

Nurturing key relationships

Our customers



Key issues our customers care about

- Product quality
- Feeling part of a community
- Technology to make the process easier
- Timely and relevant communication
- Affordability
- Homebuying process
- Responsiveness to issues

How we engage

- Customer portal, Touchpoint
- Customer research project including interviews and focus groups
- Social media
- Meetings
- Customer Journey

Priorities for 2019

- Ensuring that all stages of our build process are right first time
- Meeting our high standards consistently
- Develop our placemaking skills and a strong commitment to design and timing / location of infrastructure
- Ensure that our customer facing IT is rolled out properly and we continue to collect feedback and improve on what is working (and what is not)

BM Read more on page 28

il Read more on pages 14 and 15

What we do

We have already refocused our strategy to become a customer-centric homebuilder by better identifying and responding to our customers' needs. We have made a significant step change in our business over the last four years and have made great strides in our customer service approach. However, there are things that we can and must do better. We now need to ensure the focus of all key business decisions is on identifying our customers' needs and delivering on them in a commercially sound way. This includes offering improved products, continually updating our customer facing processes (particularly around electronic communications), a renewed focus on placemaking and community development, and a sense of shared responsibility for our customers' financial ability to access our homes. The Board and the employees of Taylor Wimpey believe fundamentally in this long term principle for the business, and that it should govern our key decisions.

Why is it important for all our stakeholders?

We recognise that buying a home is a major financial and emotional investment and it is critical that we give our customers the right experience. We believe this will ultimately make us a higher quality and more sustainable business. Whilst we operate in a cyclical market, we strongly believe that a customer-centric approach is needed throughout the cycle. By enhancing every step of our customers' buying and after service experience, building homes which are right first time and right for their income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders. In this way we can grow the business, providing more homes to more people, whilst continuing to manage the cycle cautiously and without compromising on quality.

Customer feedback

We have made a significant step change in our business over the last four years and are pleased to have achieved a customer satisfaction score of over 90% as measured by the Home Builders Federation (HBF) survey. Whilst we have made great progress and over 90% of customers would recommend Taylor Wimpey to a friend (2017: 89%), this performance often drops over time, a common trend across the industry. There are of course a number of contributing factors, and not all within our control, but we start from the point that to be genuinely customer-centric, we have to understand the causes and look for solutions.

We have therefore introduced the National House-Building Council (NHBC) 9-month 'would you recommend' score, as an additional Key Performance Indicator (KPI), which captures the feedback from customers living in their homes for nine months.

Right first time quality

We have introduced the NHBC Construction Quality Review score as a new KPI in the business which measures build quality at key build stages. In 2018 we scored an average of 3.93 (2017: 3.74) from a possible score of six. This compares with an industry average score of 3.68 and we have moved from 12th to 5th nationally over the last year. We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build. Our target is to achieve at least a four rating by 2020 for each regional business.

During 2018 we rolled out our Consistent Quality Approach (CQA) guidelines to make sure our Site Managers, subcontractors, production and customer service teams all have a consistent understanding of the finishing standards we expect on all Taylor Wimpey homes. We are developing specific guidance within the CQA for the different trades working on our sites that will form part of our framework agreements with contractors in the future. We plan to produce a version of the CQA for customers in 2019 so they know what they should expect from us.

We are a signatory to the UK Consumer Code for Home Builders that aims to improve information and protect the rights of buyers. We remain supportive of the Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry.

We also engage in discussions with the HBF and other housebuilders over how to improve complaints and redress processes for customers.

Help to Buy

We welcome the Government's announcement within the Autumn Budget to introduce tapering measures to the Help to Buy scheme as the Equity Loan Scheme transitions to a close in 2023. Help to Buy has been popular with our customers and has supported them in getting onto and moving up the housing ladder, however, we believe that the changes announced are appropriate and are in the best long term interests of the housing market and homebuyers.

Springboard



Springboard, our rent to buy scheme, was recently trialled at our Kilnwood Vale development in Faygate, West Sussex, with 14 one, two and three-bedroom homes. Success of the programme will be monitored, giving the opportunity to gain valuable feedback on our service and customer satisfaction.

Ryan Hook and Samantha Goddard Hook found out about Springboard through Facebook. Before moving to Kilnwood Vale, they were renting a house in Crawley from a private landlord and had been without hot water for over three months. On securing the property, they said: "This three-storey property gives us the family space we have craved as our children get older!"

Understanding our customers

Over the years our customers' communication preferences have changed. We continue to make improvements to our online capabilities, including our website and use of social media such as Facebook, Twitter and Instagram.

We aim to give our customers clear and useful information so they know what to expect throughout the home buying process and how to contact us when they need to. Touchpoint, our online portal, is now available to all new customers. Customers can log in, at any time and from any device, to check the progress of their new home, contact our teams, request appointments and find out about their new neighbourhoods. With Touchpoint they can also customise and select home layout and fitting options, including trying out different configurations for kitchens and bathrooms. After they move in they can use Touchpoint to access manuals and user guides, to contact our aftercare teams and to report any issues.

Innovation

Social, demographic, economic and environmental trends will all have an impact on our future business and the types of homes our customers need. We are prioritising research and development, seeking out new processes and products that can improve efficiency and sustainability, and also improve quality and the final product for customers. We invest in research and innovation to help us meet changing customer requirements, to continue to improve the quality and sustainability of our homes and to improve efficiency and deal with challenges such as the skills shortage. We appointed our first Research and Development Manager in 2018 to coordinate our research efforts.

The build of our Project 2020 prototype homes in 2018, following our design competition with the Royal Institute of British Architects (RIBA), has been particularly useful in providing new insights.

During 2018 we ran a pilot for a new Taylor Wimpey rent to buy scheme, Springboard. This scheme enables first time buyers to rent a property for up to five years, without a rental deposit which we know is often a challenge for those renting and trying to save up for a deposit at the same time. After a minimum of two years the customer is given an option to purchase the property at a 5% discount. We piloted Springboard at one site, with 14 new one, two and three-bedroom properties. This proved to be very popular, with 12 of the 14 homes reserved within the first weekend. Springboard enables us to explore different customer needs, and gives us the potential to open up a different, and further, route to market, depending on market conditions. More information can be found within the case study above.

A responsible business

Whilst the majority of our customers would recommend us to their friends, we acknowledge that we do not always get it right for our customers and sometimes fall short of our high standards. Where this is the case, we work with customers to put this right and learn from our mistakes. We remain supportive of the Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry.

During 2018, we took a number of steps to help us respond more efficiently and effectively to customers, and to resolve issues more quickly. We have launched a new two-day training course for our Heads of Customer Service and Customer Service Managers. We have also improved our complaint handling processes so we have better oversight of the number of complaints made, the types of issues raised and the time taken to resolve them.

The Ground Rent Review Assistance Scheme (GRRAS) announced in April 2017 is progressing well with a continuing number of customers accessing the GRRAS. Our objective is to ensure our customers are put back into a position they would have been had the doubling lease not been in place, by converting the ten-year doubling ground rent clause to an industry standard RPI-based structure, comparable to that used in the majority of residential leases in the UK. We have reached agreement with freeholders representing 95% of the leases concerned, with a further 2% in advanced legals. All of our customers that currently have the option of converting their ten-year doubling lease to an RPI-based structure have been contacted about this either by Taylor Wimpey or the freeholder directly.

Following the tragic fire at Grenfell Tower, we conducted a detailed review into all legacy and current buildings with Aluminium Composite Material (ACM) cladding and worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, we have in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support our customers both financially and practically with removal and replacement of ACM, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. We took this decision for buildings we constructed recently because we believe that it is morally right, not because it is legally required. At the year end, replacement works had been completed on one development and were underway on another. Since the year end we have started work on a further development.

Creating value for stakeholders continued

Our employees



Key issues our employees care about

- Health and safety
- Reward and benefits
- Technology
- Charities
- Flexible working
- Customer service
- Becoming the employer of choice
- Pensions
- Strategy

How we engage

- National and regional employee forums
- All employee strategy engagement survey
- Emails
- Yammer
- Focus groups
- Conferences
- Appraisals
- Internal teamTALK magazine
- Bi-weekly teamTALK express newsletter

Priorities for 2019

- Ensure that everyone has a high-quality development plan and feels engaged and supported by the business
- Improving our induction processes to ensure the best possible joining experience for all new starters and getting new employees quickly embedded into our culture
- Continuing the work to deepen the diversity and quality of our recruitment pool, particularly focusing on people who have not historically considered a career in housebuilding
- Make flexible working a real possibility for all employees throughout the business
- Creating a consistent framework and development path for early and ongoing talent management
- We will launch our new Code of Conduct in 2019. This will summarise our key policies and help employees to meet high standards of integrity and conduct in their work

 **Read more** in our 2018 Sustainability Report

We aim to be the employer of choice in the housebuilding industry.

What we do

We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives all individuals the opportunity and support to develop to their full potential, regardless of market conditions or their background. With the ongoing challenge for skills and resources in the housebuilding sector and the targets we have set ourselves, we have continued to focus on how we effectively attract, develop, and retain our people so that they are fully engaged with the company to deliver both our short term targets and longer term strategic goals.

Why is it important for all our stakeholders?

Individually, and by working together, our employees are crucial to driving our success. We believe that having the right people with the right skills at all levels in our organisation is critical to building a quality, sustainable business and delivering our strategy.

We may be a national homebuilder, but for our customers it is their interactions with the local site and sales team and regional office that matters. This is where their impression of Taylor Wimpey is formed and where we strive to prove to them

that they made the right choice choosing a Taylor Wimpey home. Embedding our approach to customers and getting buy in and commitment from our employees has been a key part of our strategy.

Skills

We have made a significant investment in, and commitment to, the recruitment of our next generation of future leaders, including extending our trainee schemes and investing in the skills and development of our employees across the business, to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle. During 2018 we directly employed, on average, 5,358 people across the UK (2017: 4,893) and provided opportunities for a further 13k operatives on our sites. Our voluntary employee turnover rate remained low at 14.5% (2017: 14.0%).

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 67 Quality Awards (2017: 62), 19 Seal of Excellence Awards (2017: 24) and three Regional Awards in 2018 (2017: two). Paul McLachlan from our North Yorkshire business also won the 2018 Supreme Award in the Large Builder category, after achieving Runner-up in 2017.

Health and safety

We have a comprehensive Health, Safety and Environmental (HSE) Strategy and a fully integrated HSE Management System in place which is regularly reviewed at all levels.

Whilst our AIIR remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, we are not complacent and we will continue to seek to improve this. Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 228 in 2018 (2017: 152). Our AIIR for major injuries per 100,000 employees and contractors was 64 in 2018 (2017: 54).

We were deeply saddened by the tragic death of a subcontractor on our Stoneley Park site in Crewe in 2018 following a serious accident. We are assisting the Health and Safety Executive with the accident investigation and await their findings. We have offered support to everyone working on the site, encouraging them to access counselling via our confidential and free employee assistance scheme.

A great place to work

Top 10

Glassdoor
Best places to work
in the UK: 2019

glassdoor

2019 BEST
PLACES
TO WORK



The rates of mental health issues can be higher than average in the construction sector. We want to be a workplace where people feel supported and can get help when they need it. We launched our first Health and Wellbeing campaign and training in 2018, and will roll out further initiatives throughout 2019.

We not only create homes that our customers want to live in, we want to ensure that every step of the way, health and safety is at the forefront. Partnering with contractors on safety issues is critical to keeping everyone safe on site. Before we agree to work with a contractor, we require details of their risk assessment process and safety procedures for their area of activity. We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our health, safety and environment (HSE) site induction. One of the key issues to address is preventing 'safety sign blindness', and keeping safety at the front of everyone's minds on site.

The HSE induction is supported by regular poster campaigns and talks on key topics. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise on ensuring that everyone leaves our sites safe and well.

Early talent development

We aim to attract more young people to careers in our sector by offering a wide range of attractive entry-level roles. This work is overseen by our Future Talent Manager.

During 2018, we recruited 175 people into our early talent programmes which includes graduates, management trainees and site management trainees (2017: 126). A key priority for 2019 will be creating a more consistent framework and development path for early and ongoing talent management.

We relaunched our management trainee programme to help us increase recruitment into five key roles: site managers, quantity surveyors, buyers, design and planning executives and engineers. Trainees now complete a three-year development programme with the opportunity to gain professional qualifications.

Our two-year graduate programme enables employees to learn on the job through placements in different parts of the business and through intensive formal training programmes, focusing on self-awareness, business skills and technical understanding. As well as our general graduate programme, we also run graduate schemes focused on strategic land, finance, and project management.

Employee engagement

Across our business operations, we want our employees to adopt our customer-centric culture and to understand the important role they play with our customers. During 2018 we ran a very successful engagement programme featuring emails, presentations, meetings and focus groups hosted by senior management across the country as well as an all staff survey.

Direct labour

During 2018, we began our first direct labour model, increasing the number of trades people we hire directly (as well as through subcontractors). This includes both experienced tradespeople and new recruits to the industry, such as apprentices and people looking for a career change. We piloted this approach in six regions during 2017 and 2018, focusing on five key trades: bricklayers, carpenters, scaffolders, painters and joiners. We currently directly employ 748 key trades including trade apprentices (2017: 581), a 29% increase on 2017.

Diversity and inclusivity

We aim to be an inclusive employer and to attract, retain and promote employees from all backgrounds. We have developed a Diversity and Inclusion Strategy that focuses on the impact of leadership for creating and maintaining a diverse and inclusive culture; improving how diversity and inclusion are embedded into our policies and procedures, and reflecting our commitment to this. We published our second Gender Pay Gap report in March which can be found on the diversity section on our website.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as business conduct, equal opportunities, anti-corruption and whistleblowing. We do not consider this a material issue in our business.

Health and wellbeing



In the UK 1 in 4 people will experience a mental health issue each year, this number is even higher in the construction industry. To break the stigma and to promote a supportive working environment, during 2018, as part of our Health and Wellbeing campaign, we launched mental health training sessions. Every employee attended a 'Start the Conversation' session developed by Mates in Mind, a charity which works within the construction industry to raise awareness of mental health issues. Line Managers also received 'Manage the Conversation' training and each business has 'Mental Health First Aiders' who are trained in recognising more specific mental health disorders.

Creating value for stakeholders continued

Our partners



Key issues our partners care about

- Deliverability
- Reliability
- Reputation
- Financial stability
- Cost
- Health and safety
- Collaboration

How we engage

- Meetings
- Workshops
- Supply Chain Sustainability School
- Participating in Local Plans and consultations
- Trade associations
- Briefings
- Tool box talks
- Conferences

Priorities for 2019

- Strengthen relationships with suppliers and increase collaboration
- Continue to work with land vendors, communities and local authorities to convert land from the strategic pipeline into the short term landbank
- Continue our commitment to charities
- Engage our subcontractors with our customer-centric strategy



Read more in our 2018 Sustainability Report

What we do

We believe in the value of working together with our partners, suppliers and other stakeholders and are committed to supporting charities and local community groups.

Why is it important for all stakeholders?

We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations. We accept we sometimes get it wrong, but we are trusted to do the right thing and it makes a difference.

Industry bodies

We are working with the HBF and the Health and Safety Executive on an industry-wide initiative to assess the risks of construction-related dust on sites and develop practical tools and control measures for reducing operatives' exposure. We have standard dust control procedures on all sites, including the use of respiratory protection and extraction equipment. In 2018 we worked with our dry lining and carpentry contractors to promote the use of vacuums that automatically collect up dust from equipment. We provide advice and help to small and medium sized businesses with HSE risk assessments and other site-specific procedures that they need to prepare in order to tender for work with us.

We work with others in our industry and with government, suppliers and colleges to promote careers in housebuilding. For example, we participate in the Home Building Skills Partnership which aims to train 45,000 new housebuilding workers by 2019.

During 2018, we worked with the HBF and other housebuilders to run the Attract Online recruitment campaign targeting former members of the armed forces, recent school or university leavers and their parents and people looking for a career change. In total, the online adverts were viewed by over 10 million users and resulted in 1,000 visits to our careers website.

Subcontractors

Most people working on our sites are contractors so it is essential that we collaborate on safety issues. Before we agree to work with a contractor, we require details of their risk assessment and safety management arrangements and procedures for their area of activity. We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our HSE site induction. Our HSE induction is supported by regular poster campaigns and site safe briefings.

During 2018, we ran a series of training workshops with the SCSS to engage our commercial teams and local subcontractors in each of our regions. During the workshops, participants learnt about the SCSS and the resources available, explored best practice examples and discussed practical actions they can take to improve sustainability performance in areas such as carbon and waste reduction, social value and inclusion. Over 400 employees and subcontractors have participated in SCSS events to date.

Suppliers

Suppliers play an essential role in our business, providing the goods and services we use to build our homes and carry out the majority of construction work on our sites. We spend around £1.5 billion each year with suppliers and contractors.

Supply Chain Sustainability School



To encourage sustainable performance, during 2018 we ran a series of workshops with the Supply Chain Sustainability School (SCSS) attended by our commercial teams and local subcontractors in each region.

The SCSS members include the UK's top construction contractors and clients. The SCSS supports its members by creating action plans, as well as e-learning modules and training workshops on topics including human rights, resource uses and sustainable sourcing. Over 94% of our national suppliers have now joined the SCSS and completed a sustainability self-assessment.

A significant proportion of our procurement, particularly for materials sourcing, is through large contracts with national suppliers. However, we also work with many smaller businesses, who provide labour and services, including companies that are local to our development sites. This can benefit the business by giving us access to a more diverse range of skills and experience and help support the local economies in which we work. We provide advice and help to small and medium sized businesses with HSE risk assessments and other site-specific procedures that they need to prepare in order to tender for work with us.

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and takes its responsibilities under the Act very seriously. As part of this we have strengthened oversight of standards in our supply chain to make sure we are selecting partners who share our commitment to responsible business. We published our first Modern Slavery Act Statement on our website in March 2017.

We have been following up with suppliers identified as higher risk for further engagement. Further information can be found on our website. We aim to establish long term partnerships with suppliers and to collaborate on issues like safety, skills and the environment. This reduces risks to the business and helps to ensure a secure supply of essential materials and labour. We want to work with suppliers who meet high standards in areas such as safety, quality, ethics, human rights and the environment. Our standards are explained in our Supply Chain Policy and Supplier Code of Conduct which are embedded into our framework agreements (contracts) with suppliers.

Suppliers provide us with information on their approach to health, safety and environment and other sustainability issues via Constructionline, a UK Government certification service. More than 90% of our national suppliers – those with whom we have centrally negotiated contracts – and all service and material suppliers with a turnover of £1 million or over now use Constructionline.

This accounts for over 80% of our total procurement spend with these type of suppliers. We want to support our suppliers to improve sustainability performance. This includes working with the Supply Chain Sustainability School (SCSS), an industry collaboration aimed at improving standards across the construction sector. Over 80% of our national Framework suppliers have now joined the SCSS and completed a sustainability self-assessment. This identifies their strengths and weaknesses in relation to issues such as human rights, resource use and sustainable sourcing and provides an action plan with resources and training materials to help address any gaps. Our suppliers have used these resources over 3,000 times so far, helping to strengthen their approach in areas such as waste, water, community and climate change.

Charities

We partner with charities to support the communities where we work and to help address issues relating to homelessness, education and aspiration. We provide financial support as well as sharing expertise and getting our people involved as fundraisers and volunteers. Our primary goal is to genuinely improve the position of the causes that we support. The secondary goal is to engage our employees in these activities as we recognise it is good for their development and self-awareness. Whilst there are a large number of worthy projects and causes, we have to focus to make sure that we are effective.

During 2018, we continued our partnership with our national charities as well as local charity partners across the UK. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. Our national charity partners are selected by our Charity Committee, with regional charities selected by our regional businesses. In total, during 2018 we donated and fundraised over £1.1 million for registered charities (2017: over £1 million), which includes £167k our employees raised on the annual Taylor Wimpey Challenge. More information about our charity partnerships and local sponsorships can be found within our Sustainability Report, which will be published on our website in March 2019.

Local authorities

We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), the Ministry of Housing, Communities & Local Government and other public sector organisations to understand their priorities and share their views. As well as site specific engagement (more detail can be found on pages 38 and 39) we also participate in the development of strategic frameworks, Local Plans and Neighbourhood Plans. This is particularly important for land in our strategic pipeline, where preparation or review of the Development Plan is the first step in the planning process.

Central Government

We engage and respond to government directly and through our membership of industry organisations. In 2018, we responded to proposals including shared services, Community Infrastructure Levy, leasehold reform, and the National Planning Policy Framework.

We are members of the Homes England five regional delivery Partner Panels.

“We want to work with suppliers who meet **high standards** in areas such as safety, quality, ethics, human rights and the environment.”

Creating value for stakeholders continued

Our investors



Key issues our investors care about

- Current trading
- Guidance and outlook
- Likely impact of Brexit and future Government policy
- Strategy
- Land market
- Financial targets
- Dividend policy
- Remuneration
- Key differentiators
- Culture

How we engage

- One-to-one meetings
- Investor roadshows
- Site visits
- Conference calls
- Audiocast / webcast online with full transcript available to all
- Briefing to analysts
- Capital Markets Day
- Regulatory reporting including Annual Report and Accounts
- Half year and full year presentations
- Investor section of website
- Participation in sustainability benchmarks and disclosure initiatives
- Annual General Meeting

2019 priorities

- Continue to report in line with best practice disclosure
- Make progress towards our financial targets and strategic goals
- Embed strategy within the business
- Continue to progress cost and efficiency review

% Read more on page 26

i Read more on page 27 and 52 to 56

What we do

Our shareholders own a business which has a strong, well capitalised balance sheet with a high-quality landbank and experienced management team, which provides a reliable annual income stream, via a recently enhanced ordinary dividend.

The changes we have set out in our strategy will develop and be implemented over time, but are very significant. We aim to deliver increased growth, higher dividends and an increase in our return on capital by working our existing land assets harder and smarter. We have always said that running the business in the right way for the long term was more important than short term financial performance and continue to believe this.

The changes to the way we see our customers and business are long term and fundamental. Putting our customers' needs and desires at the heart of our business will ultimately make us a more valuable, sustainable business for our investors and all of our stakeholders. This approach will result in better products that we are better able to sell in all market conditions, to customers who choose a Taylor Wimpey home as a preference.

Why is it important for all stakeholders?

We believe that the way we run our business is recognisably different to our employees and partners, land vendors and suppliers because of our underlying principles:

- Health and safety will always be the number one priority at Taylor Wimpey.
- Our reputation is important to us and we will not compromise the character of the business; we are fair, and the underlying principle to do the right thing is integral to our daily decision making.
- We believe that our future success is dependent on our ability to develop and retain talented, flexible people who have the same mindset – so we are prepared to make this long term investment.
- We run the business for the long term, not for short term gain, and whilst we seek to maximise opportunities, it is weighed up against our cautious and disciplined nature.
- Land cannot be moved and so location continues to be crucial, not just for our customers choosing where to call home, but for our investment return potential. We target locations where we can create and add to communities and where our customers want to live, now and in the future.

- Profit margins are important to us, but as a measure of quality and to reduce risk, not as an absolute. We believe that sustainability of those high margins is better for our shareholders than peaks and troughs.
- We are focused on delivering strong financial performance, in the right way.

Our customer-centric approach will offer further scope for differentiation and will add additional value to our shareholders and other stakeholders. Together with our response to the changes in the land and planning environment, our customer-centric strategy will enable us to become the customer's first choice of homebuilder in all market conditions. This will make us a more efficient and resilient homebuilder throughout the cycle and ultimately enhance our brand and returns by:

1. Industry leading sales and service to customers through the cycle, providing increased resilience in weaker market conditions and a route to high-quality and sustainable growth
2. Optimising our strong landbank, to deliver enhanced returns by adopting a factory approach, to build more efficiently where there is market demand
3. Continuing to improve the operational business model to drive efficiency and reduce costs

Further information about our investment proposition can be found on page 27.

Managing the cycle

It remains our belief that homebuilding is inherently cyclical, although we are pleased that sensible financial management (such as the Mortgage Market Review) has reduced the 'boom' feel of this particular cycle. We remain committed to retaining a strong balance sheet, not over stretching investment and maintaining financial discipline.

More information on our approach to the cycle can be found on pages 10 and 11.

Capital Markets Day



In May 2018, we held a Capital Markets Day for analysts and institutional investors in Bordon, Hampshire. Following the release of our new strategy and new strategic objectives, our CEO, Group Finance Director and Group Operations Director presented key elements to the new strategy. Q&A sessions allowed analysts and investors the opportunity to ask further questions on the strategic direction of the business. The day finished with an update from our Major Developments part of the business and a guided tour around Prince Philip Park, a joint venture between Taylor Wimpey and Dorchester Regeneration.

i Read more on our website at www.taylorwimpey.co.uk/corporate

Dividends and returns

We are an extremely cash generative business, even in times of market weakness, because of the strength of our balance sheet, the length of the landbank and as a consequence of the control we have over the timing of land investment. This allows us to provide shareholders with a reliable dividend through the cycle which is a key priority.

Our strategy means that we can continue to drive further value from our landbank and our business model as we focus on our customers, delivery and efficiency which in turn drives increased cash generation.

As previously announced, commencing in 2019, subject to shareholder approval at the 2019 AGM scheduled for 25 April 2019, we intend to pay an enhanced ordinary dividend of £250 million per annum (c.7.6 pence) on an annual basis through the cycle (2018: £160 million), including during a 'normal' downturn. This has been stress tested in a variety of scenarios including a 20% fall in house prices and a 30% fall in volume. The ordinary dividend will be paid equally as a final dividend (in May) and as an interim dividend (in November).

In addition to the ordinary dividend, we have also paid a special dividend in each of the last five years. As previously announced, and subject to shareholder approval at the 2019 AGM, we intend to pay c.£350 million to shareholders in July 2019 by way of a special dividend.

Accordingly, subject to shareholder approval, in 2019 shareholders will receive a total dividend of c.£600 million (c.18.3 pence per share), comprising an ordinary dividend of c.£250 million (c.7.6 pence per share) and a special dividend of c.£350 million (10.7 pence per share), a 20% increase on 2018 total dividend.

The Board will continue to keep the mechanics of how the Company will pay special dividends, including the merits of undertaking a share buyback at some point in the future should it become appropriate to do so, under regular review. More information can be found in our Notice of Meeting on page 181.

Optimising value

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns. This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level from procurement through to delivery. We also aim to add value to the charities we support and to our wider partnerships. We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders. In the year, we achieved a 0.5 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

We actively review every site, both new and old, through our value improvement meetings which are held quarterly and are tracked centrally. This allows us to benchmark our success and identify opportunities for further improvement, ranging from re-planning of sites to redesign and selective enhancements to our specification.

It is important to also develop approaches that enable us to control land in a capital-light way, without unduly burdening the business. This 'light touch' improves our returns, frees money for other investment and reduces risk in the event of negative changes in the market.

Taking this approach can also help if, and when, there is greater competition in high growth areas. A good example of this can be found within our Major Developments business.

Land and planning

We are highly selective with regard to the types of sites that we buy, focusing on the quality of the land rather than the number of plots acquired. We employ dedicated land teams in each of our 24 regional businesses, which use their expertise and local knowledge to identify potential high-quality, sustainable sites. We have a targeted approach to our land investment. This is focused on where we can add value as we seek to maximise the returns from our investments, while continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis.

During 2018 we acquired 8,841 plots (2017: 8,040 plots) at anticipated contribution margins^{††} of c.27% and return on capital employed^{***} of c.32%.

Efficiency

We achieved an annual return on net operating assets^{**} for the Group of 33.4% in 2018 (2017: 32.5%). The annual return on net operating assets^{**} for the UK business was 33.1% in 2018 (2017: 32.1%).

We have improved our UK net operating asset turn^{*†} to 1.55 times (2017: 1.52 times), benefitting from a low land cost as a percentage of average selling price in the short term owned landbank, as a result of higher margin land acquired in recent years and increased strategic pipeline conversion.

The higher proportion of strategic land conversion results in higher work in progress spend, due to these sites generally requiring greater infrastructure investment.

Creating value for stakeholders continued

Our communities



Key issues our communities care about

- Provision of infrastructure and facilities at new developments
- Managing local impacts during construction
- Contributions to and relationships with local communities
- Housing need

How we engage

- Exhibitions
- Workshops
- Newsletters
- Social media
- Meetings
- Events

Priorities for 2019

- Continue to maintain best practice community engagement and investigate ways to engage with a wider and more diverse range of people within the local communities in which we operate
- Renewed focus on placemaking
- Understanding where and how we can bring forward early delivery of community infrastructure
- Undertake a number of community pilots

i Read more in our 2018 Sustainability Report

We aim to be the industry leader in managing the planning and community engagement process.

What we do

We aim to create great places to live, work and play; designing our developments to become thriving and inclusive communities with a strong sense of place and character. We want communities to welcome us to their area and recognise the value we can bring and the contribution we can make to the existing community, as well as trusting us with the responsibility of creating a new one. We actively seek the views of local communities and other stakeholders. We develop a tailored planning and community engagement strategy for each site and work closely with communities and other local stakeholders throughout all aspects of the planning process. We believe that we have a responsibility to contribute to our local communities and that this responsibility grows with our success. We aim to be the industry leader in all aspects of planning and to obtain the right planning consents that enable us to respond to a changing market, reflect the desires of our customer base and deliver the quality homes we want to build, whilst meeting our financial objectives.

£455m

Invested in local communities via planning obligations

£170k

Contributed to local organisations

200

Community meetings and events, including public exhibitions

Why is it important for all our stakeholders?

We believe that local communities should have a say in development. This enables us to achieve the right planning permissions and ensure our developments are valued by their local communities. As one of the largest residential developers in the country, we are responsible for creating not only the homes which people will live in for years to come but also for shaping the communities of the future. We know housebuilding, particularly in its early stages, can be disruptive and so we seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments. Our customer research shows a clear relationship between good placemaking (how we design our developments) and long term customer satisfaction. Strengthening our approach to placemaking is part of our commitment to become a customer-centric homebuilder.

Placemaking

Our customers have a very strong desire to become part of a community and to do so quickly after they move in. We are investing in placemaking and design to ensure all our developments become communities that are socially, economically and environmentally sustainable. We ran our first internal design competition in 2018 – seeking out the best examples of placemaking from around the business, celebrating the good practice that already exists and it has inspired us to go further. Around 60 schemes were submitted and each was judged against the Building for Life criteria – a recognised tool for measuring good design.

Installing infrastructure at an early stage can help in the successful development of a new community. It can also make new developments more desirable to prospective buyers, increasing sales. We are looking at how we can increase early delivery of community infrastructure to maximise its positive impact.

“We actively seek the views of local communities and other stakeholders.”

Investing in local communities

We are very proud of the significant contribution we make via our planning obligations each year, providing local infrastructure, affordable homes, public transport, education facilities and other forms of social infrastructure. In 2018, we contributed £455 million to local communities in which we build across the UK via planning obligations (2017: £413 million). Our teams across the business get involved in local life, organising competitions with primary schools, inviting schools to site for health and safety training and sponsoring local sports clubs, as part of their daily working life. In addition, we contributed over £170k to other organisations, such as scout groups, local football teams and various local community causes (2017: c.£90k).

Education

We sponsor and work closely with Buckinghamshire University Technical College (Bucks UTC) and many of our employees give talks and run workshops for students. Our regional businesses work with local schools to promote careers in the housebuilding industry and offer work experience placements. We expect the number of placements we provide to increase with the introduction of T Levels, new technical alternatives to A Levels. We are developing a work experience framework to ensure we deliver quality placements that are valuable for students and our business.

We also work with schools to raise the profile of the housebuilding sector. In 2018, we made 112 school visits. These include interactive projects showing how homes are built and providing information on career opportunities, safety on live construction sites, building materials and eco-friendly homes. We launched a children's book to engage younger children on the housebuilding process.

Local consultation

We are committed to working with local people and other stakeholders throughout the planning process and seek to engage, consult and work in partnership with communities and all interested stakeholders. We introduced a comprehensive community engagement framework in 2011 and have been regularly improving and updating it since. We are proud of our approach to community engagement and the way that our employees deliver it. The framework applies to every stage of the development timeline, from pre-planning consultation to ongoing communication with existing and new residents during and after construction.

Royal Parade



At our Royal Parade development in Canterbury, our South East regional business is contributing £1.4 million towards a new secondary school and £730,000 towards the expansion of an existing primary school. A new community hub will sit at the heart of the development and will include allotments, a walled garden and links to the nearby community orchard and sports pitches. A Community Development Trust has been set up to manage the community hub and maintain the 11 acre park within the development. Taylor Wimpey recently recruited a Community Trust Manager, to oversee the set up and long term running of the Trust.

We also have a Building Our Reputation toolkit that provides information and practical tools to help our employees communicate honestly and openly with communities and customers throughout the development process. We create a tailored planning and community engagement strategy for each site which reflects the needs of the local area.

Our approach goes well beyond regulatory requirements, with engagement starting before we submit a planning application and continuing throughout the development process. Wherever possible, we use the feedback obtained as part of our community engagement to develop and improve our design proposals. To fully understand local views, it is important that we reach a wide range of stakeholders from residents, property owners and local authorities, to businesses, schools, residents' associations and other groups. We are committed to publishing information on proposed developments online so that members of local communities and other interested parties can easily find out what we are planning and where.

The Taylor Wimpey website includes pages for all of our proposed developments throughout the UK. We would like people to register their interest so we can update them on progress. Above all, we want wider and more diverse groups and individuals to get involved and tell us their views, whether positive or negative. During 2018 we ran 200 community meetings and events, including public exhibitions.

Community

Feeling part of a community is a top priority for our customers. Our research showed that customers believe we should play a more active role in facilitating the relationship between the new residents, their new community and their neighbours. This is an area we will be exploring further in 2019 and we will be undertaking a number of pilots at a community level to test effectiveness and impact.

We support the development of local networks and seek to encourage a strong sense of community on our schemes. As well as our investment in new community facilities this can include organising events that provide networking opportunities for local residents and creating connections between community organisations.

We establish Community Development Trusts on some of our schemes to provide long term stewardship of the development and its public spaces after construction finishes. On other sites this role is fulfilled by the local council or a private management company. For example, our site in Bishop's Stortford, will include 2,200 new homes as well as schools, commercial and community facilities, sports facilities, allotments, footpaths, cycleways and bridle ways. We will help to establish and fund a Community Trust to own and manage the open spaces and community facilities for the long term.

Our developments create economic benefits for local communities. As well as new housing, these can include new jobs on site and in the supply chain, increased revenues for local businesses during construction and from new residents, and benefits arising from our investment in new infrastructure and amenities.

Creating value for stakeholders continued

Sustainability

We aim to enrich the lives of our customers and communities today and to build a proud and sustainable legacy for the future.

We do this by designing and building our developments in the right way, so that they become thriving, inclusive and sustainable communities for generations to come. By integrating sustainability into the way we work, we create a stronger business and more value for our stakeholders including customers, communities, our people, investors and suppliers.

Sustainability benchmarking

We are a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices. We participate in the CDP Climate report and received a score of B in 2018. We participate in CDP Water, which assesses companies' corporate water stewardship practices and performance. We achieved B in 2018. We also participated in CDP Forests for the first time in 2018, disclosing our approach to timber sourcing. We received a C rating.

We are a member of Next Generation, a rigorous and detailed sustainability performance benchmark of the UK's largest homebuilders. In 2018 we were ranked fifth out of 25 in the benchmark with a score of 74.8% and achieved our first Gold Award (2017: 70%, Silver Award, fifth position).

Climate change governance, strategy and risk

Our current target is to achieve a 50% reduction in our direct emissions (scope 1 and 2) intensity by 2023 against our 2013 baseline (tonnes of CO₂ per 100sq metres of completed homes).

Last year we conducted a review of our target. We identified that deeper emission cuts are needed to align with climate science and the rules governing the setting of science based targets, whilst also allowing for the construction of more much-needed homes in line with government plans. We are doing further work in this area, including with the Carbon Trust, to explore whether we can set a science based target.

We support the aims of the Task Force on Climate-related Financial Disclosures and aim to increase our disclosure in line with its recommendations. We have summarised our approach below. Further details are included in our Sustainability Report and submission to CDP Climate, both available on our website.

Our greenhouse gas emissions (GHG)

We have reduced our emissions intensity by 38.7% since 2013. In 2018, our emissions intensity remained the same as in 2017. The gains made through our carbon and energy reduction initiatives were offset by a spike in gas and gas oil used for heating during the long period of cold weather in early 2018. We have reduced absolute emissions by 18% since 2013. Our absolute emissions increased by 4.9% year on year in line with an increase in total floor space built.

Our absolute energy use increased by 6.3% year on year due to the spike in gas and gas oil use and business growth. Our energy use intensity increased by 5% year on year but has decreased by 10% since 2013.

 **Read more** on page 28

 **Read more** in our 2018 Sustainability Report

Our approach to managing climate change-related risk

Governance	Our Legacy, Engagement and Action for the Future (LEAF) committee, chaired by a member of our Group Management Team (GMT), is responsible for reviewing climate strategy, risks and opportunities and meets four times a year. The LEAF Chair reports to the Board. Ultimate responsibility for our approach to climate change resides with our Chief Executive. Below Board-level, the Director of Sustainability is responsible for monitoring climate-related issues as part of the overall risk management process. They report on risk and progress against targets to the GMT on a monthly basis.
Strategy	Climate change risks have the potential to impact our business strategy through increased costs, reduced productivity and reputational damage. We assess climate risks to the business using short term (0-5 years), medium term (5-10 years) and long term (10-100 years) horizons. The most material climate-related risks are: changes in weather patterns and an increase in severe weather events which could affect the availability and cost of raw materials, increase flood risk, and impact productivity; and increased regulation and taxation. The most material opportunities in the short term relate to the financial benefits associated with our use of low carbon goods and services as well as shifts in consumer preference to favour low carbon homes and products. In the longer term, the most material opportunity relates to improved business resilience due to implementation of climate change adaptation measures. We have conducted analysis on increased flood risk relating to climate change and are exploring the potential to conduct further scenario analysis.
Risk management	Climate change risks are integrated into our corporate risk management framework, including through two central risk registers – the Land and Commercial and the Technical Risk Registers which feed into a Group Material Risk Register – and our Climate Change and Sustainability Risk and Opportunity Register. Our Climate Change Register guides the climate change adaptation of our business practices and the homes we build. For each climate-related risk and opportunity the register identifies: risk driver, description of risk, potential impact, timeframe, whether the risk or opportunity is direct or indirect, likelihood and magnitude of impact. This is a standing item on every LEAF committee agenda. The committee makes recommendations to the GMT on how to mitigate, transfer, accept, or control climate-related risks.
Metrics and targets	We have set a reduction target for our scope 1 and 2 emissions and report progress on a range of KPIs, covering our direct and value chain emissions. We are doing further work in this area and exploring whether we can set a science based target. Further detail is available in our 2018 Sustainability Report.

We have achieved the Carbon Trust Standard for our overall approach to carbon management, including our policy, strategy and verification of our data and processes.

Greenhouse gas emissions (scope 1 and 2) and energy use for the period 1 January 2018 – 31 December 2018

		2018	2017	2016	2015	2014
Scope 1 GHG emissions – combustion of fuel	tonnes CO ₂ e	20,328	18,889	17,983	17,768	16,436
Scope 2 GHG emissions – market based	tonnes CO ₂ e	4,509	4,794	10,827	12,947	13,326
Total scopes 1 and 2 – market based	tonnes CO ₂ e	24,837	23,683	28,809	30,716	29,672
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO ₂ e/100 sqm	1.73	1.73	2.13	2.40	2.56
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	95,170	89,550	92,236	90,524	81,679
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	6.8	6.5	6.8	7.1	7.0

Data is provided as tonnes of carbon dioxide equivalent (CO₂e) for all operations. Scope 1 and 2 emissions are from our sites, offices, show homes and sales areas, plots before sale and car fleet. Data on scope 3 emissions is included in our Sustainability Report.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for data gathered to fulfil our requirements under the Mandatory Carbon Reporting (MCR) requirements, and emission factors from the Government's GHG Conversion Factors for our corporate reporting. We use the market-based method of the revised version of the GHG Protocol Scope 2 Guidance for calculating our scope 2 emissions.

We have reported on the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 apart from the exclusions noted. The reported sources fall within our Consolidated Financial Statements and are for emissions over which we have financial control. We do not have responsibility for any emissions sources that are not included in our consolidated statement.

Operational energy use and operational energy intensity figures are for our UK business only.

The following sources of emissions were excluded or part-excluded from this report:

- Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring data
- Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type
- Certain emissions from District Heating Schemes where we are receiving a rebate from customers prior to handover to the long term operator.
- Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other homebuilders have captured MCR-related data

See our Carbon Reporting Methodology Statement at www.taylorwimpey.co.uk/corporate/sustainability for more detail on our calculations.

Non-financial information statement

Our Annual Report contains a range of non-financial information. The following table summarises where this can be found in our reporting.

Reporting requirement	Some of our relevant policies which can be found on our website	Where to read more in this report about our impact, including the principal risks relating to these matters	Page
Environmental matters	Sustainability Policy Climate Policy Health Safety and Environmental Policy Supply Chain Policy Waste and Resource Use Policy	We report our approach to climate change governance, strategy and risk management as well as our greenhouse gas emissions within: Creating value for stakeholders – our communities	38-41
Employees	Business Conduct Policy Diversity Policy	More information on our employees can be found within: Becoming an employer of choice Creating value for stakeholders – our employees Principal risks and uncertainties Engaging with our stakeholders – our employees	20 32-33 48 78-79
Human rights	Anti-Slavery, Human Trafficking and Human Rights Policy Supplier Code of Conduct Supply Chain Policy	More information on our approach to human rights can be found within: Creating value for stakeholders – our employees Creating value for stakeholders – our partners	33 35
Social matters	Community Policy Donations Policy Charity and Community Support Policy Sustainability Policy	More information on how we engage with our communities and social matters can be found within: Creating value for stakeholders – our communities	38-41
Anti-bribery and anti-corruption	Business Conduct Policy Anti-Corruption Policy Fraud Mitigation and Response Policy Whistleblowing Protected Disclosure Policy	More information on anti-bribery and anti-corruption can be found within: Corporate governance – Board activities	75
Business model	Community Policy Sustainability Policy Customer Service Policy	More information on our business model and its links to our strategy and stakeholders can be found within: Our business model	28-29
Non-financial KPIs	Customer Service Policy Health Safety and Environmental Policy Communications and Investor Relations Policy	Our non-financial KPIs can be found within: Our strategy	12-25