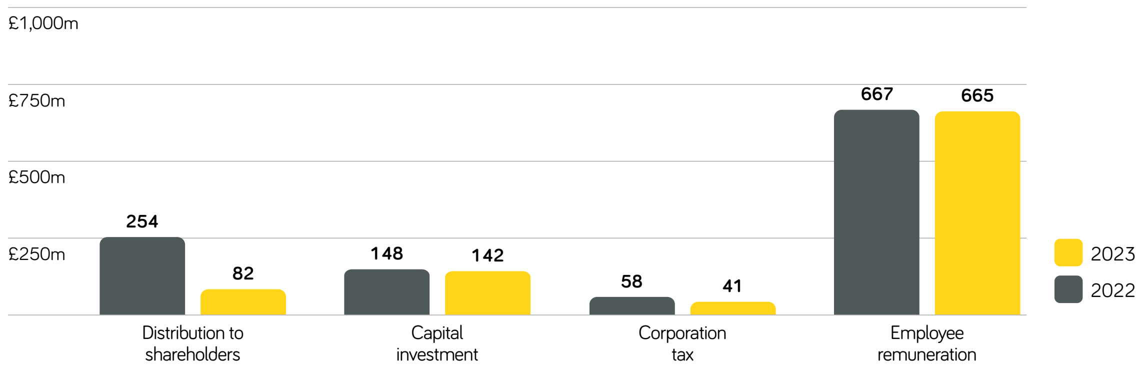
The following table sets out the year-on-year percentage change in remuneration for the Executive and Non-executive Directors relative to the wider workforce.

	Percentage change in salary/fee earned				Percentage change in bonus earned				Percentage change in taxable benefits received			
	2023	2022	2021	2020	2023	2022	2021	2020	2023	2022	2021	2020
Comparative employee group[1]	5.8%	5.2%	1.5%	1.7%	(72.9%)	(74.8%)	69.0%	(38.0%)	4%	13%	(8.5%)[2]	8.4%
Executive Directors												
CEO – Nick Roberts[3]	3.7%	2.4%	5.3%	(4.0%)	-	(100.0%)	97.0%	(89.0%)	4.3%	1.1%	1.4%	0.0%
CFO – Alan Williams[3]	3.8%	2.1%	5.3%	(3.5%)	-	(100.0%)	97.0%	(89.0%)	(39.8)%	–	(6.9%)	(5.0%)
Non-executive Directors												
Jasmine Whitbread[4]	0%	32.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Marianne Culver	4.9%	1.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Heath Drewett[4]	2.5%	71.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jora Gill	7.0%	184.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Louise Hardy[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jez Maiden[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville[4]	1.3%	2.6%	5.4%	(2.0)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pete Redfern[4]	(31.1)%	2.8%	(3.6)%	11.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The comparator group is all colleagues within the Trade Merchant businesses and central functions. Travis Perkins plc is a non-employing entity and so is not used for comparative purposes.
2. During 2021, the Group began to replace the company car fleet with a cash allowance. The reduction reflects the difference between the P11d value and the cash allowance.
3. During 2020 Nick Roberts and Alan Williams took a pay cut of 20% for a period of three months. The increase in 2021 reflects the reinstatement of this temporary reduction in salary. They received no underlying salary increase in 2021.
4. Jasmine Whitbread, Heath Drewett and Jora Gill were appointed during 2021, whilst Pete Redfern and Coline McConville stepped down during 2023, and therefore the higher fees received in 2022 and 2023 reflect the comparison of a full year to a part year.
5. Louise Hardy and Jez Maiden were appointed during 2023 and therefore no prior year comparison is shown.

Relative importance of spend on pay

Capital expenditure is shown, for comparison, as an indicator of investment by the Group in future growth. It includes funds invested in the purchase of property, plant and equipment. Corporation tax is included as an indicator of wider societal contribution facilitated by the Group's operations and is the actual amount of corporation tax paid in the relevant reporting periods.



Governance

During the year the Committee comprised Coline McConville (Chair until 1 December 2023), Louise Hardy (Chair from 1 December 2023), Pete Redfern (until 19 September 2023) and Marianne Culver, all of whom are independent Non-executive Directors, and Jasmine Whitbread, Chair of the Board, who was independent on appointment.

Deloitte was appointed by the Committee in December 2015, following an interview process, to provide independent advice on executive remuneration. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provides remuneration advice to the Committee do not have connections with the Group or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Deloitte provided additional services to the Group in relation to remuneration including support in developing and implementing remuneration proposals, compensation benchmarking and other tax and consulting services. Fees are charged on a time and materials basis. During the year Deloitte was paid £48,550 for advice provided to the Committee.

In addition Nick Roberts (Chief Executive Officer), Alan Williams (Chief Financial Officer), Robin Miller (General Counsel & Company Secretary), Emma Rose (Chief Human Resources Officer), Jon Erb (Director of Group Finance) and Leonie Clarke (Group Reward Director) have assisted the Committee in its work and attended Committee meetings where appropriate. No individual is involved in the setting of their own remuneration.

Responsibilities

The Remuneration Committee is responsible for developing and implementing the remuneration policy within the Group. It determines and agrees with the Board the policy for the remuneration and benefits of the Chair, Executive Directors and Group Leadership Team members and other senior executives. The Committee also oversees the administration of the Group's share plans. The Committee's terms of reference are available on the Travis Perkins plc website (www.travisperkinsplc.co.uk) or on request from the Company Secretary.

Key items discussed in 2023 meetings

The Remuneration Committee held three routinely scheduled meetings during the year, with four additional meetings. The Remuneration Committee discussed the following matters:

Date	Key issues considered
30 January	• Approval of annual salary review for Executive Directors and the Group Leadership Team • Review of annual bonus targets for 2023 • Review of Remuneration Committee terms of reference
20 February	• Approval of annual bonus targets for 2023 • Approval of outturn of 2022 annual bonus scheme and 2023 deferred share bonus plan awards • Approval of vesting of 2020 long-term incentive awards (PSP and CIP) • Approval of grant of 2023 RSP awards, including consideration of windfall gains • Approval of Remuneration Committee terms of reference
5, 14, 15 June	• Retirement of Alan Williams, Chief Financial Officer • Appointment of Duncan Cooper, Chief Financial Officer
29 June	• Review of Directors' remuneration policy • Approach to shareholder consultation
14 December	• Review of Directors' remuneration policy and feedback from shareholder consultation • Context and considerations for the 2024 annual salary review for the wider workforce • Performance update on the 2023 annual bonus scheme • Vesting update on 2021 long-term incentive awards (RSP) • Design of 2024 bonus plan

Shareholder voting

The following resolutions in relation to remuneration were put to the Group's AGM (2022 Directors' remuneration report and 2020 Policy):

Resolution	Votes for	For (%)	Votes against	Against (%)	Votes withheld
To receive and approve the 2022 Directors' remuneration report (2023 AGM)	158,666,616	94.90%	8,521,913	5.10%	12,312
To receive and approve the Directors' remuneration policy (2021 AGM)	178,947,921	89.38%	21,267,740	10.62%	31,205

The Directors' remuneration report has been approved by the Board of Directors and is signed on its behalf by:

Louise Hardy
Chair of the Remuneration Committee
11 March 2024

Directors' report

For the year ended 31 December 2023

The Directors present their annual report and audited accounts of Travis Perkins plc and its subsidiaries (the "Group") for the year ended 31 December 2023. The report sets out information required to be included by the Companies Act 2006 (the "Act"), and the applicable Financial Conduct Authority ('FCA') Listing Rules (LR 9.8.4R(4), (12), (13)) and Disclosure Guidance and Transparency Rules (the "DTRs"). Certain information is incorporated into this report by reference and can be located in the sections outlined below.

Business review

A review of the Group's position, developments, activities in the field of research and development and a review of the key events affecting the Group in the last financial year can be found on pages 64 to 69. Whilst the Group operates predominantly in the UK, it has a sourcing office in China; a small number of branches in the Isle of Man and the Republic of Ireland; 169 Toolstation branches in Belgium, France and The Netherlands.

Articles of Association

The Company's Articles of Association (the "Articles") may only be amended by special resolution at a general meeting of the Shareholders. The Articles can be viewed on the Group's website at: www.travisperkinsplc.co.uk/investors/.

Board of Directors

The names, biographies and committee memberships of all Directors are provided on pages 88 to 89 and details of the Directors that held office during the 2023 financial year are set out on page 92. The powers and responsibilities of the Directors are set out in the Corporate Governance report on pages 90 to 93. The appointment and removal of directors is regulated by the Company's Articles, the Act, the UK Corporate Governance Code (the "Code") and related legislation. Under Article 83 of the Company's Articles all Directors are required to retire and seek re-election annually and accordingly all will do so at the Annual General Meeting.

All Directors are recommended for re-election on the basis of their skills, experience and the value of their contributions to the Board and the Company's long-term sustainable success.

Details of the service agreements for Executive Directors and letters of appointment for Non-executive Directors and the Chair of the Board are set out in the Remuneration Report on pages 106 to 122 and are available for inspection at the Company's registered office. Executive Directors have rolling 12-month notice periods in their contracts.

Directors' conflicts of interest

Directors have a statutory duty to avoid a situation where they have or may have a direct or indirect interest that conflicts or may conflict with the Company's interests. The Company's Articles permit Directors to authorise a potential conflict of interest to the extent permitted by law. During the year, no Director had any material interest in any contract of significance of the Group's business.

The disclosable interests of Directors at 31 December 2023, including holdings, if any, of spouses and of children under the age of 18 are provided in the Remuneration report on pages 106 to 133

Directors' indemnities

Article 143 of the Company's Articles permits the Company to indemnify any person who is or was a Director, or a Director of any associated company against any loss or liability in relation to the Company or associated company, to the extent permitted by law. The Company has granted such indemnities to its Directors and Directors of associated companies and these remain in force in the year ending 31 December 2023.

The Company maintains Directors' and Officers' liability insurance cover in respect of potential legal action brought against its Directors.

Major shareholdings

Information received by the Company pursuant to the FCA's DTR 5.3.1(1) is published on a Regulatory Information Service and the Company's website. As of 31 December 2023, the Company has received notification of the following holdings of voting rights in its shares. The information provided below was correct at the date of notification, however that date of notification may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified, however further notification is not required until the next notifiable threshold is crossed.

	Direct / Indirect	Number of Shares	Voting Rights
BlackRock, Inc.	Indirect	10,860,539	5.1%
Sprucegrove Investment Management Ltd	Direct	10,569,923	5.0%
Artemis Investment Management LLP	Indirect	10,751,952	5.1%
Schroders Plc	Indirect	11,136,777	5.2%
Pzena Investment Management, Inc	Indirect	15,587,458	6.9%
Ameriprise Financial, Inc	Indirect	11,121,830	5.2%

Results and dividend

The Group's results for the year ending 31 December 2023 are set out in the income statement on page 145 and dividends for the year ending 31 December 2023 are set out in note 20. The Directors recommend a final dividend of 5.5 pence per share for approval at the Company's Annual General Meeting. If approved by shareholders, the final dividend will be paid on 9 May 2024 to those shareholders on the register at the close of business on 2 April 2024.

Balance sheet and post-balance sheet events

The balance sheet on page 191 shows the Group's financial position.

Employees

The Group is committed to its purpose of enriching lives and building communities, and recognises the importance of colleague engagement and inclusion in this. A full statement on employee matters can be found in the Sustainability report on pages 30 to 48 and an overview of the Company's approach to diversity can be found in the Sustainability report and the Nominations Committee report on pages 98 to 100.

The Group's Encouraging Equal Treatment policy aims to ensure recruitment, employment and promotion decisions are based solely on an individual's ability and potential, regardless of their gender, race, colour, ethnic origin, sexual orientation, religious belief, age, disability, marital status (including civil partnership), pregnancy, maternity or gender reassignment. In particular, applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitudes of the person concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, including making any reasonable adjustments to their role, and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Group's practices are designed to keep employees informed on matters relevant to them, including the Group's financial performance and strategy, through regular meetings and communications. The Group makes use of various channels including employee representatives; listening groups; colleague forums; workshops; conferences; internal newsletters and newspapers; and online communities.

In September 2023 the Group conducted its latest colleague engagement survey "Your Voice Our Future", which enables colleagues to give feedback on issues affecting them and provides valuable insight into their priorities and concerns. Areas for improvement are identified and action plans to improve are developed with colleagues and implemented accordingly. The results of the survey are used to inform the Group's approach to policies, the working environment, working practices and diversity and inclusion, amongst other matters. The Company has a designated workforce engagement Non-executive Director to bring the colleague voice into the Boardroom. Full details of her activities during the year can be found on page 90.

All colleagues with more than three months consecutive service are eligible to join the Group's Sharesave and Buy-As-You-Earn schemes, enabling them to benefit from the Group's growth and success. Full details of employee share plans are available in the Remuneration report on pages 106 to 133.

Modern slavery

The Group recognises the harmful impact that Modern Slavery and human trafficking has on society and is committed to ensuring its business and supply chain is free from this criminal activity. The Group produces a slavery and human trafficking statement each financial year. The latest statement can be found on the Group's corporate website at: www.travisperkinsplc.co.uk/modern-slavery-statement/.

Political donations

The Group's policy is not to make donations to political parties. The Group did not give any money for political purposes nor did it make any donations to political organisations or independent candidates or incur any political expenditure during the year.

Statement on disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Act.

Share capital and change of control

As at 31 December 2023 the Company had an allotted and fully paid share capital of 212,509,334 ordinary shares of 11.205105 pence each with voting rights and an aggregate nominal value of £23,811,894.01, including shares owned by the Travis Perkins Employee Share Ownership Trust. The Ordinary Shares are listed on the London Stock Exchange and all shares rank pari passu. As at 31 December 2023, there were no Ordinary Shares of the Company held in Treasury.

There are no restrictions on voting rights attached to the Company's Ordinary Shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The rights and obligations attaching to its shares are set out in the Company's Articles of Association. Fully paid shares in the Company are freely transferable. There are no persons that hold securities carrying special rights with regard to the control of the Company. Details of the structure of the Company's share capital and changes in the share capital during the year are also included in the notes to the financial statements on page 193.

As at 31 December 2023 the Travis Perkins Employee Share Ownership Trust owned 1,668,682 shares in the Company (0.8% of issued share capital) for use in connection with the Company's share schemes. Any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of any recommendation of the Company. There are no rights attached to shares under employee share schemes, save for the right to acquire shares pursuant to options granted under those schemes in accordance with and subject to their rules.

There are a number of agreements to which the Company is a party that may take effect, alter or terminate upon a change of control following a takeover bid. None of these agreements are considered significant in the context of the Company as a whole. The Company does not have agreements with any Director or any employee that would provide compensation for loss of office or employment resulting from a takeover except for that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Robin Miller
General Counsel & Company Secretary
11 March 2024

Directors' statement of responsibilities

For the year ended 31 December 2023

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, and reliable and, in respect of the parent Company financial statements only, prudent;
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.14R, the financial statements will form part of the Annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Statement of Directors' Responsibilities has been approved by the Board and is signed on its behalf by:

Nick Roberts
Chief Executive Officer
11 March 2024

Duncan Cooper
Chief Financial Officer
11 March 2024

Financial statements

Financial statements

Independent Auditor's report

to the members of Travis Perkins plc

1. Our opinion is unmodified

We have audited the financial statements of Travis Perkins plc ("the Company") for the year ended 31 December 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement,, and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 28 May 2015. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2023 We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£10.0m (2022: £11.5m) 4.4% (2022: 4.7%) of normalised Group profit before tax fromcontinuing operations*	
Coverage	88% (2022: 89%) of normalised Group profit before tax fromcontinuing operations*	
Key audit matters vs 2022		
Recurring risks	Accounting for inventory	◀▶
	Gross defined benefit obligations	◀▶
	Parent Company's key audit matter: Recoverability of parent Company's investment in subsidiaries	◀▶

* In 2022 our materiality was based on Group profit before tax

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The Risk	Our response
Accounting for inventory (£728 million; 2022: £728 million) *Refer to page 101 (Audit Committee Report) and page 164 (accounting policy and financial disclosures).*	**Accounting for inventory (quantities, cost and deferral of rebates into inventory)** The Group holds a significant amount of inventory across its large branch network and a number of warehouses. The Group's inventory is comprised of a very large number of products, typically held in large quantities, with high inventory turns. The Group conducts periodic inventory counts and updates its inventory records to reflect the results of the counts, recognising a shrinkage provision to cater for an estimate of inventory losses between the count dates and the year-end. Cost is based on a weighted average purchase price, net of applicable rebates, plus attributable overhead. The determination of cost is made more difficult by the ageing accounting systems. Whilst inventory is not considered to represent a significant risk of material misstatement, it is one of the matters that has the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design and implementation of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Tests of detail:** We counted a sample of inventory lines across a sample of the Group's branches and warehouses and compared the results of our counts to the Group's inventory records. Where our counts were performed prior to or just after the year-end date, we obtained evidence for any significant movements in inventory quantities to the year-end date. We evaluated the results of our count procedures using statistical routines. • **Independent reperformance:** We recalculated the net purchase prices attributed to a sample of individual inventory lines and rebates deferred into inventory using a combination of data analytics and substantive tests of detail. **Our results:** • We found the accounting for inventory to be acceptable (2022: acceptable).
Gross defined benefit obligations (£996 million; 2022: £962 million) *Refer to page 101 (Audit Committee Report) and page 169 (accounting policy and financial disclosures).*	**Subjective valuation:** Small changes in the assumptions and estimates used to value the Group's defined benefit obligations (before deducting scheme assets) would have a significant effect on the Group's net pension position. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the gross defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 17) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Benchmarking assumptions:** We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy by comparing them to externally derived data. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit obligations to these assumptions. **Our results:** • We found the valuation of the pension obligations to be acceptable (2022: acceptable).

	The Risk	Our response
Recoverability of Parent Company's investment in subsidiaries (£1,922 million; 2022: £1,869 million) *Refer to page 194 (accounting policy and financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 72% (2022: 74%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Tests of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet in addition to the carrying value of the cash generating units that these investments represent. • **Assessing subsidiary audits:** We assessed the work performed by the subsidiary audit teams on in scope subsidiaries and considered the results of that work on those subsidiaries' profits and net assets. • **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit. **Our results:** We found the balance of the Company's investments in subsidiaries and the related impairment charge to be acceptable (2022: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £10.0m (2022: £11.5m), determined with reference to a benchmark of normalised Group profit before tax from continuing operations (2022: Group profit before tax) of £229m (2022: 245m). We normalised Group profit before tax from continuing operations by adding back adjustments that do not represent the normal, continuing operations of the Group and by averaging over 3 years. The items we adjusted for were Administrative expenses – adjusting items (2022: not applicable) disclosed in note 3. We selected 3 years (2022: not applicable) to average profit before tax from continuing operations to account for the fluctuations in the business Group's performance due to the downturn in performance due high interest rates resulting in low levels of newbuild housing and the impact that this has had on sales and overall profitability of the Group.

Materiality for the Parent Company financial statements as a whole was set at £8.0m (2022: £8.0m), determined with reference to a benchmark of the Parent Company total assets, of which it represents 0.3% (2022: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2022: 65%) of materiality for the financial statements as a whole, which equates to £6.5m (2022: £7.5m) for the Group and £5.2m (2022: £5.2m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements in prior periods and our knowledge of the Group's legacy IT environment.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m (2022: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 29 (2022: 29) reporting components, we subjected 8 (2022: 7) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 5% (2022: 5%) of total Group revenue, 12% (2022: 11%) of the total profits and losses that made up the Group profit before tax and 13% (2022: 7%) of total Group assets is represented by 21 (2022: 22) reporting components, none of which individually represented more than 5% (2022: 3%) of any of total Group revenue, the total profits and losses that made up the Group profit before tax or total group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

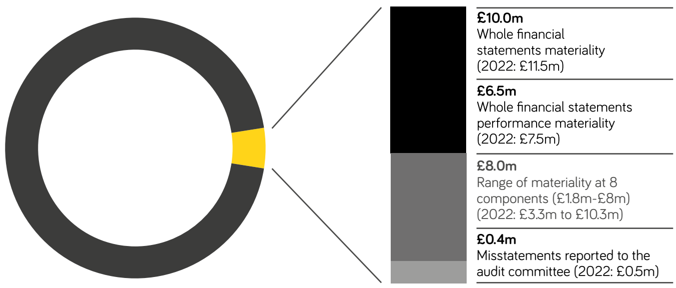
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1.8m to £8.0m (2022: £3.3m to £10.3m), having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 8 components (2022: 2 of the 7 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited 3 (2022: 2) component locations in the UK and France (2022: all in the UK) to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

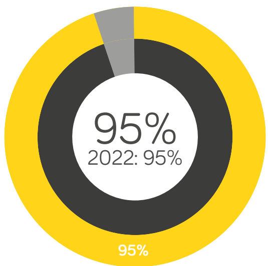
Normalised group profit before tax
£229m (2022: £245m)

Group materiality
£10.0m (2022: £11.5m)

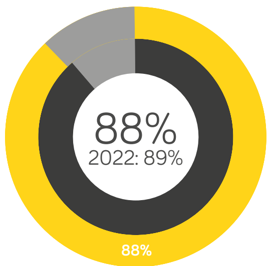


Normalised PBT
Group materiality

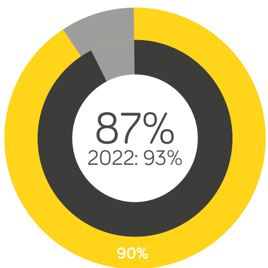
Group revenue



Normalised absolute profits and losses before adjusting items and tax from continuing operations



Group total assets



Full scope for group audit purposes 2023

Full scope for group audit purposes 2022

Residual components

* In 2022 our materiality was based on Group profit before tax from continuing operations, excluding adjusting items.

4. The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

As the Group has set out on page 79, climate change has the potential to significantly impact the construction sector during the transition to a low carbon environment. The Group has stated their commitment to help the industry to decarbonise and has set out its own commitments to reduce carbon.

The areas of financial statements that are most likely to be potentially affected by climate related changes and initiatives are balances subject to forward looking assessments such as those subject to impairment tests and those being depreciated or amortised over an estimated useful life of assets. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, as described on page 143 in relation to the estimated useful economic life of property, plant and equipment and page 166 in relation to impairment.

We performed a risk assessment, taking into account climate change risks and the commitments made by the Group. This included enquiries of key personnel and those charged with governance, consideration of the Group's processes for assessing the potential impact of climate change risk on the Group's financial statements, assessing the TCFD scenario analysis performed by the Group and reading the Group's Carbon Disclosure Project submission.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that, taking into account the extent of headroom on goodwill and the nature and estimated useful economic life of property, plant and equipment, there are no significant risks of material misstatement in relation to climate change.

Therefore, we assessed that there is not a significant impact on our audit for this financial year.

There was no impact of climate change on our key audit matters included in section 2.

We have read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 50 to 61 and considered consistency with the financial statements and our audit knowledge.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the uncertain economic environment to identify the inherent risks to the Group's business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources and metrics relevant to debt covenants over this period was adverse macroeconomic conditions resulting in lower than expected trading volumes.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Evaluating how the Group's risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern and evaluating the models the Group uses in its assessment.
- Critically assessing the assumptions in the base case and downside scenarios relevant to liquidity and covenant metrics and the impacts of historical trends in severe economic situations and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates.
- Challenged the reasonableness of the Group's budgets and forecasts and evaluated whether the growth targets are within a reasonable range.
- We considered whether the going concern disclosure in the 'General Information' section in the notes to the financial statements set out on page 133 gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in the 'General Information' section on page 133 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in the notes to be acceptable; and
- the related statement under the Listing Rules set out on page 89 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors, the audit committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee, remuneration committee and nomination committee minutes.
- Considering remuneration incentive schemes and performance targets for Directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because sales are individually low value (high volume) across a high number of independently managed branches and there is no judgement in applying the revenue recognition criteria.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, climate change, responsible sourcing and import compliance. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability assessment on page 74 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability assessment of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether 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 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 74 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

7. We have nothing to report on the other information in the Annual Report continued

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 119, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

12 March 2024

Consolidated income statement

For the year ended 31 December 2023

£m	Notes	2023	2022
Revenue	1	4,861.9	4,994.8
Gross profit		1,305.1	1,384.7
Charge for impairment losses for trade receivables	13	**(16.8)**	(11.0)
Selling and distribution		**(835.0)**	(805.4)
Administrative expenses – other		**(297.1)**	(314.0)
Profit on disposal of properties		**15.1**	25.3
Other operating income	4	**9.1**	15.7
Adjusted operating profit		**180.4**	295.3
Administrative expenses – adjusting items	3	**(60.0)**	–
Administrative expenses – amortisation of acquired intangible assets		**(10.5)**	(10.5)
Operating profit	2	**109.9**	284.8
Interest on lease liabilities	6	**(26.2)**	(21.5)
Other finance costs	6	**(25.8)**	(27.5)
Finance income	6	**12.1**	9.2
Profit before tax		**70.0**	245.0
Tax	7	**(31.9)**	(52.8)
Profit for the year		**38.1**	192.2

All profit for the year is attributable to the owners of the Company.

Earnings per share:	Notes	2023	2022
Adjusted basic earnings	19	**45.7p**	94.6p
Adjusted diluted earnings	19	**45.0p**	92.9p
Basic earnings	19	**18.1p**	90.8p
Diluted earnings	19	**17.8p**	89.2p

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

£m	Notes	2023	2022
Profit for the year		**38.1**	192.2
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on defined benefit pension schemes	17	**(41.0)**	(145.3)
Income tax relating to other comprehensive income	7	**10.2**	36.3
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations		**(1.2)**	5.5
Fair value (loss)/gain on cash flow hedges	26	**(1.4)**	4.3
Deferred tax on cash flow hedges	7	**0.4**	(1.1)
Total other comprehensive loss for the year net of tax		**(33.0)**	(100.3)
Total comprehensive income for the year		**5.1**	91.9

All other comprehensive income is attributable to the owners of the Company.

Consolidated balance sheet

As at 31 December 2023

£m	Notes	2023	2022
Assets			
Non-current assets			
Goodwill	8	**847.9**	859.0
Other intangible assets	8	**99.9**	115.9
Property, plant and equipment	9	**848.4**	847.3
Right-of-use assets	10	**530.4**	451.7
Long-term prepayments and other receivables	13	**14.2**	17.2
Deferred tax asset	15	**18.0**	15.0
Derivative financial instruments	27	**2.9**	4.3
Retirement benefit asset	17	**100.6**	135.9
Total non-current assets		**2,462.3**	2,446.3
Current assets			
Inventories	11	**727.6**	727.8
Trade and other receivables	13	**689.6**	725.9
Tax debtor		**14.5**	0.7
Cash and cash equivalents, excluding bank overdrafts	22	**131.5**	235.7
Total current assets		**1,563.2**	1,690.1
Total assets		**4,025.5**	4,136.4
Equity and liabilities			
Capital and reserves			
Issued share capital		**23.8**	23.8
Share premium account		**545.6**	545.6
Cash flow hedge reserve	26	**2.9**	4.3
Merger reserve		**326.5**	326.5
Revaluation reserve		**10.8**	12.1
Own shares		**(14.1)**	(34.3)
Foreign exchange reserve		**8.4**	9.6
Other reserves		**1.4**	1.4
Retained earnings		**1,135.0**	1,213.2
Total equity	18	**2,040.3**	2,102.2
Non-current liabilities			
Interest-bearing loans and borrowings	21	**445.1**	349.1
Lease liabilities	10	**518.8**	438.3
Deferred tax liabilities	15	**92.8**	96.0
Long-term provisions	14	**3.8**	4.9
Total non-current liabilities		**1,060.5**	888.3
Current liabilities			
Interest-bearing loans and borrowings	21	**–**	192.5
Lease liabilities	10	**89.6**	74.3
Derivative financial instruments	27	**0.4**	0.2
Trade and other payables	16	**795.4**	852.4
Short-term provisions	14	**39.3**	26.5
Total current liabilities		**924.7**	1,145.9
Total liabilities		**1,985.2**	2,034.2
Total equity and liabilities		**4,025.5**	4,136.4

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 11 March 2024 and signed on its behalf by:

Nick Roberts
Director

Duncan Cooper
Director

Consolidated statement of changes in equity

For the year ended 31 December 2023

£m	Share capital	Share premium	Cash flow hedge reserve	Merger reserve	Revaluation reserve	Own shares – treasury	Own shares – ESOT	Foreign exchange reserve	Other	Retained earnings	Total equity
At 1 January 2022	25.2	545.6	–	326.5	10.5	(53.8)	(7.6)	4.1	–	1,387.3	**2,237.8**
Profit for the year	–	–	–	–	–	–	–	–	–	192.2	**192.2**
Other comprehensive income for the year net of tax	–	–	4.3	–	–	–	–	5.5	–	(110.1)	**(100.3)**
Total comprehensive income for the year	–	–	4.3	–	–	–	–	5.5	–	82.1	**91.9**
Dividends paid	–	–	–	–	–	–	–	–	–	(81.7)	**(81.7)**
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.1)	–	–	–	–	1.1	**–**
Shares purchased in share buyback	–	–	–	–	–	(125.5)	(46.6)	–	–	–	**(172.1)**
Sale of own shares	–	–	–	–	–	–	3.8	–	–	–	**3.8**
Own shares movement	–	–	–	–	–	–	16.1	–	–	(16.1)	**–**
Cancelled shares	(1.4)	–	–	–	–	179.3	–	–	1.4	(179.3)	**–**
Equity-settled share-based payments net of tax	–	–	–	–	–	–	–	–	–	14.7	**14.7**
Tax on revalued assets	–	–	–	–	2.7	–	–	–	–	5.1	**7.8**
At 1 January 2023	23.8	545.6	4.3	326.5	12.1	–	(34.3)	9.6	1.4	1,213.2	**2,102.2**
Profit for the year	–	–	–	–	–	–	–	–	–	38.1	**38.1**
Other comprehensive income for the year net of tax	–	–	(1.4)	–	–	–	–	(1.2)	–	(30.4)	**(33.0)**
Total comprehensive income for the year	–	–	(1.4)	–	–	–	–	(1.2)	–	7.7	**5.1**
Dividends paid	–	–	–	–	–	–	–	–	–	(82.1)	**(82.1)**
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.3)	–	–	–	–	1.3	**–**
Own shares movement	–	–	–	–	–	–	20.2	–	–	(20.2)	**–**
Equity-settled share-based payments net of tax	–	–	–	–	–	–	–	–	–	14.6	**14.6**
Tax on revalued assets	–	–	–	–	–	–	–	–	–	0.5	**0.5**
At 31 December 2023	23.8	545.6	2.9	326.5	10.8	–	(14.1)	8.4	1.4	1,135.0	**2,040.3**

Consolidated cash flow statement

For the year ended 31 December 2023

£m	2023	2022
Cash flows from operating activities		
Operating profit	**109.9**	284.8
Adjustments for:		
Depreciation of property, plant and equipment	**80.3**	73.6
Depreciation of right-of-use assets	**91.1**	79.0
Amortisation of other intangibles	**4.6**	6.5
Amortisation of acquisition-related intangibles	**10.5**	10.5
Share-based payments	**14.6**	17.0
Gain on disposal of property, plant and equipment	**(15.1)**	(25.3)
Purchase of tool hire assets	**(7.8)**	(8.9)
Decrease/(increase) in inventories	**0.2**	(3.4)
Decrease/(increase) in receivables	**36.3**	(19.2)
(Decrease) in payables	**(58.7)**	(53.9)
Adjusting items payments less than / (greater than) the charge	**49.5**	(7.2)
Cash generated from operations	**315.4**	353.5
Interest paid and debt arrangement fees	**(31.0)**	(18.3)
Interest on lease liabilities	**(26.2)**	(21.5)
Income taxes paid	**(40.6)**	(57.6)
Net cash from operating activities	**217.6**	256.1
Cash flows from investing activities		
Interest received	**6.0**	1.4
Proceeds on disposal of property, plant and equipment	**69.1**	22.5
Purchase/development of computer software	**(2.9)**	(7.0)
Purchases of freehold land and buildings	**(33.2)**	(38.0)
Purchases of other property, plant and equipment	**(97.9)**	(94.1)
Net cash (outflow)/inflow from investing activities	**(58.9)**	(115.2)
Cash flows from financing activities		
Shares purchased in share buyback	**–**	(172.1)
Sale of own shares	**–**	3.8
Repayment of lease liabilities	**(84.5)**	(78.8)
Payments to pension scheme	**(3.8)**	(3.7)
Dividends paid	**(82.1)**	(81.7)
Drawdown of borrowings	**100.0**	75.0
Repayment of bonds	**(180.0)**	(120.0)
Net cash used in financing activities	**(250.4)**	(377.5)
Net decrease in cash and cash equivalents	**(91.7)**	(236.6)
Cash and cash equivalents at 1 January	**223.2**	459.8
Cash and cash equivalents at 31 December (note 22)	**131.5**	223.2

Notes to the consolidated financial statements

For the year ended 31 December 2023

General information

Overview

Travis Perkins plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 201. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 86.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates, and presented rounded to the nearest £100,000 unless otherwise stated.

Basis of accounting

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; these are presented on pages 191 to 202.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except that derivatives, other financial instruments and contingent consideration arising from business combinations are stated at fair value through profit and loss and designated financial instruments are stated at fair value through other comprehensive income. The consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries, together referred to as "the Group") from the date control commences until the date that control ceases. Control is achieved where the Company:

- Has power over the investee
- Is exposed or has rights to a variable return from the involvement with the investee
- Has the ability to use its power to affect its returns

As such, the results of subsidiaries acquired are included in the consolidated income statement from the effective date of acquisition.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Going concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- The Group's cash flow forecasts and revenue projections
- The impact on trading performance of severe but plausible downside scenarios. Key assumptions include significant reductions in revenue, removal of property profits and limited reductions in fixed overheads, as well as mitigating actions such as delayed capital expenditure, reduced overhead investment and dividend suspension
- The committed debt facilities available to the Group and the covenants thereon
- The Group's debt maturity profile
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risk and uncertainties outlined on pages 74 to 85 during periods of uncertain economic outlook and challenging macroeconomic conditions

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements. The going concern assessment is not sensitive to estimates on inflation.

Significant accounting policies

The principal accounting policies adopted in preparing the financial statements are provided throughout the notes to the financial statements.

General information continued

Key judgements and estimates

The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. The Directors frequently re-evaluate these significant factors and make adjustments as facts and circumstances dictate. Some financial information in the Merchanting businesses is produced by finance systems that were first implemented by the Group over 30 years ago. As the business has grown, these have been amended to cope with significantly higher transaction levels and more complicated ways of doing business. This has made the systems unwieldy and increases the risk of a material misstatement in the information calculated by these systems. There are processes and controls in place to mitigate these risks.

Key estimates including those that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are found in the following notes:

Page	Note	Description
172	17	Pension assumptions
186-187	28	Impairment review of Toolstation Benelux CGU

The notes are organised into the following sections:

Income and expenses: Provides a breakdown of individual line items in the income statement and summarises the accounting policies, judgements and estimates relevant to understanding these items.

Assets and liabilities: Provides a breakdown of individual line items in the balance sheet and summarises the accounting policies, judgements and estimates relevant to understanding these items.

Capital: Provides information about the capital management practices of the Group and shareholder returns for the year.

Risks: Discusses the Group's impairment testing and the exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks.

Group structure: Explains aspects of the Group structure and how changes have affected the financial position and performance of the Group.

People: Provides information about the number of people employed by the Group and associated costs.

Other: Provides information on items which require disclosure, but are not considered critical in understanding the financial performance or position of the Group.

Income and expenses

1. Revenue

Accounting policy

Revenue recognition

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Performance obligations to the customer in respect of sales of goods are satisfied on delivery or collection by customer. Payments are typically due from credit customers not later than the last day of the month following the month of delivery. Revenue is measured at the transaction price received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax. For the Group sale of services revenue comprises tool hire. Tool hire revenue is recognised on a straight-line basis over the period of hire.

Customer rebates

Where the Group has rebate agreements with its customers, the value of variable income with respect to customer rebates is calculated in accordance with the agreements in place so that the amount recognised as revenue in the year is based on the amount which is highly probable not to reverse.

a. Revenue

£m	2023	2022
Sale of goods	**4,693.0**	4,836.0
Sale of services	**168.9**	158.8
	4,861.9	4,994.8

All revenue arose in the UK except for £132.0m (2022: £115.5m) arising in Europe.

b. Revenue reconciliation and like-for-like sales

£m	Merchanting	Toolstation	Total
2022 revenue	4,219.8	775.0	**4,994.8**
Network change	(52.0)	(2.7)	**(54.7)**
Trading days	20.2	2.3	**22.5**
2022 like-for-like revenue	4,188.0	774.6	**4,962.6**
Like-for-like change	(185.5)	30.9	**(154.6)**
2023 like-for-like revenue	4,002.5	805.5	**4,808.0**
Network change	33.3	20.6	**53.9**
2023 revenue	4,035.8	826.1	**4,861.9**
Like-for-like revenue %	(4.4%)	4.0%	**(3.1%)**
Total revenue growth %	(4.4%)	6.6%	**(2.7%)**

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches and stores contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like is for the equivalent times in both years being compared. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post-closure period in the current year.

2. Profit

a. Operating profit

£m	2023	2022
Revenue	**4,861.9**	4,994.8
Cost of sales	**(3,556.8)**	(3,610.1)
Gross profit	**1,305.1**	1,384.7
Selling and distribution	**(851.8)**	(816.4)
Administrative expenses	**(367.6)**	(324.5)
Profit on disposal of properties	**15.1**	25.3
Other operating income	**9.1**	15.7
Operating profit	**109.9**	284.8
Adjusted operating profit	**180.4**	295.3
Adjusted operating profit before property disposals	**165.3**	270.0

There are no gains or losses on the disposal of property, plant and equipment except for the profit on disposal of properties of £15.1m (2022: £25.3m).

b. Adjusted profit

£m	2023	2022
Profit before tax	**70.0**	245.0
Adjusting items (note 3)	**60.0**	–
Amortisation of acquired intangible assets	**10.5**	10.5
Adjusted profit before tax	**140.5**	255.5
Total tax	**(31.9)**	(52.8)
Tax on adjusting items	**(9.7)**	–
Tax on amortisation of acquired intangible assets	**(2.6)**	(2.6)
Adjusted profit after tax	**96.3**	200.1

Adjusted profit excludes adjusting items and amortisation of acquired intangible assets.

Income and expenses continued

3. Adjusting items

Accounting policy

Adjusting items are those items of income and expenditure that, individually or in aggregate, by reference to the Group, are material in size and unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements (or in the notes in the case of a segment) to ensure both that the reader has a clear understanding of the Group's underlying financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant one-year or multi-year restructuring programmes, onerous contracts, write-downs or impairments of assets, the costs of acquiring and integrating businesses, gains or losses on disposals of businesses and investments, re-measurement gains or losses arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective, pension scheme curtailment gains and the effect of changes in corporation tax rates on deferred tax balances.

£m	2023	2022
Restructuring	**16.8**	–
Benchmarx branch closures	**10.1**	–
Toolstation France impairments	**33.1**	–
	60.0	–

Restructuring

As part of the Group's strategy of simplifying how its businesses interact with each other and in response to the continued weakness in the construction market, the Group has commenced the restructuring of its central functions, regional sales and support teams and supply chain. The first steps in this programme were completed in 2023 with associated costs as follows:

- £5.4m of property and fixed asset impairment costs
- £11.4m of redundancy and other people costs

It is expected that this programme will complete in 2024.

Benchmarx branch closures

A charge of £10.1m has been recognised in respect of the impairment of right-of-use assets of £5.0m and tangible fixed assets of £2.6m and the recognition of property-related provisions for 39 standalone Benchmarx branches, following impairment reviews performed using value-in-use models based on approved 2024 budgets. Consistent with the accounting policy disclosed in note 28, each branch is an individual CGU. Their recoverable amount was assessed as £3.0m. The Benchmarx branches all form part of the Travis Perkins General Merchant group of CGUs. These branches were closed after the balance sheet date in February 2024.

Toolstation France impairment

Following a change in strategy, a charge of £33.1m was recognised as a result of the impairment review of the Toolstation France cash-generating unit. This charge consists of a £14.4m impairment of right-of-use assets, a £7.2m impairment of tangible fixed assets, a £9.6m impairment of goodwill and a £1.9m impairment of other intangible fixed assets. Further information on this impairment included in note 28.

4. Other operating income and auditor's remuneration

a. Other operating income

£m	2023	2022
Rental income	**4.4**	5.3
Transitional Service Agreement income	**4.7**	10.4
	9.1	15.7

The Transition Service Agreement income represents amounts received in respect of specific services provided to businesses the Group has sold or demerged in order to maintain business continuity in those businesses. This income and the related costs decreased significantly in 2023 as components of the service agreements expired and will reduce further in 2024.

Costs of £14.8m were incurred in 2022 in respect of restructuring activity which did not meet the Group's accounting policy for disclosure as an adjusting item.

c. Auditor's remuneration

During the year the Group incurred the following costs for services provided by the Company's auditor:

£000	2023	2022
Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	**294**	270
Auditor for the audit of the Company's subsidiaries	**1,700**	1,561
Additional fees payable for the prior period audit	**99**	60
Fees paid to the Company's auditor for other services:		
Audit-related assurance services	**90**	85
	2,183	1,976

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 101 to 105 and includes an explanation of how auditor objectivity and independence is safeguarded when the auditor provides non-audit services.

5. Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is considered to be the Board, to assess performance and allocate capital.

Segmental operating profit represents the result of each segment without allocation of certain central costs, finance costs and tax. Segmental adjusted operating profit is the result of each segment before adjusting items, the amortisation of acquired intangible assets and property profits. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash, borrowings and pension scheme assets and liabilities.

Both operating segments sell building materials to a wide range of customers, none of which are dominant, and operate predominantly in the United Kingdom. The Toolstation segment sells building materials at a fixed price, with a fixed range in each store. The Merchanting segment sells building materials at prices specifically negotiated with customers, with variation in the products offered in each branch.

a. Segment information

	2023			
£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	**4,035.8**	**826.1**	**–**	**4,861.9**
Operating profit	**198.9**	**(55.6)**	**(33.4)**	**109.9**
Amortisation of acquired intangible assets	**7.6**	**2.9**	**–**	**10.5**
Adjusting items	**20.9**	**38.3**	**0.8**	**60.0**
Adjusted operating profit	**227.4**	**(14.4)**	**(32.6)**	**180.4**
Less property profits	**(15.1)**	**–**	**–**	**(15.1)**
Adjusted operating profit excluding property profits	**212.3**	**(14.4)**	**(32.6)**	**165.3**
Adjusted operating margin	**5.6%**	**(1.7%)**	**–**	**3.7%**
Average capital employed	**2,250.7**	**596.0**	**(215.0)**	**2,631.7**
Segment assets	**2,943.4**	**764.6**	**317.5**	**4,025.5**
Segment liabilities	**(1,070.6)**	**(375.1)**	**(539.5)**	**(1,985.2)**
Consolidated net assets	**1,872.8**	**389.5**	**(222.0)**	**2,040.3**
Capital expenditure	**123.4**	**19.1**	**–**	**142.5**
Capital expenditure excluding property	**89.5**	**19.1**	**–**	**108.6**
Amortisation of acquired intangible assets	**7.6**	**2.9**	**–**	**10.5**
Depreciation of fixed assets and software amortisation	**67.8**	**17.1**	**–**	**84.9**
Depreciation of right-of-use assets	**56.8**	**34.3**	**–**	**91.1**

Income and expenses continued

5. Business segments continued

£m	Merchanting	Toolstation	Unallocated	Consolidated
	2022			
Revenue	4,219.8	775.0	–	4,994.8
Operating profit	331.3	(11.8)	(34.7)	284.8
Amortisation of acquired intangible assets	7.6	2.9	–	10.5
Adjusted operating profit	338.9	(8.9)	(34.7)	295.3
Less property profits	(25.3)	–	–	(25.3)
Adjusted operating profit excluding property profits	313.6	(8.9)	(34.7)	270.0
Adjusted operating margin excluding property profits	7.4%	(1.1%)	–	5.9%
Average capital employed	2,181.3	572.9	(83.4)	2,670.8
Segment assets	2,959.1	743.8	433.6	4,136.5
Segment liabilities	(1,083.3)	(309.4)	(641.6)	(2,034.3)
Consolidated net assets	1,875.8	434.4	(208.0)	2,102.2
Capital expenditure	91.6	49.9	–	141.5
Capital expenditure excluding property	60.1	49.9	–	110.0
Amortisation of acquired intangible assets	7.6	2.9	–	10.5
Depreciation of fixed assets and software amortisation	65.6	14.6	–	80.2
Depreciation of right-of-use assets	49.5	29.5	–	79.0

b. Unallocated segment assets and liabilities

Unallocated segment assets and liabilities comprise the following:

£m	2023	2022
Assets		
Financial instruments	**2.9**	4.3
Property, plant and equipment	**17.5**	25.5
Cash and cash equivalents	**131.5**	235.7
Retirement benefit surplus	**118.7**	135.9
Unallocated corporate assets	**14.4**	16.5
Tax asset	**14.5**	0.7
Deferred tax asset	**18.0**	15.0
	317.5	433.6
Liabilities		
Deferred tax liabilities	**(92.8)**	(96.0)
Interest-bearing loans, borrowings and loan notes	**(445.1)**	(541.6)
Unallocated corporate liabilities	**(1.6)**	(4.0)
	(539.5)	(641.6)

Non-current assets with a carrying value of £111.7m (2022: £148.0m) owned by the Toolstation Europe businesses are located in foreign countries.

6. Net finance costs

a. Finance costs and finance income

£m	2023	2022
Items in the nature of interest:		
Interest on bonds and other loans	**(20.6)**	(22.8)
Interest on bank facilities and overdrafts	**(1.5)**	(0.8)
Pension scheme SPV interest	**(1.7)**	(1.7)
Other finance costs:		
Amortisation of issue costs of bank loans	**(1.5)**	(1.5)
Unwinding of discounts – property provisions	**(0.1)**	(0.4)
Remeasurement:		
Net loss on remeasurement of derivatives at fair value	**(0.2)**	(0.3)
Loss on remeasurement of foreign exchange	**(0.2)**	–
Finance costs before lease interest	**(25.8)**	(27.5)
Interest on lease liabilities – property	**(25.3)**	(21.2)
Interest on lease liabilities – equipment	**(0.9)**	(0.3)
Finance costs	**(52.0)**	(49.0)
Items in the nature of interest:		
Interest receivable	**5.7**	1.8
Remeasurement:		
Net gain on remeasurement of foreign exchange	**–**	2.1
Other finance income – pension scheme	**6.4**	5.3
Finance income	**12.1**	9.2
Net finance costs	**(39.9)**	(39.8)

The Group's interest cover covenants are calculated using those items of finance income and finance cost that are in the nature of interest, including interest on lease liabilities. In 2023 these were in total £44.3m (2022: £45.0m).

Income and expenses continued

7. Tax

Accounting policy
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

a. *Tax charge in the income statement*

£m	2023	2022
Current tax:		
Current year	**33.0**	56.2
Prior year	**(6.1)**	1.4
Total current tax	**26.9**	57.6
Deferred tax:		
Current year	**(1.4)**	(2.5)
Prior year	**6.4**	(2.3)
Total deferred tax	**5.0**	(4.8)
Total tax charge	**31.9**	52.8

The total tax charge in 2023 includes a credit of £9.7m relating to costs recognised as adjusting items (2022: £nil).

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax for the Group is as follows:

	2023		2022	
	£m	%	£m	%
Profit before tax	**70.0**		245.0	
Tax at the UK corporation tax rate	**16.5**	**23.5**	46.6	19.0
Tax effect of expenses/credits that are not deductible/taxable	**1.3**		(0.1)	
Depreciation of non-qualifying property	**3.3**		2.9	
Share-based payments	**2.0**		1.3	
Impairment of goodwill and intangibles	**2.7**		–	
Deferred tax rate change	**–**		(0.2)	
Losses	**7.1**		3.3	
Property profits	**(1.2)**		1.2	
Current period deferred tax rate differential	**(0.1)**		(1.3)	
Prior period adjustment	**0.3**		(0.9)	
Tax expense and effective tax rate for the year	**31.9**	**45.6**	52.8	21.6

For accounting periods beginning after 31 December 2023 the Group will be required to comply with the OECD Pillar Two model rules which will require the Group to pay a minimum level of tax on income arising in the jurisdictions in which it operates. The Group's current analysis of these rules and their application in jurisdictions relevant to the Group indicate that no material additional tax liability will arise. The Group has applied the mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules.

b. Tax charge in the statement of comprehensive income

The following amounts relating to tax have been recognised in other comprehensive income:

£m	2023	2022
Items that may be reclassified:		
Deferred tax charge on cash flow hedge	**0.4**	(1.1)
Items that may not be reclassified:		
Deferred tax charge on actuarial movement	**10.2**	36.3
Income tax relating to other comprehensive income	**10.6**	35.2

c. Tax credited directly to equity

The following amounts of tax have been recognised in equity:

£m	2023	2022
Current tax:		
Excess tax deductions for share-based payments on exercised options	**–**	0.1
Deferred tax:		
Revaluation reserve	**0.5**	7.8
Share-based payments	**0.1**	(2.4)
	0.6	5.5

Assets and liabilities

8. Goodwill and other intangible assets

Accounting policy

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination and is then reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement and is not reversed. Goodwill is accordingly stated in the balance sheet at cost less any provisions for impairment in value. Intangible assets identified as part of the assets of an acquired business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2004) has been retained at the previous UK GAAP carrying value subject to being tested for impairment at that date. Goodwill written off to reserves prior to 1998 under UK GAAP has not been reinstated and would not be included in determining any subsequent profit or loss on disposal.

a. Goodwill by reportable segment

£m	Merchanting	Toolstation	**Total**
At 1 January 2022	682.5	170.5	**853.0**
Measurement period adjustments	2.3	–	**2.3**
Effect on movement in exchange rates	–	3.7	**3.7**
At 1 January 2023	684.8	174.2	**859.0**
Impairment	–	(9.6)	**(9.6)**
Effect on movement in exchange rates	–	(1.5)	**(1.5)**
At 31 December 2023	684.8	163.1	**847.9**

b. Other intangible assets

Accounting policy

Intangible assets are amortised to the income statement on a straight-line basis over a maximum of 20 years except where they are considered to have an indefinite useful life. In the latter instance, they are reviewed annually for impairment.

The directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off over their estimated useful life, which ranges from three to ten years.

Interfaces are amortised over the lower of the remaining estimated useful lives of the systems they operate between. Costs relating to research, maintenance and training are expensed as they are incurred.

Amounts paid to third parties in respect of the development of software and other intangible assets not controlled by the Group are expensed over the period where the Group receives the service. The cost of configuring and customising software is treated as a prepayment and recognised over the period the Group benefits from the implemented software only if the configuration and customisation service is not distinct from the provision of the software itself. Licence fees for using third-party software are expensed over the period the software is in use.

Acquired customer relationships are amortised over their estimated useful lives, which range from 5 to 15 years. The remaining lives of amortised customer relationships range from one to seven years. No amortisation is charged on computer software under construction.

£m	Brand	Computer software	Customer relationships	Assets under construction	Total
Cost or valuation					
At 1 January 2022	150.4	101.5	151.6	2.7	**406.2**
Additions	–	6.8	–	0.4	**7.2**
Transfers between categories	–	2.4	–	(2.4)	**–**
At 1 January 2023	150.4	110.7	151.6	0.7	**413.4**
Additions	–	1.1	–	2.0	**3.1**
Impairment	(1.9)	–	–	–	**(1.9)**
Derecognition	–	–	–	(2.1)	**(2.1)**
At 31 December 2023	**148.5**	**111.8**	**151.6**	**0.6**	**412.5**
Amortisation					
At 1 January 2022	71.4	91.6	117.5	–	**280.5**
Charged on acquired intangibles	2.3	–	8.2	–	**10.5**
Charged on internally generated intangibles	–	6.5	–	–	**6.5**
At 1 January 2023	73.7	98.1	125.7	–	**297.5**
Charged on acquired intangibles	2.3	–	8.2	–	**10.5**
Charged on internally generated intangibles	–	4.6	–	–	**4.6**
At 31 December 2023	**76.0**	**102.7**	**133.9**	–	**312.6**
Net book value					
At 31 December 2022	76.7	12.6	25.9	0.7	**115.9**
At 31 December 2023	**72.5**	**9.1**	**17.7**	**0.6**	**99.9**

Where a brand has not been established for a significant period of time the Directors do not have sufficient evidence to support a contention that it will have an indefinite useful life. Accordingly for Toolstation and certain product-related brands the Directors have decided it is appropriate to amortise their brand costs over their estimated useful lives. The useful lives of those brands being amortised range from 10 to 20 years. The Directors consider that the other brands, which are also all leading brands in their sectors with significant histories and significant growth prospects, have an indefinite useful life. They are reviewed annually for impairment; details of impairment tests are shown in note 28.

Assets and liabilities continued

8. Goodwill and other intangible assets continued

c. Cash-generating units

The Directors consider that each branch or distribution network in the Group is an individual cash-generating unit ("CGU"). Goodwill and intangible fixed assets with indefinite useful lives have been allocated for impairment testing purposes to groups of individual CGUs within the same brand. The following table analyses goodwill and intangible fixed assets with indefinite useful lives by CGU grouping.

£m	2023			2022		
CGU grouping	Intangibles	Goodwill	Total	Total Intangibles	Goodwill	Total
Merchanting						
Travis Perkins	–	482.6	482.6	–	482.6	482.6
Keyline	–	100.2	100.2	–	100.2	100.2
CCF	–	43.6	43.6	–	43.6	43.6
BSS Industrial	49.3	26.8	76.1	49.3	26.8	76.1
Staircraft	–	23.8	23.8	–	23.8	23.8
TF Solutions	–	7.8	7.8	–	7.8	7.8
Toolstation						
Toolstation UK	–	103.4	103.4	–	103.4	103.4
Toolstation Benelux	–	59.7	59.7	–	61.1	61.1
Toolstation France	–	–	–	–	9.7	9.7
	49.3	847.9	897.2	49.3	859.0	908.3

9. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings – 50 years or, if lower, the estimated useful life of the building or the life of the lease
- Leasehold improvements – the life of the lease
- Plant and equipment – 4 to 10 years
- Freehold land is not depreciated

The estimated useful lives are estimated taking into consideration the potential impact of climate change.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds net of expenses and the carrying amount of the asset in the balance sheet and is recognised in the income statement. Where appropriate, the attributable revaluation reserve remaining in respect of properties revalued prior to the adoption of IFRS is transferred directly to retained earnings.

£m	Freehold	Long leasehold	Leasehold improvements	Plant and equipment	Total
Cost or deemed cost					
At 1 January 2022 (previously presented)*	483.9	32.0	154.8	508.4	1,179.1
At 1 January 2022 (restated)	500.4	29.6	217.6	655.2	1,402.8
Additions	38.6	–	31.9	71.0	141.5
Disposals	(15.3)	–	(13.4)	(8.4)	(37.1)
Reclassification between categories	7.6	–	(21.1)	13.5	–
Effect of movements in exchange rates	–	–	–	1.6	1.6
At 1 January 2023 (restated)	**531.3**	**29.6**	**215.0**	**732.9**	**1,508.8**
Additions	4.7	22.1	35.0	80.7	142.5
Disposals	(46.6)	(0.5)	(6.0)	(74.0)	(127.1)
Impairments	–	–	(12.5)	(10.5)	(23.0)
Reclassification between categories	(2.4)	–	(10.0)	12.4	–
Effect of movements in exchange rates	–	–	–	(0.6)	(0.6)
At 31 December 2023	**487.0**	**51.2**	**221.5**	**740.9**	**1,500.6**
Accumulated depreciation					
At 1 January 2022 (previously presented)*	**48.8**	**14.2**	**6.4**	**309.6**	**379.0**
At 1 January 2022 (restated)	**65.3**	**11.8**	**69.2**	**456.4**	**602.7**
Charged in the year	2.0	0.8	11.2	59.6	73.6
Disposals	(3.2)	–	(1.3)	(10.8)	(15.3)
Reclassification between categories	(3.1)	–	3.1	–	–
Effect of movements in exchange rates	–	–	–	0.5	0.5
At 1 January 2023 (restated)	**61.0**	**12.6**	**82.2**	**505.7**	**661.5**
Charged in the year	7.0	0.8	14.6	57.9	80.3
Disposals	(6.4)	–	(6.6)	(63.2)	(76.2)
Impairments	–	–	(5.2)	(8.0)	(13.2)
Reclassification between categories	0.3	–	(0.3)	–	–
Effect of movements in exchange rates	–	–	–	(0.2)	(0.2)
At 31 December 2023	**61.9**	**13.4**	**84.7**	**492.2**	**652.2**
Net book value					
At 31 December 2022	470.3	17.0	132.8	227.2	847.3
At 31 December 2023	**425.1**	**37.8**	**136.8**	**248.7**	**848.4**

* The cost and accumulated depreciation of tangible fixed assets has been restated as at 1 January 2022 to reinstate certain assets with nil NBV value which had been derecognised in the accounting for the sale of the Group's Plumbing & Heating business and the demerger of the Wickes business in 2021. The assets remain within the business. The assets have been reinstated as at 1 January 2022.

Included within freehold property is land with a value of £215.6m (2022: £230.7m) which is not depreciated. No assets are pledged as security for the Group's liabilities, other than 16 freehold properties disclosed in note 17. Included within leasehold improvements is £21.4m (2022: £28.0m) in respect of assets under construction which are not depreciated.

In assessing the useful economic lives of the Group's tangible fixed assets, management has considered the possible impacts of climate risks.

Assets and liabilities continued

10. Leases

Accounting policy

Identifying a lease

At the inception of a contract, the Group assesses whether a contract contains a lease. At inception the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices except for fleet leases for which the Group does not separate non-lease components and accounts for the lease and non-lease components as a single lease component.

Recognition exceptions

The Group takes the lease recognition exemption for leases with a lease term of 12 months or less and containing no purchase options and leases where the underlying asset has a low value when new. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment, vending machines and paint-mixing machines.

Lease terms

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility. The Group has applied judgement to determine the lease term for some lease contracts that includes renewal options and break clauses. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For property leases the most relevant is normally the profitability of the leased branch or warehouse and future plans for the business. If there are significant penalties to terminate or not extend, the Group is typically reasonably certain to not terminate or extend.

Lessee accounting

Initial measurement

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct costs incurred, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined and otherwise at the incremental borrowing rate.

Variable lease payments that are not included in the measurement of the lease liability are recognised in the period in which the event or condition that triggers payment occurs.

Subsequent measurement

After lease commencement, the Group measures right-of-use assets at cost less accumulated depreciation and accumulated impairment.

The lease liability is subsequently remeasured to reflect changes in the lease term, the assessment of a purchase option and future lease payments resulting from a change in an index or a rate used to determine those payments. The remeasurements are matched by adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

Depreciation

The right-of-use asset is subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. Estimated useful lives are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Sale and leaseback transactions

If an asset transfer satisfies the requirements of IFRS 15 – Revenue from Contracts with Customers to be accounted for as a sale, the Group measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right-of-use retained. Accordingly, the Group only recognises the amount of gain or loss that relates to the rights transferred to the buyer.

a. Amounts recognised in the balance sheet

All right-of-use assets relate to land and buildings except for £29.6m in respect of plant and equipment (2022: £16.4m).

Lease liability maturity analysis – contractual undiscounted cash flows:

£m	2023	2022
Less than one year	**106.9**	88.5
One to five years	**337.8**	282.3
More than five years	**316.5**	262.1
Total undiscounted lease liabilities at 31 December	**761.2**	632.9

Additions to right-of-use assets in 2023 were £182.4m (2022: £111.3m).

b. Amounts recognised in the statement of profit and loss

The statement of profit and loss shows the following amounts relating to leases:

£m	2023	2022
Expense relating to short-term leases	**4.9**	4.7
Expense relating to leases of low-value assets	**3.2**	3.0
(Reversal of impairment) / impairment of right-of-use assets	**(1.7)**	3.3
Gains on lease terminations	**(2.5)**	(3.1)

All impairments of right-of-use assets relate to land and buildings. Total depreciation of right-of-use assets of £91.1m (2022: £79.0m) represents £79.8m in respect of land and buildings (2022: £70.3m) and £11.3m in respect of plant and equipment (2022: £8.7m). The total cash outflow for leases in 2023 was £118.8m (2022: £108.0m).

c. The Group's leasing activities

The Group leases various properties, motor vehicles and equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included in a number of property and equipment leases across the Group and are used to maximise operational flexibility.

d. The Group as lessor

The Group leases a number of ex-trading properties and surplus units in trade parks owned by the Group to third parties. Property rental income earned during the year in respect of these properties was £4.4m (2022: £5.3m). At the balance sheet date, the Group had contracts with lessees for the following undiscounted future minimum lease payments:

£m	2023	2022
Within one year	**4.6**	4.0
One to five years	**22.8**	21.4
After five years	**5.0**	7.4
	32.4	32.8

Assets and liabilities continued

11. Inventories

Accounting policy
Inventories, which consist of goods for resale, are stated at the lower of average weighted cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of disposal.

£m	2023	2022
Inventories	**727.6**	727.8

The cost of inventories recognised as an expense in 2023 was £3,381.4m (2022: £3,437.2m). A charge of £2.0m (2022: £3.3m) was recognised as a result of the movement of provisions against inventory.

12. Supplier income

Accounting policy
Supplier income comprises fixed price discounts, volume rebates and customer sales support.

Fixed price discounts and volume rebates received and receivable in respect of goods which have been sold are initially deducted from the cost of inventory and therefore reduce cost of sales in the income statement when the goods are sold. Where goods on which the fixed price discount or volume rebate has been earned remain in inventory at the year end, the cost of that inventory reflects those discounts and rebates.

The Group receives customer sales support payments that are made entirely at the supplier's option, that are requested by the Group when a specific product is about to be sold to a specific customer and for which payment is only received after the sale has been completed. All customer sales support receipts received and receivable are deducted from cost of sales when the sale to the third party has been completed, i.e. when the customer sales support payment has been earned.

Supplier income receivable is netted off against trade payables when there is a legally binding arrangement in place and it is management's intention to do so, otherwise amounts are included in other receivables in the balance sheet.

Supplier income balances included within the Group balance sheet are as follows:

£m	2023	2022
Other receivables	**104.0**	84.0
Trade payables	**82.0**	66.1
Inventories	**(52.0)**	(45.4)
Net balance sheet position	**134.0**	104.7

13. Trade and other receivables

Accounting policy

Trade and other receivables

The Group's trade and other receivables at the balance sheet date comprise principally of amounts receivable from the sale of goods, amounts due in respect of rebates in relation to unbilled work in progress and sundry prepayments.

Impairment of financial assets

Trade receivables are subject to the expected credit loss model in IFRS 9 – Financial Instruments. The Group applies the IFRS 9 – Financial Instruments simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and the commencement of legal proceedings.

£m	2023	2022
Current:		
Trade receivables	**547.1**	581.4
Allowance for doubtful debts	**(21.5)**	(17.7)
	525.6	563.7
Other receivables	**129.2**	124.0
Prepayments and accrued income	**34.8**	38.2
Total current trade and other receivables	**689.6**	725.9
Non-current:		
Other receivables	**–**	12.3
Prepayments and accrued income	**14.2**	4.9
Trade non-current trade and other receivables	**14.2**	17.2

The Directors consider that the only class of asset containing material credit risk is trade receivables. The average credit term taken for sales of goods is 56 days (2022: 56 days). No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at 4% (2022: 4%) p.a. above the clearing bank base rate on the outstanding balance.

The increase in the non-current prepayments balance reflects supplier licence fees and implementation costs incurred in respect of the Group's technology upgrade programmes.

Movement in the allowance for doubtful debts

£m	2023	2022
At 1 January	**17.7**	13.7
Amounts written off during the year	**(13.0)**	(7.0)
Charge for impairment losses for trade receivables	**16.8**	11.0
At 31 December	**21.5**	17.7

Assets and liabilities continued

13. Trade and other receivables continued

Expected credit loss assessment

Loss rates are based on actual credit loss experience over the past seven years and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2023.

£m	Gross carrying amount	Weighted average loss rate	Net loss allowance	Credit impaired
Current (not past due)	506.8	0.8%	(3.5)	No
Days overdue:				
1–30	10.6	6.8%	(0.6)	No
31–60	3.5	15.0%	(0.4)	No
61–90	1.5	25.0%	(0.3)	No
91–120	0.7	48.3%	(0.3)	No
More than 120	24.0	85.7%	(16.4)	Yes
	547.1		(21.5)	

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2022.

£m	Gross carrying amount	Weighted average loss rate	Loss allowance	Credit impaired
Current (not past due)	534.2	0.7%	(3.0)	No
Days overdue:				
1–30	18.9	6.0%	(0.9)	No
31–60	5.4	13.2%	(0.6)	No
61–90	1.9	22.3%	(0.3)	No
91–120	(0.2)	43.7%	–	No
More than 120	21.2	72.8%	(12.9)	
	581.4		(17.7)	

14. Provisions

Accounting policy

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet dates, and are discounted to present value.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an adjusting item, any significant release is shown as an adjusting credit.

The Group has a number of vacant and partly sublet leased properties. Where necessary a provision has been made for the residual commitments, after taking into account existing and anticipated subtenant arrangements. The Group recognises provisions for the cost of reinstating certain Group properties at the end of their lease term, based on the conditions set out in the terms of the individual leases. The timing of the outflows will match the ends of the relevant leases, which range from two to 25 years.

It is Group policy to self-insure using policies with a high excess against claims arising in respect of damage to third party assets, or due to employers or public liability claims. Whilst the Group does not have a contractual right to defer payment, the nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice of the value of outstanding claims against it where the final settlement date is uncertain, in line with IAS 37.

£m	Property	Insurance	Restructuring	Total
At 1 January 2022	**15.9**	**20.1**	–	**36.0**
Charge to income statement	3.3	4.5	–	7.8
Utilisation of provision	(6.8)	(5.6)	–	(12.4)
At 31 December 2022	**12.4**	**19.0**	**–**	**31.4**
Charge to income statement	8.3	7.7	4.9	20.9
Utilisation of provision	(3.6)	(5.6)	–	(9.2)
At 31 December 2023	**17.1**	**21.1**	**4.9**	**43.1**
Included in current liabilities	13.3	21.1	4.9	39.3
Included in non-current liabilities	3.8	–	–	3.8
	17.1	**21.1**	**4.9**	**43.1**

The following table details the Group's liquidity analysis of its provisions, based on the undiscounted net cash outflows. The impact of discounting is not material for the Group's provisions.

£m	0–1 year	1–2 years	2–5 years	5+ years	Total
2023:					
Property	13.3	1.4	1.2	1.2	17.1
Insurance	21.1	–	–	–	21.1
Restructuring	4.9	–	–	–	4.9
	39.3	**1.4**	**1.2**	**1.2**	**43.1**
2022:					
Property	7.5	1.7	1.6	1.6	12.4
Insurance	19.0	–	–	–	19.0
	26.5	**1.7**	**1.6**	**1.6**	**31.4**

Assets and liabilities continued

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

£m (Asset)/liability:	At 1 Jan 2023	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2023
Trading losses	(15.0)	(3.0)	–	–	**(18.0)**
Deferred tax asset	(15.0)	(3.0)	–	–	**(18.0)**
Capital allowances	8.5	12.6	–	–	**21.1**
Revaluation of property	3.4	–	(0.5)	–	**2.9**
Share-based payments	(3.5)	0.7	(0.1)	–	**(2.9)**
Provisions	4.8	(0.4)	–	–	**4.4**
Property assets acquired in business combinations	9.3	(0.5)	–	–	**8.8**
Brand	25.0	(3.2)	–	–	**21.8**
Pension scheme asset	33.9	1.4	–	(10.2)	**25.1**
Deferred gains on property disposals	31.1	(1.8)	–	–	**29.3**
IFRS 16 lease liability	(130.5)	(20.5)	–	–	**(151.0)**
IFRS 16 right-of-use asset	112.9	19.7	–	–	**132.6**
Cash flow hedge	1.1	–	–	(0.4)	**0.7**
Deferred tax liability	96.0	8.0	(0.6)	(10.6)	**92.8**
Net deferred tax	81.0	5.0	(0.6)	(10.6)	**74.8**

£m (Asset)/liability:	At 1 Jan 2022	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2023
Trading losses	(13.9)	(1.1)	–	–	**(15.0)**
Deferred tax asset	(13.9)	(1.1)	–	–	**(15.0)**
Capital allowances	2.8	5.7	–	–	**8.5**
Revaluation of property	11.2	–	(7.8)	–	**3.4**
Share-based payments	(5.9)	–	2.4	–	**(3.5)**
Provisions	5.8	(1.0)	–	–	**4.8**
Property assets acquired in business combinations	10.4	(1.1)	–	–	**9.3**
Brand	27.2	(2.2)	–	–	**25.0**
Pension scheme asset	68.8	1.4	–	(36.3)	**33.9**
Deferred gains on property disposals	32.8	(1.7)	–	–	**31.1**
IFRS 16 lease liability	(122.7)	(7.8)	–	–	**(130.5)**
IFRS 16 right-of-use asset	110.0	2.9	–	–	**112.9**
Cash flow hedge	-	–	–	1.1	**1.1**
Deferred tax liability	140.4	(3.8)	(5.4)	(35.2)	**96.0**
Net deferred tax	126.5	(4.9)	(5.4)	(35.2)	**81.0**

The deferred tax asset in respect of trading losses relates to the Toolstation Netherlands business. No deferred tax asset has been recognised on losses of £76.5m (2022: £53.3m) in the Group's other European Toolstation businesses as there is currently insufficient evidence that these losses would be utilised.

The Group considers it is appropriate to recognise a deferred tax asset on unused trading losses in Toolstation Netherlands as forecasts, based on the existing Netherlands store network and the store maturity profile of Toolstation stores in the UK and the Netherlands, indicate that the business will be able to fully utilise these losses against future profits within a measurable time frame.

16. Trade payables and other liabilities

Accounting policy
Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

£m	2023	2022
Trade payables	576.3	600.6
Other taxation and social security	48.6	63.7
Other payables	76.9	80.3
Accruals and deferred income	93.6	107.8
Trade and other payables	**795.4**	852.4

Included in trade payables at 31 December 2023 are amounts of £91.3m (2022: £87.2m) which are due for settlement under supplier financing arrangements with third-party banks. Suppliers choose to enter into these arrangements which provide access to the option of early settlement of invoices at interest rates based on Travis Perkins' credit rating. If suppliers do not elect for early payment, invoices are settled on the date agreed in the existing payment terms. In some cases, Travis Perkins has agreed extensions to payment terms with suppliers who regularly access the scheme, with the longest payment terms 107 days (2022: 93 days), an extension of 45 days (2022: 31 days). The total net amount outstanding where terms have been extended at 31 December 2023 was £10.1m (2022: £13.8m). These arrangements do not provide the Group with a significant benefit of additional financing and have been put in place for the benefit of the Group's suppliers, providing them with access to cost-efficient third-party funding. As such, outstanding balances are classified as trade payables and form part of the operating cash flows movement in the consolidated cash flow statement. There are no significant judgements applied in the calculation of supplier finance balances.

17. Pension arrangements

The Group has a number of historical defined benefit pension schemes, all of which are closed to new members and future accruals. The Group operates four final salary schemes being The Travis Perkins Pensions and Dependants' Benefit Scheme ("the TP DB scheme"), the BSS Defined Benefit Scheme ("the BSS DB Scheme"), the immaterial Platinum pension scheme and the immaterial BSS Ireland Defined Benefit Scheme. The reconciliations and disclosures are presented as an aggregation of all schemes as each scheme is subject to similar risk characteristics.

Accounting policy
The cost of providing benefits under defined benefit pension schemes is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effects of asset ceilings and minimum funding payments and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. Remeasurement recorded in the statement of comprehensive income is not recycled. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs.

a. Expected future cash flows
The Directors have agreed with the BSS DB Scheme's Trustees and the TP DB Scheme's Trustees that, following the elimination of the deficits in these schemes, no further contributions from the Group are currently required. Both schemes fund their management and administrative expenses.

Assets and liabilities continued

17. Pension arrangements continued

b. Balance sheet position and movements during the year

The amount included in the balance sheet arising from the Group's obligations in respect of all of its defined benefit schemes and the movements during the year:

	2023			2022		
£m	Gross assets	Gross obligations	Net	Gross assets	Gross obligations	Net
Gross pension asset as at 1 January	1,097.4	(961.5)	135.9	1,742.2	(1,466.4)	275.8
Amounts recognised in income:						
Current service costs and administration expenses	(2.3)	–	(2.3)	(1.5)	(0.2)	(1.7)
Interest income/(interest cost)	51.5	(45.1)	6.4	33.4	(28.1)	5.3
Other movements:						
Contributions from sponsoring companies	1.4	–	1.4	1.5	–	1.5
Foreign exchange	0.2	(0.1)	0.1	0.8	(0.5)	0.3
Benefits paid	(44.1)	44.1	–	(50.4)	50.4	–
Amounts recognised in other comprehensive income:						
Return on plan assets (excluding amounts included in net interest)	(7.2)	–	(7.2)	(628.6)	–	(628.6)
Actuarial loss arising from changes in demographic assumptions	–	8.6	8.6	–	7.5	7.5
Actuarial gain arising from changes in financial assumptions	–	(20.4)	(20.4)	–	550.6	550.6
Actuarial gain arising from experience adjustments	–	(21.9)	(21.9)	–	(74.8)	(74.8)
Gross pension asset as at 31 December	1,096.9	(996.3)	100.6	1,097.4	(961.5)	135.9

The asset valuation of £1,096.9m (2022: £1,097.4m) at 31 December 2023 consists of the TP DB Scheme £843.1m (2022: £839.2m) and the BSS DB Scheme £253.8m (2022: £258.2m). The obligation valuation of £996.3m (2022: £961.5m) consists of the TP DB Scheme £755.8 (2022: £729.2m) and the BSS DB Scheme £240.5m (2022: £232.3m).

The actual loss on scheme assets of £44.3m (2022: return of £595.2m) is represented by the interest income and 'return on plan assets (excluding amounts included in net interest)' figures above.

The deferred tax liability of £25.1m (2022: £33.9m) has been recognised at the standard rate of corporation tax, as this rate best reflects the rate at which the liability will unwind. The pension surplus, net of deferred tax, as at 31 December 2023 is £75.5m (2022: £102.0m).

There are no restrictions on the current realisability of the pension surplus. The Group has an explicit right to a surplus in respect of the TP DB Scheme and, based on the operation of trust law in a winding up of the BSS DB Scheme following a gradual settlement, has an unconditional right to receive any surplus in the BSS DB Scheme.

c. Defined benefit scheme obligations

i. Valuation of scheme obligations

Full actuarial valuations of the TP DB scheme and the BSS DB scheme have been carried out as at 30 September 2020. The IAS 19 valuations have been based upon the results of the 30 September 2020 valuations, updated to 31 December 2023 by a qualified actuary.

The defined benefit pension schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk. A summary of the risks and the management of those risks is given below and continued overleaf.

Investment risk	The present value of the defined benefit liabilities of the schemes is calculated using a discount rate predetermined by reference to high-quality corporate bond yields. If the return on scheme assets is below this rate it may create a plan deficit.
Interest risk	A decrease in corporate bond yields will increase the schemes' liabilities, but the effect will be partially offset by an increase in the return on the schemes' bond and gilt assets.
Longevity risk	The present value of the liabilities of the schemes is calculated by reference to the best estimate of mortality of pension scheme members both during and after their employment. An increase in the life expectancy of the schemes' members will increase the schemes' liabilities.

ii. Major actuarial assumptions

	At 31 December 2023	At 31 December 2022
Rate of increase of pensions in payment (post 2006 entitlement)	**2.85%**	2.10%
Rate of increase of pensions in payment 1997–2006	**3.00%**	3.00%
Discount rate	**4.55%**	4.80%
Inflation assumption – RPI	**2.95%**	3.10%
Inflation assumption – CPI	**2.45%**	2.60%

The yield curve used in setting the discount rate, which includes bonds with an average AA rating and excludes bonds which are sub-sovereign or issued by universities to reflect the credit risk of the defined benefit schemes. In respect of longevity, the valuation adopts the S3PA year of birth tables with improvements in life expectancy to continue in the medium term, with base year appropriate to the member's date of birth.

The weighted average life expectancy of 65-year-old members for the mortality tables used to determine pension liabilities at 31 December 2023 was 21.1 years for men and 23.2 years for women (2022: 21.2 years for men and 23.2 years for women).

iii. Maturity profile of obligations

The weighted average duration of the obligations of the defined benefit pension schemes is 14 years, with circa 90% of the obligations expected to mature by 2060 and the benefits to be paid on a broadly straight-line basis over the period to 2060.

Assets and liabilities continued

17. Pension arrangements continued

iv. Sensitivities

Key estimate over pension assumptions
The Group has chosen to adopt assumptions that the Directors believe are generally in line with comparable companies. If the difference between actual inflation is greater than assumed, or if long-term interest rates are lower than assumed, or if the average life expectancy of pensioners increases, then the pension surplus could be materially greater/lower than currently stated in the balance sheet.

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the IAS 19 – Employee Benefits balance sheet position as at 31 December 2023 is given below.

£m Assumption		TP & BSS Schemes Consolidated
Discount rate	Increase of 0.25%	(35.9)
	Decrease of 0.25%	37.5
Inflation	Increase of 0.25%	19.8
	Decrease of 0.25%	(26.3)
Longevity	Increase of 1 year	31.5
	Decrease of 1 year	(31.9)

d. Scheme assets

i. Scheme assets and investment strategy

The assets of the TP DB Scheme and the BSS DB Scheme are held separately from those of the Group in funds under the control of the schemes' Trustees.

In June 2010, an agreement was reached with the Trustees of the TP DB scheme to fund £34.7m of the funding deficit using a Group-controlled special purpose vehicle ("SPV"). The pension scheme is entitled to receive the income of the SPV for a period of up to 20 years. This income is backed by the security of 16 freehold properties. As the SPV is consolidated into the Travis Perkins plc Group accounts, advantage has been taken of Regulation 7 of The Partnership (Accounts) Regulations 2008 and accounts for the SPV will neither be audited or filed.

The investment strategy for the UK schemes are controlled by the Trustee in consultation with the Company. The scheme assets do not include any of the Group's own financial instruments. In accordance with the schemes' derisked investment strategy, a high proportion of the largest two pension schemes' assets are invested in gilts and corporate bonds ("liability-driven investments").

All fair values are provided by the fund managers. Where available, the fair values are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). Unlisted investments are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs such as yield curves. The liability-driven investments, which comprise fixed-interest and index-linked gilts, futures, interest and inflation rate swaps, repurchase agreements and liquidity funds, are all daily priced and traded.

ii. Fair value of scheme assets

The major categories and fair values of scheme assets at the end of the reporting period for each category are as follows:

£m	At 31 December 2023	At 31 December 2022
Level 1:		
Cash	**36.3**	9.1
Level 2:		
Equities	**0.8**	3.1
Secured finance	**37.9**	149.9
Corporate bonds	**510.5**	476.4
Diversified growth fund	**1.5**	0.9
Liability driven investments	**870.4**	926.4
Repurchase agreements	**(500.7)**	(569.8)
Property funds	**–**	0.2
Level 3:		
SPV asset	**23.2**	25.1
Secured finance income fund	**117.0**	76.1
	1,096.9	1,097.4

e. Defined contribution schemes

The Group operates two defined contribution schemes for all qualifying colleagues. The pension cost, which represents contributions payable by the Group, amounted to £19.9m (2022: £19.8m).

f. Pension scheme contributions for the year

The total charge to the income statement disclosed in note 31 of £22.2m (2022: £21.3m) comprises defined benefit scheme current service costs of £2.3m (2022: £1.5m) and £19.9m (2022: £19.8m) of contributions payable to the defined contribution schemes.

Capital

18. Share capital and reserves

Accounting policy

Equity instruments represent the ordinary share capital of the Group and are recorded at the proceeds received, net of directly attributable incremental issue costs.

Consideration paid by the Group for its own shares is deducted from total shareholders' equity. Where such shares vest to colleagues under the terms of the Group's share incentive schemes or the Group's Sharesave schemes or are sold, any consideration received is included in shareholders' equity.

a. Share capital

	Authorised, issued and fully paid	
Ordinary shares	No.	£m
At 1 January 2022	225,025,926	25.2
Cancellation of share capital	(12,516,592)	(1.4)
At 1 January and 31 December 2023	**212,509,334**	**23.8**

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital continued

18. Share capital and reserves continued

2022 share buyback
The Group concluded a share buyback programme in May 2022 with a total of 12.3m shares purchased, of which none were held as treasury shares and 3.5m were transferred to the Employee Share Ownership Trust ('ESOT'). The shares were acquired at an average price of £13.70 per share, with prices ranging from £11.72 to £16.20. The total cost of £172.1m, including £2.2m of after-tax transaction costs, was deducted from shareholder's equity.

b. Own shares

	2023		2022		
No.	**ESOT shares**	**Total**	Treasury shares	ESOT shares	Total
At 1 January	**2,596,684**	**2,596,684**	3,533,419	507,371	4,040,790
Shares purchased in share buyback and held as treasury shares	**–**	**–**	(3,533,419)	3,533,419	–
Reissued	**(928,002)**	**(928,002)**	–	(1,444,106)	(1,444,106)
At 31 December	**1,668,682**	**1,668,682**	–	2,596,684	2,596,684

The own shares held by the Employee Share Ownership Trust are to satisfy options under the Group's share option schemes. None of the own shares have been allocated to grants of executive options and all rights attaching to the shares are suspended until the shares are reissued.

c. Reserves
A description of the nature and purpose of each reserve is given below:

- The share premium represents the amounts above the nominal value received for shares sold
- The cash flow hedge reserve represents the cumulative gain or loss on the fair value of effective hedging instruments used in cash flow hedges which have not yet been reclassified to profit or loss
- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS
- The revaluation reserve represents the revaluation surplus that arose from property revaluations in 1999 and prior years
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes
- The foreign exchange reserve represents the exchange differences recognised on translation of the assets and liabilities of the operations that have a functional currency different from the Group
- Other reserves relates to a capital redemption reserve arising as a result of the share buybacks and the subsequent cancellation of shares
- Retained earnings represents cumulative results for the Group less cumulative dividends paid

19.Earnings per share

a. Basic and diluted earnings per share

£m	**2023**	2022
Profit attributable to the owners of the parent	**38.1**	192.2
Weighted average number of shares for the purposes of basic earnings per share	**210,530,726**	211,630,413
Dilutive effect of share options on potential ordinary shares	**3,616,786**	3,789,212
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**214,147,512**	215,419,625
Earnings per share	**18.1p**	90.8p
Diluted earnings per share	**17.8p**	89.2p

A total of 620,310 share options (2022: 528,262 share options) had an exercise price in excess of the average market value of the shares during the year. As a result, these share options were excluded from the calculation of diluted earnings per share.

b. Adjusted earnings per share

Adjusted earnings per share is calculated by excluding the effect of adjusting items and the amortisation of acquired intangible assets from earnings.

£m	2023	2022
Earnings for the purposes of earnings per share	**38.1**	192.2
Adjusting items	**60.0**	–
Amortisation of acquired intangible assets	**10.5**	10.5
Tax on adjusting items	**(9.7)**	–
Tax on amortisation of acquired intangible assets	**(2.6)**	(2.6)
Earnings for adjusted earnings per share	**96.3**	200.1
Adjusted earnings per share	**45.7p**	94.6p
Adjusted diluted earnings per share	**45.0p**	92.9p

20. Dividends

Accounting policy

Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

Amounts were recognised in the financial statements as distributions to equity shareholders as follows:

£m	2023	2022
Final dividend for the year ended 31 December 2022 of 26.5 pence (2021: 26.0 pence) per ordinary share	**55.8**	55.5
Interim dividend for the year ended 31 December 2023 of 12.5 pence (2022: 12.5 pence) per ordinary share	**26.3**	26.2
Total dividend recognised during the year	**82.1**	81.7

The Directors are recommending a final dividend of 5.5 pence in respect of the year ended 31 December 2023. The anticipated cash payment in respect of the proposed final dividend is £11.7m (2022: £55.8m).

Capital continued

21. Borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method.

A summary of the Group's objectives, policies, procedures and strategies with regard to financial instruments and capital management can be found in the Strategic Report on page 72. At 31 December 2023, all borrowings were denominated in sterling (2022: sterling).

a. Summary

£m	2023	2022
Liability to pension scheme	**24.6**	26.7
Bonds	**250.0**	430.0
Finance charges netted off borrowings	**(4.5)**	(2.6)
Term loan	**75.0**	75.0
Senior unsecured notes	**100.0**	–
Overdraft	**–**	12.5
	445.1	541.6
Current liabilities	**–**	192.5
Non-current liabilities	**445.1**	349.1
	445.1	541.6

The Group's term loan, senior unsecured notes and committed revolving credit facility are subject to two financial covenants:

- Leverage: Net Debt / Adjusted EBITDA < 4.0x
- Interest cover: Adjusted operating profit / Net interest payable > 2.0x

b. Analysis of other borrowings

£m	2023	2022
Borrowings repayable:		
On demand or within one year	**–**	192.5
More than one year, but not more than five years	**325.0**	325.0
More than five years	**124.6**	26.7
Gross borrowings	**449.6**	544.2
Unamortised fees	**(4.5)**	(2.6)
	445.1	541.6

c. Facilities

At 31 December 2023, the following facilities were available:

£m	2023	2022
Drawn facilities:		
£250m bond	**250.0**	250.0
£180m bond (repaid September 2023)	**–**	180.0
£75m term loan	**75.0**	75.0
£100m senior unsecured notes	**100.0**	–
	425.0	505.0
Undrawn facilities:		
Five-year committed revolving credit facility	**375.0**	400.0
Bank overdrafts	**15.0**	15.0
	390.0	415.0

The outstanding £180m principal amount of the 2023 guaranteed notes was repaid in September 2023, with £120m having previously been repurchased and cancelled in April 2022.

In August 2023 the Group issued £100m of senior unsecured notes to a syndicate of investors. These notes are split into three equal tranches maturing in 2029, 2030 and 2031.

In November 2023 the Group completed its renegotiation of its revolving credit facility with a syndicate of banks. The terms of this agreement reduced the facility to £375m (2022: £400m) with a maturity date of 2029. The terms of the agreement state that at the discretion of the lender the banking facility may be extended to a maximum maturity date of 2031.

The disclosures in note 21(c) do not include leases or the effect of finance charges netted off bank debt.

d. Interest

The weighted average interest rates received on assets and paid on liabilities were as follows:

%	**2023**	2022
Assets:		
Short-term deposits	**4.7**	1.0
Liabilities:		
2026 £250m bond	**3.8**	3.8
2023 £300m bond	**4.5**	4.5
£75m term loan	**4.6**	4.6
£100m senior unsecured notes	**6.2**	–
Bank loans and overdrafts	**8.7**	2.1

In respect of income earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date:

	2023		2022	
£m	**Effective interest rate**	**£m**	Effective interest rate	£m
Assets:				
Short-term deposits	**5.2%**	**101.5**	3.3%	194.0
Liabilities:				
2026 £250m bond	**3.8%**	**250.0**	3.8%	250.0
2023 £300m bond	**4.5%**	**–**	4.5%	180.0
Term loan	**4.6%**	**75.0**	4.6%	75.0
Senior unsecured notes	**6.2%**	**100.0**	–	–
		425.0		505.0

e. Fair values

The book values of financial assets and liabilities have been determined based on amortised cost. For the majority of these, the fair values are not materially different from their carrying amounts. Significant differences were identified for the Group's £250m of bonds as at 31 December 2023, where the assessed fair value based on quoted mid-market prices was £236.9m (2022: £430m of bonds with an assessed fair value of £399.6m).

Details of the fair values of derivatives are given in notes 26 and 27.

Capital continued

21. Borrowings continued

f. Guarantees and security

There are cross guarantees on the overdrafts between Group companies.

Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited, TP Property Company Limited, CCF Limited, Keyline Civils Specialist Limited, Toolstation Limited and The BSS Group Limited are guarantors of the following facilities advanced to Travis Perkins plc:

- £250m bond
- £75m term loan
- £100m senior unsecured notes
- £375m revolving credit facility (2022: £400m)
- Interest rate swap [1]
- Currency derivatives (note 27)

The Group companies have entered into other guarantee and counter-indemnity arrangements in respect of guarantees issued in favour of Group companies by several banks amounting to approximately £31.8m (2022: £32.0m).

Other guarantors

[1] The interest rate swap is guaranteed by Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited, CCF Limited and Keyline Civils Specialist Limited

22. Net debt

Accounting policy

Cash and cash equivalents comprise cash balances and cash deposits with an original maturity of three months or less held by the Group and Company, net of overdrafts. The carrying amount of these assets approximates to their fair value.

Movement in net debt

£m	Cash and cash equivalents, including overdraft	Leases	Term loan	Senior unsecured notes	Liability to pension scheme	Total
At 1 January 2022	**(459.8)**	**489.2**	**(1.5)**	**548.2**	**28.5**	**604.6**
Additions to leases	–	114.7	–	–	–	**114.7**
Disposals of leases	–	(12.5)	–	–	–	**(12.5)**
Cash flow	236.6	(100.3)	75.0	(120.0)	(3.7)	**87.6**
Finance charges and fees	–	–	(0.1)	0.8	–	**0.7**
Discount unwind on liability to pension scheme	–	–	–	–	1.9	**1.9**
Discount unwind on lease liabilities	–	21.5	–	–	–	**21.5**
At 1 January 2023	**(223.2)**	**512.6**	**73.4**	**429.0**	**26.7**	**818.5**
Additions to leases	–	185.5	–	–	–	**185.5**
Disposals of leases	–	(5.2)	–	–	–	**(5.2)**
Cash flow	91.7	(110.7)	–	(80.0)	(3.7)	**(102.7)**
Finance charges and fees	–	–	(1.9)	–	–	**(1.9)**
Discount unwind on liability to pension scheme	–	–	–	–	1.6	**1.6**
Discount unwind on lease liabilities	–	26.2	–	–	–	**26.2**
31 December 2023	(131.5)	608.4	71.5	349.0	24.6	**922.0**
Less: lease liability						**(608.4)**
Net debt before leases						**313.6**

Cash and cash equivalents comprises short-term deposits of £101.5m (2022: £194.0m) and cash of £30.0m (2022: £29.2m).

23. Cash flow metrics

a. Free cash flow

£m	2023	2022
Adjusted operating profit	**180.4**	295.3
Less: Profit on disposal of properties	**(15.1)**	(25.3)
Adjusted operating profit excluding property profit	**165.3**	270.0
Share-based payments	**14.6**	17.0
Other net interest paid	**(25.0)**	(16.9)
Interest on lease liabilities	**(26.2)**	(21.5)
Income tax paid	**(40.6)**	(57.6)
Movement on working capital	**(22.2)**	(76.5)
Depreciation of property, plant and equipment	**80.3**	73.6
Amortisation and impairment of internally-generated intangibles	**4.6**	6.5
Capital expenditure excluding freehold purchases	**(108.6)**	(110.0)
Disposal of plant and equipment	**2.0**	10.1
Free cash flow	**44.2**	94.7

b. Cash conversion

£m	2023	2022
Adjusted operating profit excluding property profit	**165.3**	270.0
Movement on working capital	**(22.2)**	(76.5)
Depreciation of property, plant and equipment	**80.3**	73.6
Amortisation and impairment of internally-generated intangibles	**4.6**	6.5
Share-based payment	**14.6**	17.0
Capital expenditure excluding freehold purchases	**(108.6)**	(110.0)
Adjusted free cash flow for cash conversion	**134.0**	180.6
Cash conversion	**81%**	67%

24. Net debt to adjusted EBITDA

£m	2023	2022
Operating profit	**109.9**	284.8
Depreciation and amortisation	**186.5**	169.6
Adjusting operating items	**60.0**	–
Adjusted EBITDA	**356.4**	454.4
Net debt	**922.0**	818.5
Net debt to adjusted EBITDA	**2.6x**	1.8x

Capital continued

25. Return on capital employed

Group return on capital employed is calculated as follows:

£m	2023	2022
Operating profit	109.9	284.8
Amortisation of acquired intangible assets	10.5	10.5
Adjusting items	60.0	–
Adjusted operating profit	180.4	295.3
Opening net assets	2,102.2	2,237.8
Net pension surplus	(102.0)	(207.0)
Net debt	818.5	604.6
Opening capital employed	2,818.7	2,635.4
Closing net assets	2,040.3	2,102.2
Net pension surplus	(75.5)	(102.0)
Net debt	922.0	818.5
Closing capital employed	2,886.8	2,818.7
Average capital employed	2,852.8	2,727.1

Group return on capital employed is calculated as follows:

£m	2023	2022
Adjusted operating profit	180.4	295.3
Average capital employed	2,852.8	2,727.1
Return on capital employed	6.3%	10.8%

Risk

26. 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's risk management policy is further discussed on pages 73 to 75. The Group's accounting policy for its cash flow hedges is set out in note 27.

a. Derivatives

During 2022 the Group obtained a 5-year term loan facility for £75m and at the same time entered into an equal interest rate swap arrangement to hedge the full variable component of the interest rate for the life of the instrument. The risk management objective is to hedge against the fair value of the variable interest rate element of the loan facility. The interest rate swap is a derivative measured at fair value and is designated in the hedging relationship in its entirety, therefore the hedging instrument is eligible for hedge accounting.

The Group has the following derivative financial instruments in the balance sheet:

£m	2023	2022
Non-current assets		
Interest rate swap – cash flow hedge	2.9	4.3
Total non-current derivative financial instrument assets	2.9	4.3

The Group's hedging reserve relates to the following hedge instrument:

£m	2023	2022
At 1 January	**3.2**	–
Change in fair value of hedging instrument recognised in OCI	**(1.4)**	4.3
Deferred tax	**0.4**	(1.1)
At 31 December	**2.2**	3.2

A net loss of £0.2m (2022: £0.3m) on foreign currency forwards not qualifying as hedges was recognised in the Group's profit and loss and included in other losses. Hedge effectiveness was determined at the inception of the swap arrangement and through prospective effectiveness assessments, to ensure that an economic relationship exists between the loan facility and the interest rate swap. As both the loan and interest rate swap have the same critical terms, with the value, term and payment timings aligned, there is no portion of the hedge which is considered to be ineffective.

Swaps currently in place cover 100% of the variable term loan principal outstanding. The fixed interest rate of the swap is 2.673%. The interest rate of the term loan consists of a variable element based on the Sterling Overnight Index Average ('SONIA') and a margin between 1.8% – 2.4%. The swap contracts require settlement of the net interest receivable or payable every 6 months and coincides with the dates on which payment is due on the underlying term loan.

The effects of the interest rate swaps of the Group's financial position and performance are as follows:

£m	2023	2022
Carrying amount (non-current assets)	**2.9**	4.3
Notional amount	**75.0**	75.0
Maturity date	**15 August 2027**	15 August 2027
Hedge ratio	**1:1**	1:1
Change in fair value of hedging instruments for the year	**(1.4)**	4.3
Weighted average hedged rate for the year	**4.6%**	2.4%

27. Financial instruments

Accounting policy
Investments and other financial assets classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income "FVOCI", or through profit or loss "FVTPL")
- Those to be measured at amortised cost

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTPL or at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Risk continued

27. Financial instruments continued

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income or finance costs, together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains and losses in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in finance income or finance costs in the income statement as applicable. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment
From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9 – Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing activities. The Group does not enter into speculative financial instruments. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for derivative trading purposes.

Derivative financial instruments are stated at fair value. The fair value of derivative financial instruments is the estimated amount the Group would receive or pay to transfer to a market participant the derivative at the balance sheet date, taking into account current interest and exchange rates and the current creditworthiness of the counterparties.

Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Statement of Comprehensive Income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged.

In order to qualify for hedge accounting, the Company is required to document from inception, the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments are classified as cash flow hedges when they hedge the Company's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction. The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in equity.

The associated cumulative gain or loss is removed from equity and recognised in the Statement of Comprehensive Income in the same period during which the hedged transaction affects the Statement of Comprehensive Income. The classification of the effective portion when recognised in the Statement of Comprehensive Income is the same as the classification of the hedged transaction. Any element of the re-measurement criteria of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the Statement of Comprehensive Income

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting or is de-designated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs or the original hedged item affects the Statement of Comprehensive Income. If a forecasted hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income.

Foreign currency forward contracts are marked-to-market at the balance sheet date, with any gains or losses being taken through the income statement. Derivatives embedded in commercial contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the underlying contracts, with unrealised gains or losses being reported in the income statement.

a. The carrying value of categories of financial instruments

£m	2023	2022
Financial assets:		
Loans and receivables (including cash and cash equivalents) at amortised cost	**786.3**	923.4
Designated instrument-by-instrument as either FVTPL or FVOCI	**2.9**	4.3
	789.2	927.7
Financial liabilities:		
Mandatorily at FVTPL	**0.4**	0.2
Borrowings (note 21a)	**445.1**	541.6
Trade and other payables (including overdrafts) at amortised cost	**653.2**	681.0
	1,098.7	1,222.8

Loans and receivables exclude prepayments of £34.8m (2022: £38.2m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £142.2m (2022: £171.5m). The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group has considered the impact of credit risk on its financial instruments and because the counterparties are banks with strong credit ratings considers its impact to be immaterial. The issuer credit ratings of the banks where the Group's deposits are held ranges from A to A+ (S&P), A2 to Aa3 (Moody's), and A- to A+ (Fitch).

b. Fair value of financial instruments

Financial assets and financial liabilities designated as FVTPL comprise foreign currency forward contracts and are measured using quoted forward exchange rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels during the year.

£m	2023	2022
Included in assets:		
Level 2: Interest rate swap	**2.9**	4.3
Included in liabilities:		
Level 2: Foreign currency forward contracts at fair value through profit and loss	**(0.4)**	(0.2)

Risk continued

27. Financial instruments continued

c. Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts and forward interest rate contracts when appropriate. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

In 2022 the Group entered into an interest rate swap arrangement to hedge the variable interest rate risk on a £75m 5-year loan facility. The risk management objective is to hedge against the fair value of the variable interest rate element of the loan facility. The interest rate swap is a derivative measured at fair value and is designated in the hedging relationship in its entirety.

d. Currency forward contracts

The Group acquires goods for sale from overseas which, when not denominated in sterling, are paid for principally in US dollars and euros. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars and euros to hedge the exchange rate risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was EUR6.0m and US$21.5m (2022: EUR10.0m and US$30.0m). The fair value of these derivatives was £0.4m liability (2022: £0.2m liability). These contracts are not designated cash flow hedges and accordingly the fair value movement has been reflected in the income statement.

e. Interest rate sensitivity analysis

A sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel.

At 31 December 2023 the Group had no floating rate liabilities. There was £101.5m on short-term deposit at 31 December 2023 (2022: £194.0m). A 1.0% increase or decrease in interest rates, with all other variables held constant, would have the following impact on:

- Profit before taxation for the year ended 31 December 2023 would have increased or decreased by £1.0m (2022: increased or decreased by £1.9m) due to the short-term deposits
- Net equity would have increased or decreased by £0.8m (2022: increased or decreased by £1.6m)

f. Liquidity analysis

The following table details the Group's liquidity analysis for its derivative financial instruments and other financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	2023				
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(22.9)	–	–	–	(22.9)
Total net settled: Interest rate swap – cash flow hedge	1.9	1.9	3.1	–	6.9
Total derivative financial instruments	(21.0)	1.9	3.1	–	(16.0)
Net settled:					
Borrowings	(24.9)	(24.9)	(366.2)	(143.9)	(559.9)
Trade and other payables at amortised cost	(653.2)	–	–	–	(653.2)
Leases	(108.9)	(101.1)	(237.8)	(316.6)	(764.3)
Total financial instruments	(787.0)	(126.0)	(604.0)	(460.5)	(1,977.5)

£m	2022 (restated*) 0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(33.9)	–	–	–	(33.9)
Total net settled: Interest rate swap – cash flow hedge	0.5	1.5	2.8	–	4.8
Total derivative financial instruments	(33.4)	1.5	2.8	–	(29.1)
Net settled:					
Borrowings	(203.6)	(18.6)	(361.8)	(38.1)	(622.1)
Trade and other payables at amortised cost	(681.0)	–	–	–	(681.0)
Leases	(88.5)	(81.5)	(200.8)	(262.1)	(632.9)
Total financial instruments	(973.1)	(100.1)	(562.6)	(300.2)	(1,936.0)

* The 2022 liquidity analysis has been restated to include £80.5m of projected interest payments on the Group's borrowings. The previously reported undiscounted cash outflow on borrowings disclosed was £541.6m which had not included projected interest payments.

28. Impairment

Accounting policy

Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets with a definite useful life are reviewed at each balance sheet date to determine whether there is any indication of impairment to their value. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of an asset is the greater of its fair value less disposal cost and its value-in-use (the present value of the future cash flows that the asset is expected to generate). In determining value in use the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value-of-money in relation to the period of the investment and the risks specific to the asset concerned.

Where the carrying value exceeds the recoverable amount a provision for the impairment loss is established with a charge being made to the income statement. When the reasons for a write down no longer exist the write down is reversed in the income statement up to the net book value that the relevant asset would have had if it had not been written down and if it had been depreciated.

For intangible assets that have an indefinite useful life the recoverable amount is estimated on an annual basis

Measuring recoverable amounts

The Group tests goodwill and other non-monetary assets with indefinite useful lives for impairment annually or more frequently if there are indications that an impairment may have occurred. The recoverable amounts of the goodwill and other non-monetary assets with indefinite useful lives are determined from value-in-use calculations, except for the Toolstation Benelux and Toolstation France CGUs where fair value less cost of disposal ("FVLCOD") calculations have been used. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

The key assumptions for the value-in-use are those regarding the discount rates, growth rates and like-for-like market volume changes which impact sales and therefore cash flow projections and maintenance capital expenditure. The FVLCOD calculations are those regarding the discount rate, growth rates, sales volume and operating margin Management estimates pre-tax discount rates that reflect current market assessments of the time-value of money and the risks specific to the CGU groupings that are not reflected in the cash flow projection.

In developing these assumptions, management has considered the possible impacts of climate risks. This has included consideration of the impact of climate risks on the Group's required capital expenditure, on energy costs directly in the business and the supply chain and the impact of the changes on the Group's markets and customers.

At the end of the financial year the recoverable amount of goodwill and intangible assets with indefinite useful lives in all segments was in excess of their book value for all CGUs except for Toolstation France and certain Benchmarx branches discussed in note 3. The Benchmarx branches form part of the Travis Perkins General Merchant group of CGUs. The value-in-use and FVLCOD calculations require the use of assumptions.

Risk continued

28. Impairment continued

Key assumptions

The key financial assumptions used in the estimation of the recoverable amount for the UK CGUs are set out below. The key financial assumptions for the Toolstation France and Toolstation Benelux CGUs are discussed separately. The values assigned to the key assumptions represent management's assessment of current market conditions and future trends and have been based on historical data from both external and internal sources.

	2023	2022
Pre-tax discount rate	**12.1%-13.3%**	12.8%-14.1%
Long-term growth rate	**2.0%**	1.7%

The pre-tax discount rate used in the estimation of the recoverable amount for the Travis Perkins General Merchant CGU was 12.9%.

Management determined the values assigned to these financial assumptions as follows:

- Pre-tax discount rates: these are calculated by reference to the weighted average cost of capital ("WACC") of the Group and reflect specific risks relating to the Group's industries and the countries in which the Group operates. The pre-tax discount rate is adjusted for risks not adjusted for in the cash flow forecasts, including risks related to the size and industry of each CGU.
- Long-term growth rate: This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. This represents the forecast GDP growth for the final year considered in the Office for Budget Responsibility's most recent Economic and Fiscal Outlook report.

Cash flow forecasts are derived from the most recent Board-approved strategic plans. The key operating assumptions used in the estimation of future cash flows for the UK CGUs are:

- Sales market volume growth on which the approved corporate plans are based are derived from a variety of sources including construction and consumer outlook reports, current and forecast housing-market transaction numbers and mortgage-approval levels. The Directors consider this to be the principal operating assumption as it determines management's approach to the interlinked factors underlying the operating margin percentage.
- Operating margin percentage is forecast in the context of the sales market volume growth assumptions and is based on historical experience of operating margins, adjusted for the impact of changes to product costs and cost-saving initiatives.

For the less-mature Toolstation Europe businesses, the key operating assumption is future average sales growth. This assumption is set in the context of the store opening profile and historical data from the Toolstation UK and Toolstation Europe businesses on the store maturity profile.

Cash flows beyond the corporate plan period (2027 and beyond for the UK CGUs, 2034 and beyond for non-UK CGUs) have been determined using the long-term growth rate. The longer period used in the FVLCOD models for the Toolstation France and Toolstation Benelux CGUs are consistent with market practice for valuing high-growth loss-making businesses.

Result

The recoverable amount of goodwill and intangible assets with indefinite useful lives was in excess of their book value in all CGUs and therefore no impairments have been recognised, except in respect of the Toolstation France CGU discussed below and in respect of certain Benchmarx branches as disclosed in note 3. No impairments were recognised in 2022.

There are no reasonably possible changes in the key assumptions used in the impairment reviews that would cause the recoverable amounts of £1,833.1m to be materially lower than the carrying amounts, except in respect of the Toolstation Benelux CGU for which sensitivity disclosures are provided. The Benchmarx branches form part of the Travis Perkins General Merchant CGU for which no impairment was recognised and for which there are no reasonably possible changes in the key assumptions used that would cause the recoverable amount to be materially lower than the carrying amount of £1,215.0m.

Toolstation France

Following the annual impairment review of goodwill and intangible assets, an impairment of £33.1m has been recognised in respect of the Toolstation France CGU. Trading conditions in the French market have been challenging and as a consequence expectations of future sales growth were reduced in the FVLCOD calculations. This impairment charge relates to £14.4m of right-of-use assets, £7.2m of tangible fixed assets, £9.6m of goodwill and £1.9m of other acquisition-related intangible fixed assets. The carrying value of these fixed assets relating to the Toolstation France business is now nil. There are no reasonably possible changes in the key operating assumptions used in this impairment review that would result in a materially different impairment charge. The pre-tax discount rate used in this calculation was 11.8% and the long-term growth rate was 2.0%.

Toolstation Benelux

The recoverable amount calculated in the impairment review of the Toolstation Benelux CGU exceeded the carrying amount of £134.9m by £210.4m. Whilst the Directors believe the assumptions are realistic, there are reasonably possible changes in key assumptions that would cause the recoverable amount of the Toolstation Benelux CGU to be lower than the carrying amount. The key variables applied to the fair value less cost of disposal calculations and the value at which the recoverable amount would be equal to the carrying amount were:

	Assumption	Sensitivity
Pre-tax discount rate	**9.5%**	17.1%
Average annual sales growth (2023–2033)	**17.6%**	15.4%
Peak operating profit in 2033	**11.7%**	4.0%

The Toolstation Benelux impairment review is not sensitive to reasonably possible changes to the long-term growth rate. All other variables have been held equal.

Key estimates over assumptions used in value-in-use calculations
In testing for impairment, the recoverable amount of goodwill and intangible assets is determined by reference to the value-in-use or fair value less cost of disposal of the CGU grouping to which they are attributed. In addition the Directors have made certain estimates concerning discount rates, future cash flows and the future development of the business that are consistent with its corporate plan. Whilst the Directors consider their assumptions to be realistic, should actual results, including those for future sales growth, be different from expectations, for instance due to a worsening of the Dutch or Belgian economy, then it is possible that the value of goodwill and other intangible assets included in the balance sheet could become materially impaired. The range of reasonably possible outcomes includes an impairment charge in respect of the £134.9m carrying value of assets of up to £17.4m, arising in a scenario where the pre-tax discount rate is 1ppt higher and sales are cumulatively 27.6% lower over the period of the modelled cash flows.

29. Capital commitments

£m	2023	2022
Contracted for but not provided in the accounts	**9.9**	8.3

Group structure

30. Business combinations and disposals

Accounting policy
All business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations are recognised at their fair value at the acquisition date except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 – Share-based Payments

Liabilities for contingent consideration are classified as fair value through profit and loss.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred. Where a business combination is achieved in stages, the Group's previously-held interest in the acquired entity is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in the income statement.

People

31. Staff costs

a. Average number of persons employed

The average monthly number of persons employed (including Executive Directors):

No.	2023	2022
Sales and distribution	17,703	18,453
Administration	1,469	1,503
	19,172	19,956

b. Aggregate remuneration

£m	2023	2022
Staff costs – wages and salaries	586.1	594.7
Staff costs – social security costs	57.0	54.2
Staff costs – other pension costs (note 17)	22.2	21.3
Share-based payments (note 32)	14.6	17.0
	679.9	687.2

Director's remuneration, including pension contributions and Long-Term Incentive plan awards, is set out in the Single Total Figure of Remuneration table in the Directors' Remuneration report on page 123.

The total amounts received or receivable by Directors under long-term incentive schemes in respect of qualifying service in the year is £81,000 (2022: £127,000). The aggregate of gains made by the Directors in the year on the exercise of share options equated to £nil (2022: £nil). Details with respect to share options exercised in the year are set out on page 128.

32. Share-based payments

Accounting policy

The Group issues equity-settled share-based payments to colleagues: long-term incentives, executive share options and Save As You Earn ("SAYE"). These payments are measured at fair value at the date of grant using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the options were granted. The cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

a. Fair value of options

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed. The probability of the performance conditions being achieved was included in the fair-value calculations. The inputs into the model for options granted in the year expressed as weighted averages are as follows:

	2023		2022	
£m	SAYE	Nil-price options	SAYE	Nil-price options
Share price at grant date (pence)	828.6	828.6	889.4	1,245.0
Option exercise price (pence)	690.0	–	710.0	–
Volatility (%)	35.6%	40.4%	44.5%	44.0%
Option life (years)	3.4	3.0	3.3	2.9
Risk-free interest rate (%)	4.4%	3.4%	4.4%	1.4%
Expected dividends as a dividend yield (%)	4.4%	4.0%	2.5%	1.8%

Volatility is based on historic share prices over a period equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is three years.

If options remain unexercised after a period of ten years from the date of grant, these options expire. Options are forfeited if the colleague leaves the Group before options vest. SAYE options vest after three or five years and expire three and a half or five and a half years after the date of grant.

The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of three times (within the Board's target range).

The expected life of options used in the model has been adjusted, based upon management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

b. Income statement charge and shares granted

A description of the share schemes operated by the Group is contained in the Remuneration Report on page 108. The estimated fair values of the shares under option granted under the Group's share schemes in 2023 are as follows:

Share scheme	Grant date	Fair value for the Group £m
Restricted Share Plan (nil-price options)	20 March 2023	5.1
Deferred Share Bonus Plan (nil-price options)	20 March 2023	–
Restricted Share Plan (nil-price options)	4 April 2023	0.4
Restricted Shares Plan (nil-price options)	8 September 2023	0.1
Save As You Earn	27 September 2023	8.1

The Group charged £14.6m (2022: £17.0m) to the income statement in respect of equity-settled share-based payment transactions.

c. Share options for the Group

The number and weighted average exercise price of share options is as follows:

	The Group					
	2023			2022		
In thousands of options	**Weighted average exercise price (pence)**	**Number of options**	**Number of nil price options**	Weighted average exercise price (pence)	Number of options	Number of nil price options
Outstanding at the beginning of the year	**823**	**5,276**	**2,568**	1,054	4,185	2,997
Forfeited during the year	**652**	**(2,649)**	**(279)**	1,107	(1,863)	(225)
Exercised during the year	**747**	**(4)**	**(925)**	909	(544)	(902)
Granted during the year	**690**	**2,509**	**865**	710	3,498	698
Outstanding at the end of the year	**527**	**5,132**	**2,229**	823	5,276	2,568
Exercisable at the end of the year	**352**	**201**	**417**	1,314	38	152

Details of the options outstanding at 31 December are as follows:

	The Group					
	2023			2022 (restated*)		
	Executive options	**SAYE**	**Nil price options**	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	**898-1,958**	**690-1,411**	**–**	1,061-1,958	710-1,411	–
Weighted average exercise price (pence)	**1,328**	**749**	**–**	1,200	814	–
Number of shares (thousands)	**3**	**5,132**	**2,229**	120	5,156	2,568
Weighted average expected remaining life (years)	**–**	**2.7**	**1.8**	0.2	2.6	1.2
Weighted average contractual remaining life (years)	**–**	**3.2**	**8.6**	7.7	3.1	8.1

People continued

32. Share-based payments continued

d. Impact of vesting and exercise

If all SAYE shares are acquired on the first possible day, 1.5m of shares will be issued for a consideration of £13.6m in the years below:

	2024		2025		2026		2027		2028	
	No. m	£m	No. m	£m	No. m	£m	No. m	£m	No. m	£m
Options	0.3	–	0.5	–	–	–	0.1	–	–	–
SAYE	0.2	3.3	1.1	8.4	–	0.6	0.2	1.2	–	0.1

The table above shows theoretical amounts. For the Group to receive the cash indicated in the periods shown, the following must occur:

- All performance conditions on executive share options must be fully met
- Options must be exercised on the day they vest (option holders generally have a seven year period post vesting to exercise the option)
- The share price at the exercise date for SAYE options must exceed the exercise price and every holder must exercise
- All option/SAYE holders must remain with the Group, or leave on good terms

If none of the requirements are met then the Group will receive no consideration.

33. Key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures.

£m	2023	2022
Short-term employee benefits	**9.9**	10.9
Post-employment benefits	**0.5**	0.4
Share-based payments	**5.2**	7.8
	15.6	19.1

34. Related party transactions

The Group has a related party relationship with its subsidiaries, its Directors and with its pension schemes (note 17). Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Other

35. Impact of new standards and interpretations

A number of new or amended standards became applicable for the current reporting period and as a result the Group has applied the following standards:

- IFRS 17 – Insurance contracts
- Classification of liabilities as current or non-current (amendments to IAS1)
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)
- International tax reform – Pillar Two Model Rules (amendments to IAS 12)

The above requirements did not have a material impact on the Group and have been adopted without restating comparatives.

At the date of the approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

- Lease liability in a sale-and-leaseback (amendments to IFRS 16 – Leases)
- Classification of liabilities as current or non-current, and non-current Liabilities with covenants (amendments to IAS 1 – presentation of Financial Statements)
- Supplier finance arrangements (amendment to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures)

Based on their initial assessment, the Directors anticipate that adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

Company balance sheet

As at 31 December 2023

£m	Notes	2023	2022
Assets			
Non-current assets			
Tangible assets		**0.1**	0.2
Investment in subsidiaries	2	**1,921.9**	1,868.6
Derivative financial instruments	9	**2.9**	4.3
Total non-current assets		**1,924.9**	1,873.1
Current assets			
Debtors	4	**644.0**	472.2
Cash and cash equivalents, excluding bank overdrafts		**108.9**	195.7
Total current assets		**752.9**	667.9
Total assets		**2,677.8**	2,541.0
Equity and liabilities			
Capital and reserves			
Issued capital		**23.8**	23.8
Share premium account		**545.6**	545.6
Cashflow hedge reserve		**2.9**	4.3
Merger reserve		**326.5**	326.5
Own shares		**(14.1)**	(34.3)
Other reserves		**1.4**	1.4
Accumulated profits		**1,317.2**	1,107.8
Total equity	5	**2,203.3**	1,975.1
Non-current liabilities			
Interest-bearing loans and borrowings	6	**420.5**	322.5
Amounts due to subsidiaries	7	**–**	32.9
Total non-current liabilities		**420.5**	355.4
Current liabilities			
Interest-bearing loans and borrowings	6	**–**	192.5
Derivative financial instruments	9	**0.4**	0.2
Amounts due to subsidiaries	7	**36.1**	0.8
Other creditors	10	**17.5**	16.9
Deferred tax liabilities	3	**–**	0.1
Total current liabilities		**54.0**	210.5
Total liabilities		**474.5**	565.9
Total equity and liabilities		**2,677.8**	2,541.0

The Company's profit for the year was £296.7m (2022: loss of £2.8m), and total comprehensive income for the year was £295.7m (2022: profit of £0.4m).

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 11 March 2024 and signed on its behalf by:

Nick Roberts
Director

Duncan Cooper
Director

Company statement of changes in equity

For the year ended 31 December 2023

£m	Share capital	Share premium	Merger reserve	Hedging reserve	Own shares Treasury	Own shares ESOT	Other	Retained earnings	**Total equity**
At 1 January 2022	**25.2**	**545.6**	**326.5**	**–**	**(53.8)**	**(7.6)**	**–**	**1,373.2**	**2,209.1**
Profit and total comprehensive loss for the year	–	–	–	4.3	–	–	–	(3.9)	**0.4**
Dividends	–	–	–	–	–	–	–	(81.7)	**(81.7)**
Shares purchased in share buyback and held as treasury shares	–	–	–	–	(125.5)	–	–	–	**(125.5)**
Shares purchased in share buyback and held as own shares by ESOT	–	–	–	–	–	(46.6)	–	–	**(46.6)**
Sale of own shares	–	–	–	–	–	3.8	–	–	**3.8**
Own shares movement	–	–	–	–	–	16.1	–	(16.1)	**–**
Cancelled shares	(1.4)	–	–	–	179.3	–	1.4	(179.3)	**–**
Equity-settled share-based payments net of tax	–	–	–	–	–	–	–	15.6	**15.6**
At 31 December 2022	**23.8**	**545.6**	**326.5**	**4.3**	**–**	**(34.3)**	**1.4**	**1,107.8**	**1,975.1**
Profit and total comprehensive loss for the year	–	–	–	(1.4)	–	–	–	297.1	**295.7**
Dividends	–	–	–	–	–	–	–	(82.1)	**(82.1)**
Shares purchased in share buyback and held as treasury shares	–	–	–	–	–	–	–	–	**–**
Shares purchased in share buyback and held as own shares by ESOT	–	–	–	–	–	–	–	–	**–**
Sale of own shares	–	–	–	–	–	–	–	–	**–**
Own shares movement	–	–	–	–	–	20.2	–	(20.2)	**–**
Cancelled shares	–	–	–	–	–	–	–	–	**–**
Equity-settled share-based payments net of tax	–	–	–	–	–	–	–	14.6	**14.6**
At 31 December 2023	**23.8**	**545.6**	**326.5**	**2.9**	**–**	**(14.1)**	**1.4**	**1,317.2**	**2,203.3**

Notes to the Company's financial statements

For the year ended 31 December 2023

General information

Overview

Travis Perkins plc is the ultimate parent of the Travis Perkins plc Group ("the Group"). The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 86. The Company is incorporated and is domiciled in the United Kingdom as a public limited company under the Companies Act 2006. The address of the registered office is given on page 201.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 2 Share Based Payments in respect of group settled share-based payments
- The requirements of IFRS 7 "Financial Instruments: Disclosures"
- The requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
- The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements"
- The requirements of IAS 7 "Statement of Cash Flows"
- The requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error"
- The requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures"
- The requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 "Impairment of Assets"

Where required, equivalent disclosures are given in the consolidated financial statements of Travis Perkins plc.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except that derivative and other financial instruments and contingent consideration arising from business combinations are stated at fair value through profit and loss and also designated financial instruments are stated at fair value through other comprehensive income.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Going concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- The Group's cash flow forecasts and revenue projections
- The impact on trading performance of severe but plausible downside scenarios. Key assumptions include significant reductions in revenue, removal of property profits and limited reductions in fixed overheads, as well as mitigating actions such as delayed capital expenditure, reduced overhead investment and dividend suspension
- The committed debt facilities available to the Group and the covenants thereon
- The Group's debt maturity profile
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risk and uncertainties outlined on pages 74 to 85 during periods of uncertain economic outlook and challenging macroeconomic conditions.

General information continued

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements.

Significant accounting policies

The principal accounting policies adopted in preparing the financial statements are provided throughout the notes to the financial statements.

Standards issued but not yet effective

New standards, amendments and interpretations which are in issue but not yet effective are not expected to have a material impact on the Company's financial statements.

Key judgements and estimates

The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. The Directors frequently re-evaluate these significant factors and make adjustments as facts and circumstances dictate.

1. Income statements disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 4(c) of the Group consolidated financial statements. Fees payable to KPMG LLP for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report.

Revenue represents dividend income from subsidiaries of the Company and totalled £426.2m (2022: £255.5m) in the year.

Staff costs (including Directors):

£m	2023	2022
Wages and salaries	**6.5**	6.6
Social security costs	**0.9**	0.9
Other pension costs	**0.2**	0.2
Share-based payments (note 12)	**5.4**	7.5
	13.0	15.2

The average monthly number of persons employed including Directors during the year was 51 (2022: 52).

2. Investments in subsidiaries

Accounting policy
Investments in subsidiaries are carried at cost less impairment.

£m	2023	2022
Cost		
At 1 January	**3,003.6**	2,930.1
Additions	**144.2**	73.5
At 31 December	**3,147.8**	3,003.6
Provision for impairment		
At 1 January	**(1,135.0)**	(921.2)
Impairment charge	**(90.9)**	(213.8)
At 31 December	**(1,225.9)**	(1,135.0)
Net book value at 31 December	**1,921.9**	1,868.6

The additions to investments in 2023 represent the capitalisation of a £44.8m (2022: £53.2m) intercompany loan with Toolstation Europe Limited, other additions recorded as part of the Group's ongoing project to simplify its legal structure and share-based payments to employees of subsidiary undertakings.

The impairment charge in 2023 relates to the Company's investment in Travis Perkins Finance Company Limited and followed the payment of intercompany dividends in 2023 which resulted in a reduction in the subsidiary's net assets below the carrying amount of the investment held by the Company. Accordingly an impairment loss was recognised.

The Directors have carried out an impairment review of the Company's investments and concluded that the investments are not impaired, except in respect of the specific legal-entity restructuring activity.

A full listing of all related undertakings is provided in note 11.

3. Deferred tax

£m Liability/(asset):	At 1 Jan 2022	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 1 Jan 2023	Recognised in income	Recognised in other comprehensive income	At 31 Dec 2023
Share-based payments	(2.9)	0.8	1.4	–	(0.7)	(1.3)	–	**(2.0)**
Cash flow hedge	–	–	–	1.1	1.1	–	(0.4)	**0.7**
Other timing differences	(0.2)	(0.1)	–	–	(0.3)	0.1	–	**(0.2)**
	(3.1)	0.7	1.4	1.1	0.1	(1.2)	(0.4)	**(1.5)**

4. Debtors

Accounting policy
Debtors are originally recognised at fair value. Subsequent to the initial recognition they are measured at amortised cost using the effective interest rate method.

£m	2023	2022
Current:		
Amounts owed by subsidiaries	**572.4**	376.3
Other financial assets – loan notes	**1.7**	4.0
Other debtors	**69.9**	91.9
	644.0	472.2

Amounts owed by subsidiaries include loans and other balances. The loans are interest-free and repayable on demand.

5. Share capital and reserves

Accounting policy
Equity instruments represent the ordinary share capital of the Company and are recorded at the proceeds received, net of directly attributable incremental issue costs.

a. Share capital

Ordinary shares of 10p (authorised, issued and fully paid)	No.	£m
At 1 January 2022	225,025,926	25.2
Share consolidation	(12,516,592)	(1.4)
At 1 January and December 2023	212,509,334	23.8

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. See Group note 18 for the explanation of movements in share capital and own shares.

General information continued

5. Share capital and reserves continued

b. Own shares

No.	2023 ESOT shares	2023 Total	2022 Treasury shares	2022 ESOT shares	2022 Total
At 1 January	**2,596,684**	**2,596,684**	3,533,419	507,371	4,040,790
Transferred to ESOT	**–**	**–**	(3,533,419)	3,533,419	–
Reissued	**(928,002)**	**(928,002)**		(1,444,106)	(1,444,106)
At 31 December	**1,668,682**	**1,668,682**	–	2,596,684	2,596,684

The own shares held by the Employee Share Ownership Trust are to satisfy options under the Group's share option schemes. None of the own shares have been allocated to grants of executive options and all rights attaching to the shares are suspended until the shares are reissued.

c. Reserves

A description of the nature and purpose of each reserve is given below:

- The share premium represents the amounts above the nominal value received for shares sold
- The cash flow hedge reserve represents the cumulative gain or loss on the fair value of effective hedging instruments used in cash flow hedges which have not yet been reclassified to profit or loss
- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes
- Retained earnings represents cumulative results for the Company

Distributable reserves

The distributable reserves accessible to the Company broadly approximate its accumulated profits. When required the Company can receive dividends from its subsidiaries to increase the available distributable reserves.

6. Interest bearing loans and borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method.

£m	2023	2022
Bonds	**250.0**	430.0
Finance charges netted off borrowings	**(4.5)**	(2.5)
Term loan	**75.0**	75.0
Senior unsecured notes	**100.0**	–
Overdraft	**–**	12.5
	420.5	515.0
Current liabilities	**–**	192.5
Non-current liabilities	**420.5**	322.5
	420.5	515.0

£m	2023	2022
Borrowings repayable:		
On demand or within one year	–	192.5
More than one year, but not more than five years	325.0	325.0
More than five years	100.0	–
Gross borrowings	425.0	517.5
Unamortised fees	(4.5)	(2.5)
	420.5	515.0

At 31 December 2023 all borrowings were denominated in sterling (2022: sterling).

6. Interest bearing loans and borrowings continued

In respect of income earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

	2023		2022	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	5.2%	101.5	3.3%	194.0
Liabilities:				
2026 £250m bond	3.8%	250.0	3.8%	250.0
2023 £300m bond	4.5%	–	4.5%	180.0
£75m term loan	4.6%	70.0	4.6%	75.0
£100m senior unsecured notes	6.3%	100.0	–	–
	–	420		505.0

Details of the bonds, term loan and senior unsecured notes are given in note 21 to the consolidated financial statements.

7. Amounts due to subsidiary undertakings

£m	2023	2022
Amounts due to subsidiary undertakings – non-current	–	32.9
Amounts due to subsidiary undertakings – current	36.1	0.8
	36.1	33.7

Amounts due to subsidiary undertakings relate to loans and other balances. These loans are interest-free.

8. Financial risk management

For more details of the Group's hedging instruments see notes 26 and 27 of the Group financial statements.

£m	2023	2022
Non-current assets		
Interest rate swap – cash flow hedge	2.9	4.3
Total non-current derivative financial instrument assets	2.9	4.3

General information continued

8. Financial risk management continued
The Company's hedging reserve relates to the following hedge instrument:

£m	Interest rate swaps
At 1 January 2022	–
Change in fair value of hedging instrument recognised in OCI	4.3
Deferred tax	(1.1)
At 1 January 2023	3.2
Change in fair value of hedging instrument recognised in OCI	(1.4)
Deferred tax	0.4
At 31 December 2023	2.2

The following amounts were recognised in the Group's profit and loss:

£m	2023	2022
Net loss on foreign currency forwards not qualifying as hedges included in other gains/(losses)	–	(0.3)

£m	2023	2022
Carrying amount (non-current assets)	2.9	4.3
Notional amount	75.0	75.0
Maturity date	15 August 2027	15 August 2027
Hedge ratio	1:1	1:1
Change in fair value of hedging instruments for the year	4:3	4.3
Weighted average hedged rate for the year	4.61%	2.43%

9. Financial instruments
For the full details of the cashflow hedging instrument and the resulting accounting policy, see notes 26 and 27 of the Group accounts.

a. The carrying value of categories of financial instruments

£m	2023	2022
Financial assets:		
Loans and receivables (including cash and cash equivalents) at amortised cost	686.1	583.0
Designated instrument-by-instrument as either FVTPL or FVOCI	2.9	4.3
	689.0	587.3
Financial liabilities:		
Mandatorily at FVTPL	0.4	0.2
Borrowings (note 6)	420.5	515.0
Trade and other payables at amortised cost	44.2	44.7
	465.1	559.9

b. Liquidity analysis

The following table details the Company's liquidity analysis for its derivative financial instruments and other external financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	2023				
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(22.9)	–	–	–	(22.9)
Total net settled: Interest rate swap – cash flow hedge	1.9	1.9	3.1	–	6.9
Total derivative financial instruments	(21.0)	1.9	1.9	–	(16.0)
Net settled:					
Borrowings	(20.9)	(20.8)	(353.5)	(143.9)	(539.1)
Trade and other payables at amortised cost	(47.4)	–	–	–	(47.4)
Total financial instruments	(68.3)	(20.8)	(353.5)	(143.9)	(586.5)

	2022 (*restated)				
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(33.9)	–	–	–	(33.9)
Total net settled: Interest rate swap – cash flow hedge	0.5	1.5	2.8	–	4.8
Total derivative financial instruments	(33.4)	1.5	2.8	–	(29.1)
Net settled:					
Borrowings	(199.8)	(14.7)	(349.4)	–	(563.8)
Trade and other payables at amortised cost	(44.7)	–	–	–	(44.7)
Total financial instruments	(244.5)	(14.7)	(349.4)	–	(608.5)

* The 2022 liquidity analysis has been restated to include £48.8m of projected interest payments on the Company's borrowings. The previously reported undiscounted cash outflow on borrowings disclosed was £515.0m which had not included projected payments.

10. Other creditors

Accounting policy

Other creditors are measured at amortised cost. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

£m	2023	2022
Other creditors	8.1	4.9
Accruals	9.4	12.0
	17.5	16.9

General information continued

11. Related undertakings

The registered office of all subsidiary undertakings is Lodge Way House, Lodge Way, Harlestone Road, Northampton NN5 7UG except for companies with a superscript where the registered office is given after the list of subsidiary companies and investments.

Active subsidiary companies (100% ownership and UK registered)

CCF Limited
Independent Construction Technologies Limited[1]
Keyline Civils Specialist Limited[2]
Staircraft Group Limited[1]
The BSS Group Limited
The Cobtree Scottish Limited Partnership[1]
Tools & Fasteners Solutions Limited
Toolstation Holdings Limited
Toolstation Limited
TP Property Company Limited
Travis Perkins Group Holdings Limited
Travis Perkins (Properties) Limited
Travis Perkins Finance Company Limited
Travis Perkins Leasing Company Limited
Travis Perkins P&H Group Holdings Limited
Travis Perkins Trading Company Limited
Wickes Properties Limited

Dormant & non-trading subsidiary companies (100% ownership and UK registered)

Benchmarx Kitchens and Joinery Limited
British Steam Specialties (International) Limited (The)
BSS (UK) Limited
BSS GPS Trustee Limited
Builders Mate Limited
Built For Trade Limited*[3]
Cobtree Nominees Limited
E. East & Son Limited
IJM Enterprises Limited*[3]
JS Towell Limited*[3]
MD-DOR3 Limited*[3]
MD-DOR4 Limited
Monteith Building Services Limited*[4]
P. H. Properties Limited[1.]
P.T.S. Plumbing Trade Supplies Limited
Terant Supplies Limited
Tile It All (UK) Limited *[3]
The BSS EBT Company Limited
Tile Giant Holdings Limited
TP Directors Ltd
TP General Partner (Scotland) Limited[1]
TPG Management Services Limited
Travis Group Limited
Travis & Arnold Limited
Travis Perkins Capital Partner Limited
Travis Perkins Financing Company No.3 Limited
Travis Perkins Merchant Holdings Limited
Travis Perkins (PSL2015) Limited*[3]
Tricom Group Limited

* companies in voluntary liquidation

Other subsidiary companies

BSS (Ireland) Limited[5]
Gestion Tolstation inc.[6]
Toolexpert Benelux BV[7]
Toolstation BV[7]
Toolstation NV/SA[8]
Toolstation Europe BV[7]
Toolstation Europe Limited
Toolstation Netherlands BV[7]
Toolstation SAS[10]
Travis Perkins Hong Kong Limited[11]
Travis Perkins Sourcing (Shanghai) Ltd[12]

Investments

Company Name	Registered	% ownership	Status
Hermitage Park Management Company Limited[13]	United Kingdom	25	Active

Registered offices (not Lodge Way House)

1 Ryehill House, Ryehill Close, Lodge Farm Industrial Estate, Northampton, England, NN5 7UA, United Kingdom
2 50 Mauchline Street, Glasgow, G5 8HQ, United Kingdom
3 C/O Mazars LLP, 1st Floor Two Chamberlain Square, Birmingham, B3 3AX, United Kingdom
4 C/O Mazars LLP, Restructuring Services Apex 2, 97 Haymarket Terrace, Edinburgh, EH12 5HD, United Kingdom
5 White Heather Industrial Estate, South Circular Road, Dublin, 8, Ireland
6 5303 boul. Saint-Laurent, Montréal Québec H2T1S5, Canada
7 Brandpuntlaan Zuid 12, 2665NZ, Bleiswijk, Netherlands
8 Boomsesteenweg 58, 2630 Aarlselaar, Belgium
9 Regus Building, Kranhaus 1, Business Centre GmbH Co KG, Im Zollhafen 18, 50678 Koln, Germany
10 61 Route de Grenoble, 69800 Saint Priest, Lyon, France
11 Suite 2401, 24/F, China Insurance Group Building, 141 Des Voeux Road, Central, Hong Kong
12 Building No.17, No. 800 Changde Road, JingAn District, Shanghai 200040
13 C/O Bruton Knowles Llp 2 Paris Parklands, Railton Road, Guildford, Surrey, United Kingdom, GU2 9JX

12.Share-based payments

The Company operates a number of share incentive plans. A description of the share schemes operated by the Group, including that of the Company, is contained in the remuneration report on page 108 and pages 126 to 128 and in note 32 to the consolidated financial statements.

13.Related party transactions

The Company has a related party relationship with its subsidiaries, its Directors and with its pension schemes. In addition the remuneration of the Directors, and the details of their interests in the share capital of the Company are provided in the audited part of the remuneration report on pages 106 to 133. Other than the payment of remuneration there have been no related party transactions with Directors.

Details of balances outstanding with subsidiary companies are shown in notes 4 and 7 and in the balance sheet on page 191.

Five-year summary

Consolidated income statement

	2023 £m	2022 £m	2021 £m	2020 (re-presented) £m	2019* £m
Revenue	**4,861.9**	4,994.8	4,568.7	3,697.5	6,955.7
Operating profit before amortisation and adjusting items	**180.4**	295.3	352.8	128.3	441.5
Amortisation	**(10.5)**	(10.5)	(11.1)	(8.6)	(9.0)
Adjusting items – operating	**(60.0)**	–	6.8	(92.7)	(200.4)
Operating profit	**109.9**	284.8	348.5	27.0	232.1
Adjusting items – business acquisitions	**–**	–	–	–	40.3
Share of associates' results	**–**	–	–	0.1	(4.3)
Net finance costs	**(39.9)**	(39.8)	(42.9)	(47.4)	(87.3)
Profit/(loss) before tax	**70.0**	245.0	305.6	(20.3)	180.8
Adjusting items – deferred tax	–	–	(4.7)	(9.0)	(27.1)
Income tax expense	**(31.9)**	(52.8)	(60.1)	(5.8)	(30.9)
Net profit/(loss) from continuing operations	**38.1**	192.2	240.8	(35.1)	122.8
Net profit from discontinued operations	**–**	–	38.1	13.2	–
Profit/(loss) for the period	**38.1**	192.2	278.9	(21.9)	122.8
Basic earnings/(loss) per share from continuing operations	**18.1p**	90.8p	103.9p	(14.3p)	48.9p
Basis earnings per share from discontinued operations	**–**	–	16.4p	5.3p	–
Adjusted earnings per share	**45.7p**	94.6p	107.3p	21.0p	112.7p
Dividend declared per ordinary share	**18.0p**	39.0p	73.0p	–	48.5p
Number of branches at 31 December (includes branches of associates)	**1,507**	1,484	1,513	1,389	2,154
Average number of colleagues	**19,172**	19,956	18,833	17,512	30,059

* The comparative numbers for 2019 were not re-presented for discontinued operations

Consolidated free cash flow statement

	2023 £m	2022 £m	2021 £m	2020 (re-presented) £m	2019* £m
Adjusted operating profit	**180.4**	295.3	352.8	128.3	441.5
Less: Profit on disposal of properties	**(15.1)**	(25.3)	(48.9)	(9.2)	(20.6)
Adjusted operating profit excluding property profit	**165.3**	270.0	303.9	119.1	420.9
Depreciation of property, plant and equipment	**80.3**	73.6	69.2	60.0	97.5
Amortisation of internally generated intangibles	**4.6**	6.5	9.7	11.5	23.5
Share-based payments	**14.6**	17.0	19.1	12.2	19.9
Movement on working capital	**(22.2)**	(76.5)	(151.8)	197.4	(128.7)
Other net interest paid	**(25.0)**	(16.9)	(13.6)	(28.3)	(26.2)
Interest on lease liabilities	**(26.2)**	(21.5)	(21.2)	(21.3)	(57.0)
Income tax paid	**(40.6)**	(57.6)	(59.9)	(27.6)	(52.9)
Capital expenditure excluding freehold purchase	**(108.6)**	(110.0)	(95.0)	(87.1)	(120.9)
Disposal of plant and equipment	**2.0**	10.1	4.4	5.4	19.4
Free cash flow	**44.2**	94.7	64.8	241.3	195.5

* The comparative numbers for 2019 were not re-presented for discontinued operations.

Consolidated balance sheet

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Assets					
Non-current assets					
Property, plant and equipment	**848.4**	847.3	800.1	830.4	882.0
Goodwill and other intangible assets	**947.8**	974.9	978.7	1,670.5	1,691.7
Right-of-use assets	**530.4**	451.7	439.8	1,145.5	1,276.8
Interest in associates	–	–	–	–	1.9
Other receivables	**14.2**	17.2	0.7	–	–
Retirement benefit asset	**100.6**	135.9	275.8	178.4	57.5
Investment property and other investments	–	–	–	9.2	6.7
Derivative financial instruments	**2.9**	4.3	–	–	–
Deferred tax asset	**18.0**	15.0	13.9	–	–
Current assets					
Inventories	**727.6**	727.8	724.4	840.7	937.8
Trade and other receivables	**689.6**	725.9	706.7	892.7	1,239.7
Tax debtor	**14.5**	0.7	–	6.5	–
Derivative financial instruments	–	–	0.2	–	–
Cash and cash equivalents	**131.5**	235.7	459.8	505.6	207.9
Assets held for sale	–	–	–	–	138.0
Total assets	**4,025.5**	4,136.4	4,400.1	6,079.5	6,440.0
Capital and reserves					
Issued capital	**23.8**	23.8	25.2	25.2	25.2
Share premium account	**545.6**	545.6	545.6	545.6	545.6
Merger reserve	**326.5**	326.5	326.5	326.5	326.5
Own shares	**(14.1)**	(34.3)	(61.4)	(39.5)	(50.8)
Other reserves	**23.5**	27.4	14.6	15.5	13.6
Accumulated profits	**1,135.0**	1,213.2	1,387.3	1,840.5	1,722.6
Equity attributable to owners of the Company	**2,040.3**	2,102.2	2,237.8	2,713.8	2,582.7
Non-controlling interests	–	–	–	–	4.4
Total equity	**2,040.3**	2,102.2	2,237.8	2,713.8	2,587.1
Non-current liabilities					
Interest-bearing loans and borrowings	**445.1**	349.1	575.2	575.7	583.3
Lease liability	**518.8**	438.3	414.7	1,168.3	1,253.6
Derivative financial instruments	–	–	–	–	–
Retirement benefit obligations	–	–	–	–	4.9
Long-term provisions and other payables	**3.8**	4.9	6.8	21.9	8.0
Deferred tax liabilities	**92.8**	96.0	140.4	77.2	62.7
Current liabilities					
Interest-bearing loans and borrowings	–	192.5	–	–	–
Lease liability	**89.6**	74.3	74.5	158.8	158.7
Derivative financial instruments	**0.4**	0.2	–	1.6	2.5
Trade and other payables	**795.4**	852.4	921.1	1,304.2	1,613.9
Tax liabilities	–	–	0.4	–	13.4
Short-term provisions	**39.3**	26.5	29.2	58.0	60.4
Total liabilities	**1,985.2**	2,034.2	2,162.3	3,365.7	3,761.4
Liabilities held for sale	–	–	–	–	91.5
Total equity and liabilities	**4,025.5**	4,136.4	4,400.1	6,079.5	6,440.0

ESG data report (including SASB data)

	Unit of Measure	SASB reference	2023	2022	2021	2020	2019
Energy and fuel							
Total energy consumed	kWh	N/A (SECR compliance)	**311,809,636**	322,116,912	364,826,976	339,716,233	415,844,450
Total UK energy consumed	kWh		**306,260,839**	313,744,004	358,494,358	334,383,277	415,844,450
Total Non-UK energy consumed	kWh		**5,548,797**	8,372,908	6,332,618	5,332,957	0
Total energy consumed	Gigajoules (GJ)	CG-MR-1.30a.1	**1,122,515**	1,080,095	1,313,377	1,222,978	1,497,040
Grid energy	%	CG-MR-1.30a.1	**34.58**	34.67	28.35	33.35	27.40
Renewable energy	%	CG-MR-1.30a.1	**21.85**	23.50	5.83	0	0
Fuel consumption	Litres	N/A	**19,600,396**	20,680,219	22,650,200	21,430,651	28,068,903
Waste							
Non-hazardous Waste	Tonnes	N/A	**28,149**	27,238	28,175	18,946	27,561
Hazardous Waste	Tonnes	N/A	**252**	297	229.0	236	457
Landfilled Waste	Tonnes	N/A	**1,075**	1,622	1,492	1,353	1,773
Recycled Waste	Tonnes	N/A	**10,837**	8,656	10,084	9,614	11,535
Incinerated Waste	Tonnes	N/A	**16,237**	16,960	16,829	8,216	14,710
Total waste	Tonnes	N/A	**28,401**	27,535	28,404	19,182	28,018
Data Security							
Data breaches	#	CG-MR-230a.2	**0**	0	0	1	1
Involving Personally Identifiable Information ("PII")	%	CG-MR-230a.2	**0**	0	0	100	100
Customers affected	#	CG-MR-230a.2	**0**	0	0	9	4
Description of approach to identifying and addressing data security risks	Text	CG-MR-230a.1	"See text below the table"				
Labour practices							
Average hourly wage	£	CG-MR-310a.1	**13.21**	13.54	12.8	12.4	12.2
In-branch colleagues earning minimum wage by region	%	CG-MR-310a.1	**0.0%**	0.0%	0.7%	7.4%	4.4%
Voluntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	**17.3%**	20.6%	19.6%	10.7%	20.3%
Involuntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	**7.1%**	5.7%	4.2%	9.9%	5.5%
Total amount of monetary losses as a results of legal proceedings associated with labor law violations	£m	CG-MR-310a.3	**0.0**	0.0	0.0	0.0	0.0
Workforce Diversity and Inclusion							
Gender							
Management							
Female	%	CG-MR-330a.1	**21.6%**	23.6%	20.6%	18.3%	19.6%
Male	%	CG-MR-330a.1	**78.4%**	76.4%	79.4%	81.7%	80.4%
Not available or Not disclosed	%	CG-MR-330a.1	**0%**	0%	0%	0%	0%
All other employees							
Female	%	CG-MR-330a.1	**25.0%**	25.6%	25.7%	20.7%	19.6%
Male	%	CG-MR-330a.1	**75.0%**	74.4%	74.3%	79.3%	80.4%
Not available or Not disclosed	%	CG-MR-330a.1	**0%**	0%	0%	0%	0%

	Unit of Measure	SASB reference	**2023**	2022	2021	2020	2019
Ethnic group							
Management							
Asian	%	CG-MR-330a.1	**2.4%**	2.5%	1.9%	2.0%	2.0%
Black or African American	%	CG-MR-330a.1	**0.7%**	0.7%	0.5%	0.3%	0.3%
Hispanic or Latino	%	CG-MR-330a.1	**0.9%**	0.8%	0.9%	0.7%	0.6%
White	%	CG-MR-330a.1	**80.0%**	80.1%	82.5%	85.9%	74.3%
Other	%	CG-MR-330a.1	**0.3%**	0.3%	0.4%	0.5%	0.3%
Not available or Not disclosed	%	CG-MR-330a.1	**15.7%**	15.7%	13.7%	10.7%	22.5%
All other employees							
Asian	%	CG-MR-330a.1	**2.7%**	2.5%	2.6%	2.0%	1.5%
Black or African American	%	CG-MR-330a.1	**1.3%**	1.2%	1.0%	0.7%	0.6%
Hispanic or Latino	%	CG-MR-330a.1	**1.5%**	1.5%	1.6%	1.4%	1.2%
White	%	CG-MR-330a.1	**64.0%**	65.1%	64.3%	67.8%	60.3%
Other	%	CG-MR-330a.1	**2.5%**	0.5%	0.7%	0.7%	0.5%
Not available or Not disclosed	%	CG-MR-330a.1	**28%**	29.3%	29.8%	27.4%	36.0%
Total amount of monetary losses as a result of legal proceedings associated with employee discrimination	£m	CG-MR-330a.2	**0.01**	0	0	–	0.04
Product Sourcing, Packaging and Marketing							
Revenue from products third-party certified to environmental and/or social sustainability standards	£m	CG-MR-410a.1	**407**	538	555	386	445
Description of processes to assess and manage risks and/or hazards associated with chemicals in product	Text	CG-MR-410a.2	"See text below the table"				
Discussion of strategies to reduce the environmental impact of packaging	Text	CG-MR-410a.3	"See text below the table"				
Water consumption							
Water consumption	m3	N/A	277,610	258,321	316,852	281,050	260,845

CG-MR-230a.1: Description of approach to identifying and addressing data security risks

Travis Perkins Group approaches the identification of vulnerabilities in its information systems through a combination of people, process and technology, and uses the NIST CyberSecurity Framework to track its maturity and alignment to ISO 27001.

The activities of building, procuring, deploying, running and managing IT systems (some or all of which are underway at any point in time) are conducted in accordance with policy and standards, the currency of which is maintained through periodic review. Any exceptions to policies or standards are risk-assessed, managed and monitored via a stringent exceptions process, including sign off by system and data owners. The Group allocates specific funding for delivery of security-related projects to improve our security maturity and manage risk within appetite.

Regular data protection training is a required part of every colleague's learning plan and cyber awareness training is available to the business. Furthermore, colleagues are targeted regularly with phishing campaign testing using a market leading approach.

Technology is deployed across the IT estate to both protect and detect against cyber threats and attacks, such as firewalls, proxies, data loss prevention, XDR and continuous monitoring and logging into a Security Information and Event Management (SIEM). Security events are monitored 24/7/365 to ensure the detection of events is achieved in a timely manner.

From a testing perspective, regular penetration tests and vulnerability scans are performed on components of the IT infrastructure and systems to identify any exploitable vulnerabilities. Where vulnerabilities are found these are assessed, actioned and tracked by the Information Security Team.

The Group also regularly tests its incident response capabilities via table top exercises to ensure the effectiveness of its incident response plans and playbooks.

The approach described above forms part of the Group's internal control and assurance framework and will be reviewed as determined by the Internal Audit Plan, to ensure that risks are adequately mitigated.

CG-MR-410a.2: Description of processes to assess and manage risks and/or hazards associated with chemicals in product

The Group requires its suppliers to adhere to its published 'Supplier Commitments' (https://www.travisperkinsplc.co.uk/media/eywditos/2542360-group-plc-supplier-commitments-document-update-july-2021-hr-3.pdf#62). Suppliers are required to notify immediately where any product supplied contains substances of very high concern (SVHCs), explosives precursors or poisons or has other restrictions on sale and to take steps to replace any products that contain restricted substances or SVHCs with suitable alternatives. For such products, suppliers are required to provide a Safety Data Sheet (SDS). The business undertakes supplier assessments either via an Online Risk Assessment or via factory audits, based on risk, to assess adherence to the Supplier Commitments. The supplier assessment programme covers both private label and branded product suppliers. Restricted products are flagged within the business systems, triggering processes at point of sale to ensure they're not sold to underage customers (i.e. solvents). This includes, for example,

- corrosive products, under the Offensive Weapons Act 2019, including acids and chemicals which may burn the skin but not normal strength household bleach and cleaners); and
- solvents, under the Psychoactive Substances Act 2016, including glues and adhesives, flammable products such as fire lighter fluid, solvent cement, paint stripper, thinners, essentially any substances which are capable of producing a psychoactive effect in a person who consumes it and it is not an exempted substance; and
- spray paint and aerosols; under the Anti-Social Behaviour Act 2003.

There is a requirement in the Group Supplier Manual (https://www.travisperkinsplc.co.uk/media/r5mjnvcm/2554116-group-plc-supplier-manual-update-oct-21-v01-2.pdf) for suppliers delivering to the Group's sites to provide a safety data sheet for all substances delivered which are harmful to health.

CG-MR-410a.3: Discussion of strategies to reduce the environmental impact of packaging

The Group is committed to reducing its environmental impact relating to packaging. For more information on objectives and progress, please refer to page pages 40 to 41. The Group held a number of webinars during 2023 focusing on different ESG topics. A 'Packaging & Waste' webinar was attended by over 50 suppliers in September 2023. The session focussed on the new EPR requirements and outlined some of the good practice packaging reductions achieved by suppliers through-out the year. The webinar also reiterated the request for suppliers to review packaging materials and continue eliminating single use plastic, increase the amount of recycled content and improve recyclability. Throughout 2023 the Group also worked with the direct sourcing team to optimise the amount of material used, achieving packaging reductions and improvements. The Group continued to obtain packaging data from its suppliers which is differentiated by packaging levels; primary, secondary and tertiary, and by material type.

In terms of influencing others, the Group will continue its work with the Supply Chain Sustainability School (SCSS) to raise awareness and share best practice on packaging reductions and transitioning to more sustainable packaging solutions.

Travis Perkins and BSS branches continue to backhaul cardboard, plastic and wood packaging to their distribution centres where it is processed and sent for reprocessing.

Other shareholder information

Financial diary

Ex-dividend date	28 March 2024
Record date	2 April 2024
Annual General Meeting	22 April 2024
Trading statement	25 April 2024
Payment of final dividend	9 May 2024

Annual General Meeting ("AGM")
The AGM will be held on 22 April 2024 at 9am.

Registrars
For information about shareholdings and dividends and to report changes to your address, bank details or any other account information please contact the Company's registrars:

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholder portal: www.travisperkins-shares.com
Email: shareholderenquiries@linkgroup.co.uk
Telephone: +44 (0) 371 664 0300*

Shareholder portal
You can view and manage your shareholder account online via the shareholder portal www.travisperkins-shares.com. You will need to register to use this service and to do so you will require your unique investor code ("IVC"), which can be found on your share certificate or dividend confirmation.

Dividends
It is more secure to have your dividends paid directly into your bank account than by cheque. If you do not already have your dividends paid directly into your account and would like to do so, you can do this on the shareholder portal www.travisperkins-shares.com or you can contact Link Group and they will send you the relevant form to complete. Shareholders outside the United Kingdom may be able to make use of Link's International Payment Service facility to have dividends converted into your chosen currency. For further details please contact Link or visit https://ww2.linkgroup.eu/ips.

Shareholder communications
Company website Travis Perkins plc Annual and Interim Reports, results announcements and presentations are available on the Investors section of our website www.travisperkinsplc.co.uk. The website also carries a range of information about the Group and its principal brands, products and services which can be accessed via the "Our Businesses" section.

Annual Report
The Annual Report is published on our website and a hard copy will be posted to shareholders who have requested it. All other shareholders will be notified of its availability on the website, either in writing or by email. A paper copy is available by writing to the Company Secretary at the following address:

Lodge Way House
Lodge Way
Harleston Road
Northampton
NN5 7UG

Email: cosec@travisperkins.co.uk

Electronic shareholder communications
The Company prefers that you receive your shareholder communications electronically. This is a faster, more environmentally friendly and more effective way to communicate with you. If you have received a paper copy of this report or notification of its availability by post and would like to receive fully electronic communication, please register your preference on the shareholder portal www.travisperkins-shares.com.

Shareholder services
The Company's registrars provide a number of other services that, as a shareholder, might be useful to you:

Duplicate share register accounts
If you are receiving more than one copy of our report, or notification by post of its availability online, it may be that your shares are registered in two or more accounts on our register of members. If that is not your intention you may wish to consider merging the accounts into one single entry. Please contact Link Group who will be pleased to help you.

Dividend Re-Investment Plan ("DRIP")
This is a scheme which allows shareholders resident in the United Kingdom, Channel Islands and Isle of Man to use your dividends to buy shares in Travis Perkins. For any shareholders who wish to re-invest dividend payments in the Company, a facility is provided by Link Market Services Trustees Limited in conjunction with the Company's Registrar. Full details are available by calling Link on +44 (0) 371 664 0381. Alternatively, you can sign up for this service on the shareholder portal (by clicking on "Manage your account" followed by "Dividend payments" and following the on-screen instructions).

Share-dealing services
Share-dealing services are available to shareholders resident in the UK, Channel Islands and Isle of Man from the Company's Registrar:
On-line dealing: ww2.linkgroup.eu/share-deal/
Telephone dealing: +44 (0) 371 664 0445*

These services are only available to private shareholders resident in the UK.

* Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday with the exception of share-dealing lines which are open from 8.00am to 4.30pm

Travis Perkins plc

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