

# Making a difference through good governance



**“I am pleased to leave the business in great shape, with strong governance embedded, a determination for further improvement and the appropriate culture to achieve this.”**

Kevin Beeston  
Chair

## Board attendance in 2019

Board members during 2019	Number of meetings attended in 2019
Kevin Beeston, Chair	8/8
Irene Dörner <sup>(a)</sup> , Independent Non Executive Director and Chair-designate	1/1
Pete Redfern, Chief Executive	8/8
Chris Carney, Group Finance Director	8/8
Jennie Daly, Group Operations Director	8/8
James Jordan <sup>(b)</sup> , Group Legal Director and Company Secretary	8/8
Kate Barker, Independent Non Executive Director	8/8
Gwyn Burr, Independent Non Executive Director	8/8
Angela Knight, Independent Non Executive Director	8/8
Robert Noel <sup>(c)</sup> , Independent Non Executive Director	2/2
Humphrey Singer, Independent Non Executive Director	8/8

(a) Appointed 1 December 2019.

(b) Retired 31 December 2019.

(c) Appointed 1 October 2019.

## Governance highlights for 2019

- Fully compliant with all of the requirements of the 2018 UK Corporate Governance Code which applies to the Company for 2019 reporting. Read more on pages 65 and 132.
- Acted in accordance with the guidance applicable to the Company for 2019 set out in the Financial Reporting Council's Guidance on Risk, Internal Control and Related Financial and Business Reporting. Read more on pages 45-53 and 98-105.
- Made good progress towards achieving our strategy for improving diversity and inclusivity at all levels throughout the Group's businesses. Read more on pages 36 and 86-97.
- Conducted a comprehensive internally-facilitated Board evaluation exercise. Read more on pages 92-93.
- Further developed and enhanced the Company's succession and contingency plans and planning processes across the Group. Read more on pages 90-91.
- Took action to increase female representation in senior roles from Board level downwards, as highlighted in our Gender Pay Gap report, the latest edition of which appears on our website. Read more on pages 90-91.
- Further deepened processes and procedures across the business and its supply chain to protect against modern slavery. Read more on pages 38 and 137.
- Published the Company's half yearly statutory reports of payment terms during 2019, showing steady improvement.

## Dear Shareholder

In my capacity as Chair of the Board, I am very pleased to have this opportunity to make what will be my final personal statement on the Company's approach to corporate governance, prior to my stepping down as Chair and as a Director on 26 February 2020.

Firstly, I would like to emphasise again that the Board continues to take corporate governance very seriously and has been able to demonstrate this over many years through full compliance with the 2018 UK Corporate Governance Code (the Code). The requirements of the Code are described throughout this report, together with explanations as to how we have complied with its requirements, and signposts directing you to the relevant page where more detail can be found on how the Company has complied with its various provisions.

The Company has consistently sought to comply with planned improvements and revisions to the Code, and with wider governance initiatives, often in advance of their formal application to our reporting years. The Board recognises the importance of considering the Company's responsibilities and duties to both its shareholders and its broader stakeholder group and this ethos has been part of our culture and decision-making process for many years. The Directors' duties under Section 172 of the Companies Act 2006 help to underpin the good governance which is at the heart of what we do. Details of how the Board has met its obligations in respect of Section 172 during 2019, by taking account of shareholder and wider stakeholder interests in its strategic planning and decision-making processes, are set out on pages 32-43 and 76-81 and support the formal statement of how the Board complied with this legal requirement, which appears on page 33.

We receive regular briefings and updates on corporate governance at our Board and Committee meetings and this report aims to explain in clear terms the governance-related processes and procedures that are in place at Taylor Wimpey and which we believe are essential for the delivery of the long term success of the Company. It is these processes that ensure we comply with all applicable laws and regulations as well as, of course, meeting the requirements of our relevant stakeholders, including shareholders and their representative bodies with whom we are always very pleased to engage. We very much appreciate their constructive and helpful approach and feedback.

## Culture, values and ethics

The Board strongly believes that good governance should be focused not only on how the Board itself operates effectively but also, and very importantly, on the culture within which all of our businesses and employees operate and conduct themselves on a day to day basis. The culture, values and ethics set out on pages 2 and 69 are set and monitored by the Board as set out on page 71 and led in our operations by the Chief Executive and the rest of our Executive and senior management teams. The principles of good governance are embedded throughout Taylor Wimpey and manifest themselves in a number of different ways, including the following:

- An absolute and non-negotiable requirement throughout our business to ensure the health and safety of our employees, customers, subcontractors, suppliers and visitors to our offices and developments. Please see pages 15, 23, 37, 74 and 136.
- The requirement to observe good business practice, including abiding by all applicable laws and regulations that relate to our business. Please see pages 75 and 82.
- The provision of mandatory training to all of our businesses on key legislation and regulations relating to our areas of operation.
- Our Group-wide Operating Framework control document setting out common procedures, best practice and delegated authority limits.
- A system of controls and checks underpinned by a rigorous Internal Audit Department and in turn overseen by the Audit Committee.
- Regular and embedded risk assessment and monitoring processes. Please see pages 45-53 and 101-102.
- Encouraging and investigating any disclosures made either directly or through an independent third party whistleblowing hotline available to employees, subcontractors, suppliers, customers and the general public. Please see page 75.

During 2019, we re-focused our values to emphasise to the team how these values should translate into our behaviours; how we strive to be known for putting the customer at the centre of all our decisions; and our wider social responsibility to the customers and communities our business impacts upon.

## Governance developments during the period

The Board received governance briefings during the year, encompassing all of the key legal and regulatory governance changes introduced during 2019, in addition to a specific briefing on the updated Code.

As noted in last year's Annual Report, we had taken note of the Government's proposals for corporate governance reforms, enabling us to take early action to address the application of the updated Code to the Company's reporting for 2019, including:

- Requiring annual reporting and commentary on CEO pay relative to the workforce and including CEO pay ratios (introduced early by the Company in its 2018 reporting and updated this year). Please see page 129.
- Demonstrating how the Directors met the requirement of Section 172 of the Companies Act, namely, for each of them to promote the success of the Company for its members whilst also having regard to: long term success; a broader range of other stakeholders' interests (customers, employees, partners, investors and the wider communities in which our business operates); the impact on the environment; and maintaining high standards of ethics. Please see pages 32-43 and 76-81 and the formal statement of compliance on page 33.
- Strengthening the voice of our employees at Board level through our National Employee Forum. Please see pages 63, 78-79 and 135.
- An increasing focus on the culture of the Company. Please see pages 69-71.
- Further requirements around Board composition and succession planning at Board level. Please see pages 90-91.
- Wider recommendations to promote good corporate governance, particularly around Executive pay. Please see page 65.
- Disclosing the impact on potential outcomes from LTIP awards (the Performance Share Plan or PSP) in the event of significant (up to 50%) appreciation in the Company's share price (introduced early by the Company in its 2018 reporting and updated this year in the scenario charts in the Remuneration Report on page 117).

The Government is also seeking to encourage companies to increase productivity, including through greater recognition of the importance of 'human capital' and a clearer focus on training and development. Details of our initiatives in this regard appear on pages 28, 36-38, 79 and 135-137.

The Company continues to improve its performance in the important areas of environmental, social and governance (ESG) responsibility and I am pleased to report that the Company has retained its membership of the FTSE4Good Index. In addition, the latest update of the Institutional Shareholder Services (ISS) Governance Quality Score for the Company's ESG performance indicates that the Company is level 1 – indicating lowest risk assessment for each of the Environment and Social categories; and for the Governance categories relating to shareholder rights; and audit & risk oversight.

The Board is also aware of the increasing level of investor interest in climate change risk and that consideration is being given to reassessing risk and asset values to reflect this in revised capital allocations. As reported on page 47, the Company commenced work during 2019 to align its operations and reporting with the aims of the Task Force on Climate-related Financial Disclosures. We are also considering whether this can be reflected in further improvement in sustainability reporting through adopting a revised standard, such as those proposed by the Sustainability Accounting Standards Board.

The Board reviewed and welcomed all of these initiatives which are designed to help provide shareholders and all of our stakeholders with increased assurance that the Company is being managed with their best interests firmly in mind, whilst also taking account of the Company's activities in, and impact, on the wider community, both at a local level and more broadly in respect of sustainability and climate change.

### Appointments and succession

The Nomination Committee oversaw changes on the Board during 2019, and agreed plans for further change early in 2020.

On 1 December 2019, we were delighted to appoint Irene Dörner as an Independent Non Executive Director and Chair-designate, bringing over 30 years' executive experience, including most recently as CEO of HSBC in the US and as Group MD of HSBC Holdings. Irene also has considerable experience of the roles of non executive director and of Chair, being an independent non executive director of AXA SA and Rolls-Royce Holdings plc and as Chair of the Board of Control Risks Limited and previously Virgin Money Holdings (UK) plc. More details of her experience and the additional skills she brings to the Board and to the Nomination and Remuneration Committees appear in her biography on pages 66 and 196. I have been working closely with Irene to ensure that there is an effective handover of responsibilities with a view to her assuming the Chair following the announcement of the Company's 2019 results on 26 February 2020.

On 1 October 2019, we were delighted to appoint Robert Noel as an Independent Non Executive Director. Rob has over 30 years' experience in the property sector, and has been CEO of Land Securities Group PLC since 2012. He was previously Property Director of Great Portland Estates plc. More details of his experience and the additional skills he brings to the Board and to the Audit and Nomination Committees appear in his biography on pages 67 and 197.

On 4 November 2019, James Jordan handed over the Company Secretary responsibilities to Alice Marsden and on 31 December 2019 he stepped down from the Board. James joined George Wimpey as its Group General Counsel and Company Secretary in February 2002 and has been Secretary of Taylor Wimpey since the merger in July 2007. He was appointed to the Board as Group Legal Director in July 2011. During over 17 years' service, James has demonstrated outstanding commitment, dedicated service and wise counsel both to me and my predecessors as Chair, and to the Board as a whole, in addition to his other responsibilities as a senior executive of the Group. James remains employed by the Company until 31 March 2020 to ensure that there is an effective handover of his various responsibilities and will then retire. I thank him personally and on behalf of the Board, for his long, valued and dedicated service, and wish him a very happy retirement.

I was delighted to welcome Alice Marsden as our new Group General Counsel and Company Secretary on 4 November 2019 and am pleased to see how well she has settled into her role, both with the Board and as a member of the Group Management Team (GMT). Alice brings experience of the role as former Group General Counsel and Company Secretary of Thomas Cook Group plc and from her previous experience in the legal profession.

The Nomination Committee regularly reviews the composition, balance, skills and experience of the Board, together with related succession planning and concluded that, following the changes set out above, the balance and composition of the Board will continue to provide the right blend of experience, expertise and challenge to ensure good governance and enable the Company to successfully implement its strategy. During the year, in accordance with the Code at least half of the Board (excluding the Chair) were Independent Non Executive Directors.

### Board evaluation

It is a key requirement of good governance that an annual evaluation is carried out to ensure that the Board, its Committees and each Director performs effectively. The Code requires that the evaluation is externally-facilitated at least every three years, most recently in 2017 by Manchester Square Partners, and the annual evaluation for 2019 was therefore internally-facilitated. The outcome of the evaluation was very positive and further details of the evaluation methodology and its outcomes are set out on pages 92-93.

Arrangements are in hand for a further externally-facilitated evaluation to be conducted later this year, the results and actions proposed from which will be reported in next year's Annual Report.

### Diversity

Diversity and inclusivity have very rightly continued to be key items on the overall UK governance agenda during 2019. The Company has achieved the target introduced by Lord Davies of Abersoch's review for the proportion of women on each FTSE 350 company's board to increase from the current 25% target to 33% by 2020, with the Board's proportion of women members having increased during 2019 from 44% to 45%. This proportion further increased to 50% from the end of 2019 on the retirement of James Jordan and will have further increased to 56% (five out of nine) following my standing down from the Board on 26 February 2020.

The Board also welcomed the Hampton-Alexander Review, which proposes to increase Board and senior leadership diversity. As noted above, I am pleased to be able to report that the proportion of women increased during 2019 and to date on the Board (from 44% to 56%), and also on the direct reports to the Board, i.e. the members of the GMT, from 33% to 44%. More details of how these gender diversity improvements were achieved and the Board's plans for further improvements in diversity and inclusivity, are set out on pages 95-97. The Board very much welcomes these higher targets which are designed to give greater impetus to the progress of enhanced gender diversity on PLC boards. This, together with other diversity recommendations, such as the proposals from the Financial Reporting Council (FRC) to require greater consideration of ethnic and social diversity when planning Board appointments, and the Parker Report on ethnic diversity, is very much in the thinking of the Nomination Committee when reviewing the balance and composition of the Board and the structuring of talent development initiatives across the Group.

As reported last year, at the 2018 launch of the Hampton-Alexander Review into speeding up the pace of progress on increasing diversity on boards and the next two leadership levels immediately below the board, the Company was the third best performer in the FTSE at that time; was the only householder in the top ten; and was amongst those commended for the progress made to date. We are proud of these achievements and pleased that we have been able to make further progress during 2019 and into 2020.

The Company is committed to supporting diversity and its policy is to appoint or promote, as appropriate, the best person for the role in question, without taking account of factors such as educational or professional backgrounds (save as appropriate for the position); age; gender; ethnicity; or disability. The objective of this policy is to ensure that diversity is built into the Company's appointment and promotion process and that only relevant factors are taken into account when considering such matters.

The policy has been implemented through training sessions on unconscious bias for management teams throughout the Company's business and its head office functions. Progress to date in this area is set out on pages 95-97 and continuing to improve our diversity across the Company will remain a priority for the Board.

### Engagement with employees

During 2019, we conducted the latest of our biennial Employee Surveys. Over two-thirds of employees responded, with our commitment to health and safety; corporate responsibility; understanding of the Company's strategy; prioritising customer needs; and satisfaction with working for Taylor Wimpey and with their line manager, all scoring at or in excess of 90%. I believe that this demonstrates that our workforce has bought into our wider strategy; our culture; and our commitment to a customer focused approach. The survey also highlighted two areas where improvements can be made, and action plans are being developed to better integrate certain teams and further improve the principles of 'working together'. Detailed results of the survey are reported on pages 71, 78 and 135.

The National Employee Forum also continued its effective engagement with employees and their representatives across all levels of the Company. One meeting was attended by the Chief Executive who answered questions ranging from the possible impact of Brexit; interpretation of the feedback from the Employee Survey; dissemination of the Company's new values; and initiatives to improve facilities for agile working. In addition, the Group Finance Director and Group Legal Director and Company Secretary attended a meeting during 2019. More details of the Forum and the engagement with employees during 2019 appear on pages 36-37, 78-79 and 135-137.

### Conclusion

I believe that your Board remains effective and continues to work very well. I am confident that the Board has the right balance of skills, expertise and professionalism to continue to deliver strong governance whilst allowing the Executive Directors to implement and deliver the strategy (as set out on pages 24-29) within the strong culture that we have worked hard to establish. Whilst I am also pleased with the Board's activity and approach with regard to corporate governance, we will continually look for ways to learn and improve.

My successor, Irene Dörner, will chair the Company's AGM on 23 April 2020 and I am sure she will be looking forward to meeting with our shareholders, as will all of your other Directors (who will all be present at the AGM), and they remain available to answer or respond to your questions, concerns and suggestions at any time.

As noted earlier, I am working with Irene to ensure that there is an effective handover of the responsibilities of the Chair on 26 February 2020, at which time I will stand down as your Chair and from the Board.

In this connection, Kate Barker, our longest-serving Non Executive Director, has kindly agreed to defer her stepping down from the Board on reaching the ninth anniversary of her appointment to the Board (on 20 April 2020). Following a recommendation from the Nomination Committee, the Board supports the deferral of Kate's departure from the Board until 31 July 2020 in order to support Irene as she takes on her new position and responsibilities and also to provide additional stability in the Board composition. Kate will step down from her role as Senior Independent Director and member of the Audit and Remuneration Committees on 20 April 2020. More details are set out in the Nomination Committee report on page 94 and in the Notice of AGM and the explanatory notes on pages 192 and 196.

I joined the Board in July 2010 and I have enjoyed my time as Chair of the Company immensely. It has been both an honour and a pleasure to serve as your Chair and I am pleased to leave the business in great shape, with a clear strategy and a strong leadership team to continue to take the Company forward.

I would like to take this opportunity to thank all of my Board colleagues, the Group Management Team and all of our employees across the business, for their dedication, loyalty and hard work which has underpinned our success and helped to make my tenure as Chair so enjoyable.



Kevin Beeston  
Chair

25 February 2020

### Statement of compliance

For the year ended 31 December 2019, the Company complied with all of the provisions of the Code; the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules sub-chapters 7.1 and 7.2 which set out certain mandatory disclosure requirements; the FCA's Listing Rules 9.8.6R, 9.8.7R and 9.8.7AR which include the 'comply or explain' requirement; and the BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. These regulations are publicly available as follows:

- The Code can be found at [www.frc.org.uk](http://www.frc.org.uk)
- The FCA's Disclosure and Transparency Rules as well as Listing Rules can be found at [www.handbook.fca.org.uk](http://www.handbook.fca.org.uk)
- The BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at [www.gov.uk](http://www.gov.uk)
- The FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting can be found at [www.frc.org.uk](http://www.frc.org.uk)

### This 2019 Annual Report and Accounts

Your Directors have responsibility for preparing this 2019 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with Section 4, Principle N, Provision 27 of the Code the Board considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board was able to reach this conclusion after receiving advice from the Audit Committee. The processes of review and assessment followed by that Committee in that respect are set out on pages 104-105.

The Viability Statement, as required by the Code, appears on pages 52-53.





## Q&A with Irene Dorner, Chair-designate

**"I am proud to take on this appointment with a Company which marries together a historic past and a vibrant, exciting future."**

### How have you found your first months as a member of the Board?

I am personally grateful to my predecessor, Kevin, for his support and warm welcome since I joined the Board in December last year. It is testament to Kevin's stewardship as Chair that I have been made to feel so welcome by the rest of the Board, Management and all of the Taylor Wimpey employees who I have met so far and who have helped me through a very thorough induction process. The smooth transition in the succession plan reflects the progressive culture and mechanisms installed by Kevin and the Board and he can be proud to step down as Chair, knowing he leaves a business with a strong and highly effective oversight and control function, and an inclusive and forward-thinking culture. I know that his wisdom, knowledge and accessibility will be missed and I look forward to building on his legacy. I also know all within the Company will join me in thanking Kevin for his significant contribution to Taylor Wimpey and for his great stewardship during his nearly 10 years as Chair, as well as wishing him well in his future endeavours.

### How have you learned about the business and the industry?

In addition to my own research prior to joining the Company, Taylor Wimpey has conducted a comprehensive induction process where, as well as meeting members of the Board and management, I was able to visit two regional businesses to better understand what we do as a Company. I have various induction activities planned throughout this year, to ensure that I get to see all parts of our business. The period of transition from my joining the Board until I took on the role of Chair has enabled me to spend invaluable time with Kevin to gain the benefit of his experience and to better understand the Board and Company operations under his tenure and to discuss the key challenges he sees facing the business and industry. We have a wealth of experience on the Board from a diverse range of industries including construction, business services, economics, politics, financial services,

property and retail and I am grateful for the expertise and support of my Board colleagues. My priorities outside of Board meetings are to get to know the business better over the next few months and I will be travelling to meet with employees in a number of our business units.

### What will you bring to the role?

I have spent much of my career in the financial services sector which is, rightly, a highly regulated industry. The regulation is there to protect customers and at Taylor Wimpey, we adopt a truly customer-focused approach, focusing on the critical issues, such as health and safety regulation. Housebuilders have a key role to play working with the Government to understand how we can address the national housing crisis as well as tackling key issues, such as sustainability and environmental responsibilities, affecting the wider industry.

### What are your first impressions of Taylor Wimpey?

The success of Taylor Wimpey is evident in the strength of the business and its balance sheet. Our success is also evident in other, less quantifiable but no less meaningful ways, such as the excellent deeply embedded safety culture, and the trusted reputation Taylor Wimpey has with customers, suppliers, and within the housebuilding industry. I have also been impressed with the level of employee engagement and it is encouraging to see that regular dialogue exists between employee representatives and the Board through the NEF.

The latest Employee Survey shows that there is an understanding throughout the business of the key role each and every employee plays in the success of our business, as well as a commitment and a desire to 'do the right thing', which is very encouraging. Overall, I see a professionally run business with a strong purpose in its desire to put the customers at the centre of our offering and have seen first-hand the quality of product which our employees are proud to deliver to our customers.

### How do you see the Company's performance and outlook from a governance standpoint?

There is a very strong culture of good governance at Taylor Wimpey, in the internal structures of the Board and through the main committees – Audit, Nomination and Remuneration, as well as other key areas of focus such as health and safety, risk and ESG issues. However, I have found that businesses function best when the 'tone from the top' is echoed at every level and I have been pleased to find there is a high degree of personal responsibility throughout Taylor Wimpey. From what I have seen so far, Taylor Wimpey management and employees go out of their way to take responsibility and to do the right thing, which is very encouraging for an incoming Chair.

### What are the key challenges in the years ahead?

It is clear that we have experienced a very supportive market over recent years. However, we operate in a consumer focused industry which is subject to changes in demand, and we are currently uncertain how the political environment may impact on us, so we can never be complacent. When performing my due diligence pre-appointment, I was impressed by the mechanisms put in place to monitor the business' position within the cycle, as well as the conservative manner in which the business operated to prepare for changing market conditions. It will continue to be the Board's priority to ensure that management continue to drive our long term strategy, which is adaptable to the prevailing trading environment.

I very much look forward to meeting shareholders at the Company's 2020 AGM and to hearing their views on the Company's performance and prospects.

## New skills on the board



### Irene Dorner Independent Non Executive Director and Chair-designate

Irene Dorner, as an experienced Non Executive Director, received an induction post-appointment that focused on the culture, operational structure and key challenges of Taylor Wimpey. As Chair-designate, she also worked closely with Kevin Beeston, our former Chair, in ensuring an effective handover of responsibilities.

Accordingly, her induction comprised:

- An introductory meeting with the Chair to discuss Board process and the Group's culture.
- A comprehensive document pack was provided which included analyst and broker reports.
- A meeting with the Company Secretary on governance.

– A series of meetings with the Divisional Chairs of the operating divisions of the Group. During each of these, the strategy; operating and financial performance; budget and forecasts; human resourcing, diversity and talent development progress and plans; challenges; risk; and medium term plans; for the business area, were discussed.

– A series of meetings with Heads of key functions including Health, Safety and Environmental; Internal Audit; Customer Services; and HR; during which Group-wide progress on initiatives; challenges; and plans for the future, were discussed.

– Visits to a selection of current development sites located in each of the operating Divisions, incorporating discussions with Divisional, Regional and Site Management on operational, financial, supplier and resourcing matters and local initiatives to manage them.

– Meetings with key governance advisers and the Company's stockbrokers; at which briefings were given on current shareholder issues, both generally and sector-specific.

– Meetings with the wider Taylor Wimpey team, including executives and representatives of all levels of the team during Regional and site visits.

During the course of her first year as Chair, Irene will also hold meetings with major shareholders and visit the Taylor Wimpey businesses in both Scotland and Spain to meet the teams and learn more about their operations.



### Robert Noel Independent Non Executive Director

Rob Noel, as an experienced Non Executive Director, received an induction post-appointment that focused on the culture, operational structure and key challenges of Taylor Wimpey.

Accordingly, his induction comprised:

- An introductory meeting with the Chair to discuss Board process and the Group's culture.
- A comprehensive document pack was provided which included analyst and broker reports.
- A meeting with the Company Secretary on governance.

– A series of meetings with the Divisional Chairs of the operating divisions of the Group. During each of these, the strategy; operating and financial performance; budget and forecasts; human resourcing, diversity and talent development progress and plans; challenges; and medium term plans; for the business area, were discussed.

– A series of meetings with Heads of key functions including Health, Safety and Environmental; Internal Audit; Customer Services; and HR; during which Group-wide progress on initiatives; challenges; and plans for the future, were discussed.

– Visits to a selection of current development sites located in two of the operating Divisions, incorporating discussions with Divisional, Regional and Site Management on operational, financial, supplier and resourcing matters and local initiatives to manage them.

## How we comply with the 2018 UK Corporate Governance Code

The UK Financial Reporting Council promotes high-quality corporate governance and reporting through the 2018 UK Corporate Governance Code (the Code), with which all companies with a premium listing on the UK Stock Exchange are required to either comply in full, or explain why, and to what extent, they do not comply. The Corporate Governance section of this Annual Report explains how the Code principles have been applied, as set out below. In a new approach this year, we have grouped the sections explaining how the Company has complied with the provisions of the Code into each of the five areas into which the Code is subdivided, with page references for certain matters within each area:

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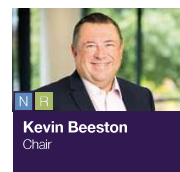
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# Board Leadership and Company Purpose

## Board of Directors

### Chair



**Kevin Beeston**  
Chair

Joined July 2010

#### Skills & experience

Kevin has significant experience of chairing boards and of being a non executive director of both public and private companies. He also brings a wealth of commercial, financial and high level management experience, including being a former CEO of a FTSE 100 company. He was formerly Chair of Equiniti Group plc; Serco Group plc and Domestic and General Limited; and a non executive director of IMI plc.

It has been announced that Kevin will stand down as Chair and as a Director following the Company's announcement of its 2019 results on 26 February 2020.

#### External appointments

Kevin is a non executive director of Severn Trent plc; Marston Corporate Limited, Elysium Limited and The Football Association Premier League Limited.

### Executive Directors



**Pete Redfern**  
Chief Executive

Joined July 2007

#### Skills & experience

Pete was previously Group Chief Executive of George Wimpey Plc, having successively held the posts of Finance Director and Chief Executive of George Wimpey's UK housing operations. He has full day to day operational responsibility for delivering the Company's strategy in a profitable, safe and environmentally responsible manner; and has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. He was also, until 18 April 2019, a Trustee of the homelessness charity, Crisis.

#### External appointments

Pete is a non executive director of Travis Perkins plc, where he is also Chair of the Stay Safe Committee; a member of the Remuneration Committee; and the Employee Voice Committee. Pete is also Chair of the Youth Adventure Trust charity.



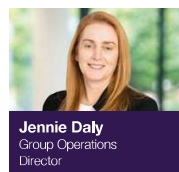
**Chris Carney**  
Group Finance Director

Joined April 2018

#### Skills & experience

Chris is a Chartered Accountant and has worked in both private practice with Deloitte and for Associated British Foods plc. After joining Taylor Wimpey in 2006, he has successively held the roles of Group Financial Controller; Finance Director of Taylor Wimpey UK (the Group's main operating company); Managing Director of the Company's South Thames business unit; and Divisional Chair for the London and South East Division, where he oversaw significant progress in the operational and financial performance of the Division.

Appointed as Group Finance Director on 20 April 2018, he has operational responsibility for managing the Company's finances and also oversees the commercial, information technology and pension functions.



**Jennie Daly**  
Group Operations Director

Joined April 2018

#### Skills & experience

Jennie has a wealth of experience in the housebuilding industry gained from roles which included strategic land oversight at Westbury plc and managing director of Harrow Estates Plc. She joined the Company in 2014 from Redrow plc, as UK Planning Director, before becoming UK Land Director in 2015. Jennie chairs the Group Operation Team; oversees our land, planning, design, technical and sustainability, production and supply chain functions; and manages the Taylor Wimpey Logistics business.

#### External appointments

Jennie is a non executive director of the Peabody Trust.

### Independent Non Executive Directors



**Irene Dörner**  
Independent Non Executive Director and Chair-designate

Joined 1 December 2019

#### Skills & experience

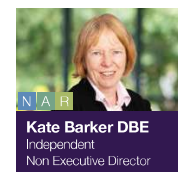
Irene has strong leadership skills and commercial experience gained during her career spanning more than 30 years in banking and also through her various non executive roles. Her long and distinguished career at HSBC included a number of senior positions, including CEO of HSBC Malaysia and CEO and President of HSBC in the United States. She retired from HSBC at the end of 2014 and was a Group Managing Director of HSBC Holdings and a member of the Group Management Board.

Irene will succeed to the Chair after the announcement of the Company's results on 26 February 2020 and will Chair the 2020 AGM.

Previously, Irene was Chair of Virgin Money (UK) plc prior to its acquisition in 2018.

#### External appointments

Irene currently holds independent non executive roles at AXA SA and Rolls-Royce Holdings plc and she also chairs Control Risks Limited, a risk consultancy business. She is also a trustee of the South East Asia Rainforest Research Partnership and an Honorary Fellow of St. Anne's College, Oxford.



**Kate Barker DBE**  
Independent Non Executive Director

Joined April 2011

#### Skills & experience

Kate is a business economist. She was a member of the Bank of England's Monetary Policy Committee from 2001 until 2010 and led two major policy reviews for the Government, on housing supply and on land use planning.

Kate is the Company's Senior Independent Director until 20 April 2020 when she will hand over to Robert Noel on the ninth anniversary of her appointment as a Non Executive Director.

#### External appointments

Kate is a Trustee Director and Chair of the British Coal Staff Superannuation Scheme; an Independent Consultant and member of the Investment Committee of Saunderson House; a non executive director of Man Group plc; a National Infrastructure Commissioner for HM Treasury; an Independent Commissioner of the UK Government's Geospatial Commission; and an external member of the Oxford University Council. It has also been announced that Kate will become Chair of the Universities Superannuation Scheme later this year.



**Gwyn Burr**  
Independent Non Executive Director

Joined February 2018

#### Skills & experience

Gwyn has over 25 years' executive experience, principally in marketing, HR and customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director at J Sainsbury plc. She previously held non executive positions with the Principality Building Society Limited, Sainsbury's Bank plc, Wembley National Stadium Limited and the Financial Ombudsman Service.

#### External appointments

Gwyn is the Senior Independent Director of Hammerson plc and her other non executive directorships include Metro AG (a German listed company) and Member of the Supervisory Board of Takeaway.com.



**Angela Knight CBE**  
Independent Non Executive Director

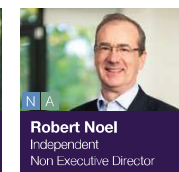
Joined November 2016

#### Skills & experience

Angela brings to the Board a wealth of experience gained at a senior level in both the public and private sectors. Previously, Angela was a Member of Parliament from 1992 to 1997, including two years as the Economic Secretary at HM Treasury, and Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019.

#### External appointments

Angela is Senior Independent Director of TPICAP plc; and a non executive director of Arbutnot Latham & Co; Provident Financial plc; and Encore Capital Group, Inc.



**Robert Noel**  
Independent Non Executive Director

Joined 1 October 2019

#### Skills & experience

Rob has over 30 years' experience in the property sector and has been Chief Executive of Land Securities Group PLC since 2012. Prior to joining Land Securities in 2010, he was Property Director at Great Portland Estates plc from 2002 to 2009. From 1992 to 2002, he was a Director of Nelson Bakewell, the property services group.

Rob will succeed Kate Barker as the Company's Senior Independent Director on 21 April 2020.

#### External appointments

Rob is a Trustee of the Natural History Museum and a Board member of The British Property Federation of which he was President from 2018 to 2019.



**Humphrey Singer**  
Independent Non Executive Director

Joined December 2015

#### Skills & experience

Humphrey has a wealth of financial experience and expertise in the areas of both digital solutions and customer services. Previously he was Chief Finance Officer of Marks and Spencer Group plc; Group Finance Director of Dixons Carphone plc; Group Finance Director of Dixons Retail plc; and earlier held senior finance-related roles within Dixons and Coca Cola Enterprises.

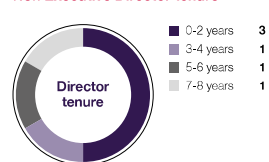
#### External appointments

Humphrey is Chief Financial Officer of Belron Group.

### Board gender diversity

Executive	
Male:	2
Female:	1
Group Board	
Male:	5
Female:	5
Non Executive	
Male:	3
Female:	4

### Non Executive Director tenure



Details of how each Directors' skill sets contributes to the Board's leadership of the Company's strategy development and operations, are set out on pages 196 to 197

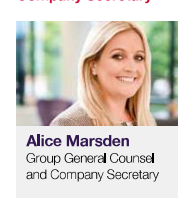
### Non Executive Director – areas of experience



### Key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chairship of the Committee

### Company Secretary



**Alice Marsden**  
Group General Counsel and Company Secretary

Joined 4 November 2019

#### Skills & experience

Alice, a solicitor, was previously the Group General Counsel and Company Secretary of Thomas Cook Group plc and has also worked in the legal profession. Alice oversees compliance with legal and regulatory obligations and also manages the Company's Legal and

Secretariat Departments. She has significant legal, commercial, transactional and regulatory/corporate governance related experience.

### Find out more

- Read more on our governance and Board structure on pages 60-65
- Read more on our Board activities on pages 70-75
- Read more on our Board framework on pages 84-85



## The Board and its Committees

As at the date of this Report, the Board consists of 10 Directors, namely: the Chair, three Executive Directors and six Independent Non Executive Directors. Their names, responsibilities and other details appear on pages 66-67, 83 and 196-197.

The role of the Independent Non Executive Directors is to offer advice and guidance to the Executive Directors, using their wide experience gained in business and from their diverse backgrounds, details of which are set out in their biographies on pages 66 to 67 and 196 to 197 and in the Board diversity analysis on page 66. They also provide constructive challenge, monitoring the overall direction and strategy of the Company; scrutinising the performance of the Executive Directors; and satisfying themselves as to the integrity of the financial information made available both to the Board and to the Company's shareholders. The Non Executive Directors also play an important part in the appointment or removal of Executive Directors and in general succession planning for the Board and other executive and senior management positions below Board level.

## Board attendance

The Board met on eight occasions during 2019 and there was full attendance at all meetings by all Directors. The Board regularly considers the number of Board meetings that take place each year and has concluded that eight meetings remain appropriate but will keep the number under review. Additional Board meetings would be convened as and when necessary and there are also processes in place for approving transactions and other matters that may require approval in between Board meetings.

Directors make every effort to attend all Board and applicable Committee meetings, as evidenced by the strong attendance records over many years. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chair and / or the Secretary will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending by the Chair and / or the Secretary as appropriate. Details of the attendance of each Director at Board and Committee meetings are set out in the tables on pages 60, 86, 99 and 106.

In addition, and in line with the Code, the Chair and the Senior Independent Director, independently of each other, hold meetings at least annually with the Non Executive Directors without the Executive Directors present, and each did so on one occasion during 2019.

## Board responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic direction; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

## Information and professional development

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to different operations and at least one Board meeting per annum takes place either in, or at a nearby location with representatives from, a regional business unit over two days. In 2019, the Board visit, accompanied by the Group Management Team, encompassed presentations on the Major Developments business, increasing use of direct labour, product and placemaking, the strategy for large sites, building for the private rental and rent to buy markets, and on the performance of the Manchester business unit.

The Group General Counsel and Company Secretary acts as Secretary to the Board and its Committees and attends all meetings. It is Board policy that wherever possible a formal agenda and reports are issued electronically to Directors in respect of all Board and Committee meetings at least one week prior to the meeting, in order to allow sufficient time for detailed review and consideration beforehand. Formal minutes are prepared in respect of all Board and Committee meetings, circulated and submitted for approval at the next meeting. All Board papers are circulated electronically and Board meetings have been effectively paperless for several years, which has worked well and aided the overall efficiency of the wider Board process.

The Secretary provides regular briefings to the Board on regulatory and governance matters which are included as part of her formal regular reporting to the Board and are supplemented, as appropriate, by briefings from independent advisers. The Board also receives regular briefings and updates on environmental, social and governance (ESG) matters.

The ESG briefings allow the Board to assess the significant ESG risks to the Company's short and long term value and to identify any opportunities that may arise to enhance value. Details of ESG risks and value enhancement pursuits appear in the 2019 Sustainability Report, which is available on our website at [www.taylorwimpey.co.uk/corporate/sustainability](http://www.taylorwimpey.co.uk/corporate/sustainability)

The Chair, Chief Executive and Secretary meet sufficiently in advance of each Board meeting in order to ensure action points from previous meetings have been implemented and to prepare the agenda and matters to be covered at the next and at future Board and Committee meetings as appropriate. The agenda and minutes for the Audit, Nomination and Remuneration Committee meetings are agreed by the Secretary with the relevant Committee Chair.

## Company culture

A healthy culture is extremely important and the Board fully agrees with the FRC that it both 'protects and generates value' and that culture should be the subject of a continuous focus rather than only in times of a crisis. The Board is responsible for the Company's culture and for defining and setting the Company's values and standards from the top. Culture is established by leadership and by example, but this also needs to be underpinned by clear policies and codes of conduct which ensure that the Company's obligations to its shareholders and other stakeholders are clearly understood and met.

The Company's approach is described in more detail on page 71. The Board is led in these respects by the Chair, who ensures the Board operates correctly, setting its own culture and, by extension, that of the Company in its operations and its dealings with all stakeholders. The observance of that culture throughout business operations is led by the Chief Executive with the assistance of the other Executive Directors and the Group Management Team.

During the course of 2019 and into 2020, the Board actively reviewed and monitored several key areas that it considers are important indicators of the Company culture, including health, safety and environmental matters (as set out on pages 28 and 37), customer service, land, risk strategy, and diversity and inclusivity.

The Board took a number of actions designed to address the findings of these cultural indicators:

- Initiatives commenced in response to the outcome of the 2019 Employee Survey are described on page 135.
- Actions taken in response to employee consultation are set out on page 78.
- The NEF was consulted on proposals introduced during 2019 in the areas of agile working and the revised induction process for new starters.
- The roll-out of new information technology was discussed with the NEF.
- Wider use was made of social media to inform employees.

The Board will keep all of these areas under regular review.

## Company purpose

The Company's purpose is to deliver new homes within thriving communities, in a safe and environmentally responsible manner, with customers at the heart of its decision making and consideration of the potential impact on wider stakeholders.

The Board's leadership towards achieving this purpose during 2019 is set out on pages 70 and 73 and includes information on pages 76-81 on key stakeholders and the ways in which consideration of their interests informed the Board's thinking.

## Board activities during the year

This Report seeks to explain the role of your Board of Directors and describes how it is responsible for setting the culture and values of the Company, ensuring that the Company is run in the best interests of its shareholders as well as other stakeholders, and how it interacts with its shareholders in explaining the Company's strategic goals and its performance against them.

From a governance perspective, it is not just a case of what is done but also, and just as importantly, how it is done. In light of this, we try to avoid a 'box ticking' approach to corporate governance, preferring our own governance to be something that is properly embedded in our people, processes and decision making at all levels and vested in the personal values of all Directors and senior management.

As a Board, we review health, safety and environmental performance at every Board meeting as the first substantive agenda item. We also regularly review: our business strategy; key risks; the market; operational matters; customer service; diversity and inclusivity; corporate responsibility; our financial position and performance; governance, compliance and legal matters, including whistleblowing; and stakeholder-related matters, including the make up of our share register and investor relations programme; community engagement; and human resources and wider employee matters. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through regular reports and presentations from our senior management and external advisers.

The Board and individual Directors also undertake regular visits to our regional businesses and their development sites, which have proved to be both very useful and informative.

Special topics considered during the year at Board meetings included those listed in the timeline opposite.

## How the Board led and monitored the strategic direction

### February

In its February meeting, the Board considered the possibility of, and scenarios arising from, Brexit together with a business update and future strategy plans from the London and South East Division, and the 2018 risk assessment.

### April

In its April meeting, the Board considered presentations on customer service, customer focus and the potential implications for the UK homebuilding industry of Brexit and wider political developments.

### May

At its May meeting, the Board considered an update on the business and future strategy plans of the North Division and a presentation on plans for sales and marketing across the business.

### June

At its June meeting, the Board debated a strategy update and identified and agreed the key priorities together with progress made to date and activities planned going forward. It also received an update on the business and future strategy for the Major Developments business.

### September

At its September Board 'away day' in the Company's Manchester business, the Board considered a presentation on sustainability in relation to Group operations and the supply chain and received a breakfast briefing from external speakers on Artificial Intelligence.

### October

In its October meeting, the Board considered updates on progress and future strategy in the areas of land and human resourcing, including for the latter, recruitment and induction plans, and the strategy for further improving diversity and inclusiveness.

### December

At its December meeting, the Board considered the strategy for further improving performance in the areas of risk review and mitigation measures, health, safety, environment and sustainability.

## How our Board monitors culture

The Board sets the culture of the Group, as described on pages 2, 61 and 69, and uses a number of indicators to inform its regular assessment of whether the culture continues to be appropriate and whether there are any further actions that are necessary.

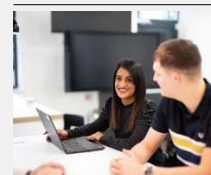
These indicators cover a range of in-house and independent monitors, as set out below:



### Employee survey

The Employee Survey is conducted every two years and the results for 2019, in which over two-thirds of employees participated, showed over 90% considered that:

- Their work gave them active engagement in the Group's performance and prospects.
- They understood, supported and actively promoted the Group's strategy.
- They understood, supported and actively promoted in their day to day work the key strategic direction of improved attention to customers' needs.



### Glassdoor list of best places to work

The results of the Employee Survey (above) are further borne out by the annual Glassdoor list of best places to work which is an independent survey across UK businesses of employees' perception of the Company for which they work.

The 2019 list, ranking the best places to work during 2020, showed the Company had maintained its top fifty ranking for the third successive year and continued to be the highest-ranked of the major UK Housebuilding companies.



### Employee retention

The Board receives an update on HR matters at each meeting.

Our employees offer one of our greatest competitive advantages and retaining their services is a key element of our strategy. Voluntary employee turnover of 12.9% is lower than for 2018 and is aligned to a strong level of engagement with the Company's strategy.



### Health and safety

The Company maintains an absolute, non-negotiable commitment to maintaining a healthy and safe place of work for all stakeholders, as described elsewhere in this Annual Report on pages 15, 23 and 28. The Employee Survey described above found that 97% of employees understood their role in advancing this commitment in their day to day work.



### Compliance

The Group has robust policies, regularly reviewed, concerning key governance areas including anti-bribery; anti-corruption; anti-money laundering; and anti-slavery and human trafficking. These policies are actively promoted through online training; checks for successful completion of initial and updated training and guidance; and annual sign-offs by senior management across the business.

These processes and checks are underpinned by a robust Internal Audit Department, whose work is monitored by the Audit Committee as described on pages 103-104, and an independent whistleblowing process monitored by the Board as described on page 75.





## Stakeholder engagement

The Board's objectives for 2019 in this area were:

- To actively encourage shareholder participation through clear messaging and reporting and careful review of shareholder feedback.
- To monitor the planned further improvements in customer service performance during 2019.
- To ensure the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment.
- To monitor and further develop the employee voice through the National Employee Forum.

To achieve those objectives, the Board regularly reviewed its duties under Section 172 of the Companies Act 2006.

- Full details of the Board's engagement with stakeholders and the ways in which this engagement was taken into account in the decision-making processes during 2019 is set out in the 'Considering stakeholders in decision making' section on pages 76 to 81 of this Annual Report and Accounts.
- For engagement with employees, the Board considers that the NEF, whose activities are described in more detail on pages 78 and 135, together with other modes of employee involvement and communication described on pages 78 and 79 and 135 and 136, are the most effective means of engagement as they deliver a variety of insights and feedback from across all levels and specialities of the team. The Board will, however, continue to keep this under review.

The Board's objectives for 2020 in this area are:

- To further deepen the existing processes whereby stakeholder views are taken into account in the Board's decision-making process, including by:
  - Actively encouraging shareholder participation through clear messaging and reporting and careful review of shareholder feedback.
  - Monitoring the planned further improvements in customer service performance during 2020.
  - Ensuring the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment.
  - Reviewing the effectiveness of the National Employee Forum now that it has been established for over two years, and consider options to develop and strengthen engagement with employees.

## Organisational capacity

The Board's objectives for 2019 in this area were:

- To ensure the Company's resourcing, including capital, finance, people and land, remains sufficient to achieve the strategy whilst seeking to continuously improve performance and meet wider diversity considerations.
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements.

To achieve those objectives, the Board undertook the following during 2019:

- Reviewed reports at each meeting on the financial performance of the Company and the availability, currentity and forecast going forward, of financial, people and supply chain resources.
- Received reports on subjects discussed at meetings of the National Employee Forum and considered employee participants' views on key areas including strategic, business and remuneration matters.

- In addition to its regular update at each meeting, received two detailed half-yearly updates on human resources.
- In addition to monitoring progress generally throughout the year, received two detailed half-yearly updates on progress against its Diversity Policy, inclusivity and in respect of gender pay.
- The Nomination Committee formally reviewed on two occasions the strategy for succession planning and related training assessment and provision, both for the Board and the executives immediately below Board level, and progress made in achieving it. The Board also reviewed human resources related matters that were tabled at each Board meeting.
- Reviewed arrangements for compliance with GDPR and action taken and proposed for further improving the resilience of the Group's information technology systems, particularly to mitigate cyber security risk.

- The Audit Committee also received detailed half-yearly updates on the development and resilience of the Group's information technology systems and management of cyber security risk.
- The Board received updates on the financial position of the Group's pension fund and related funding objectives.

The Board's objectives for 2020 in this area are:

- To ensure the Company's resourcing, including capital, finance, people and land, remains sufficient to achieve the strategy whilst seeking to continuously improve performance and meet wider diversity considerations.
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements.

## Strategy and execution

The Board's objectives for 2019 in this area were:

- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes.
- To ensure the Company's performance remains on schedule to achieve the strategy.
- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus.

To achieve those objectives, the Board undertook the following during 2019:

- Regularly reviewed detailed business proposals for the delivery of the Company's strategy, including detailed proposals for each of the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business.
- Regularly reviewed performance to date through considering, in addition to regular updates from the Executive, detailed business performance updates from the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business; together with various year end performance projections for the Group.

- Received detailed updates on other key performance areas, including business culture; customer service and its use of digital communications; land and planning; and production and procurement.
- Reviewed and agreed the Group budget for the period 2020 to 2021; and received a detailed review of the Group's financial position; borrowing facilities; and financing alternatives; in relation to its strategic direction and latest forecasts.
- Considered the Company's dividend policy going forward in light of performance reports; strategic direction and outlook; and financial position.
- Received a detailed update on the progress of the Company's strategy from Management, including risks in its delivery and how they are mitigated, and an economic overview presentation from an independent external expert as a backdrop to the Group's strategic and performance reviews.
- Received regular governance updates and briefings.
- At each meeting, detailed reports from the Executive Team were discussed, reviewing forward resourcing requirements in the areas of capital, finance, people and land, and operating decisions taken or proposed to address them.
- Health, safety and environmental progress and performance is the first substantive item of business at each Board meeting and the Board receives each year a detailed

presentation on the Group's health, safety and environmental performance for the year and plans for seeking further improvement going forward.

In light of the foregoing, the Board also, with prior input and advice from the Audit Committee:

- Considered the draft Annual Report and Accounts and associated viability assessment and statement and Sustainability Report for 2018 and the Half Year results for 2019.
- Determined the amount of final ordinary dividend for 2018 and special dividend for 2019 to be proposed to shareholders at the 2019 AGM; the interim dividend for 2019; and the special dividend proposed for 2020.
- Approved in principle the draft 2018 Full Year Results Statement; the draft 2019 Half Year Results Statement; and the draft Trading Statement to update shareholders on progress for the year to date at the 2019 AGM.

The Board's objectives for 2020 in this area are:

- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes.
- To ensure the Company's performance remains on schedule to achieve the strategy.
- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus.

## Governance and values

The Board's objectives for 2019 in this area were:

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements.
- To ensure that remuneration continues to be implemented within the framework of the Company's Remuneration Policy and proportionately rewards achievement of the strategy.
- To implement the improvements identified arising from the internally-facilitated 2018 Board evaluation.
- To conduct an effective Board evaluation.
- To monitor shareholder feedback and continue to actively promote wider engagement.

To achieve those objectives, the Board undertook the following during 2019:

- Received, together with the Board Committees, regular updates on governance and regulatory developments during the year, including on remuneration, both from internal and independent external sources.

- Checked the status of the Company's compliance with the requirements of the revised Code throughout 2019.
- Submitted to shareholders at the 2019 AGM a Remuneration Report that was approved with a vote in excess of 96%.
- Concluded the internally-facilitated Board evaluation for 2018, identifying areas for further improvement and acting on the recommendations.
- Sought shareholder and institutional feedback, both at the AGM and when presenting the Company's Half Year and Full Year results; and in notifying proposals for updating the Remuneration Policy. The results of the feedback from shareholders were taken into consideration by the Board together with advice from its stockbrokers.
- Reviewed and further enhanced and improved processes and checks designed to guard against instances of modern slavery within the Company and its supply chain.
- The Company made its third Modern Slavery Act 2015 statement in March 2019 after reviewing its operations and its supply chain.

Detailed guidance has been issued around the business and key personnel have undertaken training in identifying; assessing; and reporting any instances that might arise; with the aim of reducing the risks of modern slavery and related practices as far as possible.

The Board's objectives for 2020 in this area are:

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements.
- To ensure that remuneration continues to be implemented within the framework of the Company's new Remuneration Policy (subject to shareholder approval) and proportionately rewards achievement of the strategy.
- To implement the improvements identified arising from the internally-facilitated 2019 Board appraisal.
- To conduct an effective, externally-facilitated Board evaluation.
- To monitor shareholder feedback and continue to actively promote wider engagement.

### Health, safety and environment

The Board is fully committed to providing a safe place in which our employees and subcontractors can work, and our customers can live. We also ensure that all of our sites are developed to high standards of environmental management. As the first substantive item at each Board meeting, the Board receives detailed reports on health, safety and environmental matters in respect of the Company's operations in the UK and Spain. The Company's detailed carbon reporting, as required by the Department for Business, Energy & Industrial Strategy, is set out on pages 44 and 138.

More details, on these and other initiatives in these areas, can be found in the Stakeholders section on pages 42-43 and 81 and in our Sustainability Report for 2019.

### Operational oversight

Operational management of the Company's business is undertaken by the Chief Executive who receives advice from the Group Management Team (GMT). The GMT is the most senior executive committee and, in addition to the Chief Executive, consists of the Group Finance Director, the Group Operations Director, the Group General Counsel and Company Secretary, three Divisional Chairs, the Group HR Director and the Major Developments Director. The GMT meets on a regular basis and also once each month with the Divisional Managing Directors when it sits in the capacity of the wider Group Operation Team.

The Board also receives regular reports and minutes from the Treasury Committee, which meets under the Chairship of the Group Finance Director, and also comprises the Group General Counsel and Company Secretary, one of the Divisional Chairs (who rotate periodically) and the Group Treasurer. The key responsibilities of the Treasury Committee are, broadly, to monitor and keep under review the Group's financial risks, financial policies, financial facilities, covenant compliance and insurance programme in the light of current and proposed strategic and operational requirements, and to make recommendations to the Board or GMT, as appropriate, regarding policy or operational changes in these areas.

All businesses and employees are expected to operate at all times to the highest standards of integrity and conduct in all matters concerning the Group. Accordingly, there is a Code of Business Conduct, which sets out the standard for individual dealings both internally and externally. Formal policies have been adopted, which set out the ethical framework within which all Taylor Wimpey companies and employees are required to undertake their business – this includes, in line with the Bribery Act 2010, an Anti-Corruption Policy which requires an annual sign-off by designated senior management. All business units receive training each year from external experts on legislative and regulatory matters.

The following documents relating to the Group's management processes and division of responsibility are available for review on the Company's website at [www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance](http://www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance):

- Schedule of matters specifically reserved for the decision of the Board, including full oversight of all decisions on profit expectations and Dividend Policy.
- Terms of Reference of the Board Committees: Audit, Nomination and Remuneration, which outline their objectives and responsibilities and define a programme of activities to support the discharge of those responsibilities.
- Policies covering operational, compliance, corporate responsibility and stakeholder matters, including those related to the Bribery Act 2010 and Anti-Corruption referred to above, which are reviewed whenever necessary to take account of developments in corporate governance, changes in legislation and revised processes.
- The Company's Articles of Association.

These have been updated to reflect the July 2018 version of the Code and relevant reporting against these is provided to the Board or the Audit Committee by the Head of Internal Audit and the Secretary as appropriate.

### Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on pages 24 to 29. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal review and approval by the Board. Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust in order to reflect the possible impact of changing economic conditions and circumstances. The Chief Executive and the Board conduct regular reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Disputes that may give rise to significant litigation or contractual claims are monitored at each Board meeting, with specific updates on any material developments or new matters presented by the Secretary.

The Group has clearly defined policies, processes and procedures governing all areas of the business, which will continue to be reviewed and refined in order to meet the requirements of the business and changing market circumstances.

Defined authority limits continue to be closely monitored in response to prevailing market conditions. Any investment, acquisition or significant purchase or disposal of land requires detailed appraisal and is subject to approval by the Board or the Chief Executive, depending on the value and nature of the investment or contract.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the Board within which individual responsibilities of senior executives of Group companies are identified and can be monitored. The Operating Framework, within which delegated authorities, responsibilities and related processes are explained in detail, is available for review and guidance online by any employee through the Company's intranet. These activities are reinforced through process compliance and other audits conducted by Internal Audit. The annual employee performance appraisal process is competency-based, with individual objectives cascaded down from the appropriate business objectives. The process also identifies training needs to support achievement of objectives.

During 2019, the Group's control environment was further improved through enhanced reporting, tracking and monitoring, led by the Audit Committee, which identified the key risks to be reviewed and assessed by Internal Audit as part of its programme of work during the year.

### Risk

The Audit Committee carried out a number of assessments of risk and its identification and mitigation during 2019 as set out on pages 101-102.

In addition, the Board, assisted by the Audit Committee, and informed by a detailed review from the Group Operation Team, carried out a robust assessment of the principal and emerging risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. The nature of this assessment and output are as disclosed on pages 101-102.

### Anti-bribery and anti-corruption

In line with the Bribery Act 2010, the Company has written policies on its zero-tolerance approach to bribery or corruption. The policies apply across all of the Company's businesses and are available for review externally on the Company's website and by all employees on the Company's intranet. The risk to the Company of non-compliance would be significant reputational damage, potential financial penalties and the possible exclusion from certain approved partner arrangements. These risks are mitigated by training for senior managers and by issuing an annual reminder to all businesses and key departments requiring each managing director or departmental head to check that their teams have complied with the policies during the reporting year and reported any infringements; remain aware of the policies' requirements for the coming year; and to formally confirm in writing that they have done so.

### Advice available to the Board

All Directors have access to the advice and services of the Secretary and Company Secretariat team. The Board has an established procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their responsibilities as Directors.

The Board took advice during the year:

- From various safety consultants including principally London Fire Consultants & Design Associates Limited in reviewing the external cladding system and fire safety arrangements on relevant developments in light of the Grenfell Tower fire tragedy, and also took specific legal and fire safety advice from professional advisers in ensuring that the appropriate follow-up actions were taken.
- From Finsbury and JPMorgan Cazenove on the political outlook.
- From Deloitte via the Audit Committee on the significant governance developments during the year.
- From Korn Ferry via the Remuneration Committee on remuneration matters as reported in more detail in the Remuneration Report on page 121.

The Board also receives regular advice from its brokers (Credit Suisse International and Citigroup Global Markets Limited from 18 October 2019) and from their predecessors as the Company's brokers on its announcements and also more generally on the sector and the relative performance of the Company's share price.

### Whistleblowing

The Group's Whistleblowing Policy is supported by a clear policy and process that includes an independent third party whistleblowing hotline through which any person, including employees of the Company, may, in confidence, raise concerns about possible improprieties in financial reporting, other operational matters or inappropriate behaviours in the workplace. All whistleblowing cases are investigated by the Head of Internal Audit, Head of HSE (where appropriate), Group Human Resources Director and / or the Group General Counsel and Company Secretary depending on the nature of the issue. The Chief Executive is apprised, on an anonymous basis, of all allegations and conclusions of the review.

Whistleblowing incidents and their outcome are reported to the Board, on an anonymous basis, in line with the requirement in the July 2018 update of the Code which applied from 1 January 2019. Whistleblowing featured regularly on the Board's agenda during 2019, with formal half yearly reviews and interim updating on significant matters. This allowed the Board to regularly review the adequacy of the policy in line with its requirement to do so under the Code. The policy itself is periodically reviewed and includes the ability for workers to make protected disclosures with regard to matters arising under the Modern Slavery Act with regard to our business and its supply chain, Following a review of the process and administration; and the continuing high-profile awareness campaign around the Company's businesses and offices; the Board is satisfied that the policy and its administration remain effective.



## Considering stakeholders in decision-making

We actively encourage engagement with our shareholders and other stakeholders.

The Directors are required by law to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In so doing the Company must, in accordance with Section 172 of the Companies Act 2006, also have regard to wider expectations of responsible business behaviour, such as having due regard to the interests of, and actively engaging with, its employees; the need to engage and foster business relationships with suppliers, customers and others; the need to act fairly as between members of the Company; the likely consequences of any decision in the long term; the desirability of maintaining a reputation for high standards of business conduct; and the impact of the Company's operations on the community and the wider environment.

The Company's statement of how the Board complied with this legal requirement during 2019 and continues to do so into 2020, appears on page 33.

This section explains how the Board undertook this during 2019.

During the year, the Board specifically discussed this requirement on several occasions and concluded that its existing processes and decision-making properly take into account both the duty to shareholders and the wider considerations with regard to other stakeholders as referred to above.

The Board concluded that its key stakeholders continue to be as listed in last year's Annual Report, namely:

- Our customers, who buy the Company's product.
- Our employees.
- Our partners in the supply chain, who are suppliers and subcontractors to the Company's business operations.
- Our shareholders, who invest in the Company.
- The communities in which the Company operates.

In addition, the Board also specifically took into account the potential impact of the Company's operations on:

- The health and safety of its employees, customers and visitors to its sites and offices.
- The environment.

### Engagement with wider stakeholders

Engagement with each of these stakeholders and consideration of their respective interests in the Company's decision-making process, took place during the year as described on this page and on pages 77 to 81.

The Board continues to engage with its key stakeholders and the feedback from this engagement will continue to inform the Board's thinking and decision-making in relation to strategy and the oversight of the day to day operations of the Group.

### Engagement with employees

During the year, we have engaged with employees on a number of issues related to them, namely the impact of Brexit; feedback from the results of the 'TalkBack' employee survey; the development of the new Taylor Wimpey Values; and further proposals to facilitate agile working. In addition, feedback was sought following briefings given on Group plans, progress and initiatives. As we consider our employees to be one of the key resources that enable us to drive success, we also encourage their involvement in driving the Company's performance through encouraging participation in the all-employee share schemes, which is discussed in more detail in the Remuneration Report, on page 117. We consider our employees' feedback to be an essential component of our efforts to move forward as a Company, and more information on how we have considered their views in Board decision-making can be found in the following pages.

Set out overleaf are details of how the Board engaged with employees and other stakeholders and the way their views informed the Board and were taken into account in the Board's processes and decision making during the year.

## Our stakeholders

### Our customers



Delivering high levels of customer satisfaction enhances the reputation of our business. See pages 34 and 77

### Our employees



Our National Employee Forum gives the Company's employees an extended 'voice' on key matters. See pages 36 and 78

### Our partners



We engage with our suppliers and subcontractors at local and national level to keep them informed. See pages 38 and 79

### Our investors



The Board actively seeks and encourages engagement with shareholders. See pages 40 and 80

### Our communities



We actively seek the views of local communities. See pages 42 and 81

## Our customers



### Engagement with customers and consideration of their interests

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work. The Board and the Group Management Team regularly review customer satisfaction scores as independently reported and consider ways in which these can be improved. A number of customer focus groups were consulted to ascertain key considerations, preferences and concerns when considering the purchase of a new home and the feedback from these informed the customer-focused strategic approach.

The Board receives monthly reports on customer service matters, at Group level and for each operating division. Performance relative to customer issues and overall scoring within the independent NHBC customer surveys are considered regularly at Board meetings. In addition, the Board receives special presentations covering engagement, from the UK Sales and Marketing Director and the Customer Service Director, whose views and data are taken into account in developing strategy; and operational management and initiatives.

The Chief Executive's report to each Board meeting considers the inter relation between operating performance; delivery of units; and profit; in relation to employees; resourcing; health and safety; and customer service; to ensure that an appropriate balance is maintained and to emphasise the primacy of customer service and safety over speed and number of unit completions.

The Board receives and debates customer-focused strategy development; performance; and outcomes; from presentations by the UK Sales and Marketing Director and the Customer Service Director in relation to the Group; from Divisional Chairmen and Divisional MDs in relation to specific Group businesses; and assesses plans being developed for the future in these areas.

Extensive research with customers, conducted during 2018, both those who purchased homes from the Company and those who did not, was reviewed by the Board and by Management, and was used to shape the customer-focused strategy.

Customers told us:

- The bedrock of a Company is the quality of its products, which formed one basis of the strategic focus on quality.
- They don't just buy a home, they buy into 'the place' where it is located, which informed the strategic focus on wider 'placemaking'.
- The Company needs to think more about the homebuying experience from the customer's perspective, which helped to guide the further development of the 'options online' facility and the ongoing re-design of the Company's website.

More details are set out on pages 34-35

## Our employees



### Engagement with employees and consideration of their interests

The principal forum for engagement with our employees is the National Employee Forum (NEF) which has worked well throughout 2019 and into 2020, giving the Company's employees an extended 'voice' with regard to key matters that are being considered.

Meetings were held quarterly during 2019 and all generated a good level of healthy debate. The meetings are attended by a member of the Group Management Team and each so far has been attended by either the Company Secretary and / or by the Group HR Director. During 2019, the Chief Executive attended one meeting and discussed the impact of Brexit, the results of the employee 'TalkBack' survey, the new Company values, and sought the Forum's views and feedback on agile working proposals. Relevant Board members also attended NEF meetings to brief the employee representatives on Group plans; progress and initiatives; and to receive feedback on the proposals which was then taken into account in finalising and implementing key changes.

The Board receives at each Board meeting detailed reports on employee matters, at Group level and for each operating division, and these, together with feedback from the NEF meetings, inform the Board's discussion on matters potentially affecting employees to any significant extent.

The Board received regular updates on the views of the workforce through receiving and discussing the minutes of meetings of the NEF and the outcome of any interim consultations on proposed new policies, procedures and employment related developments.

The Board also debated the detailed outcomes of the biannual Employee Survey and these views and overall employee feedback were integrated into the development of future strategy and shorter term initiatives across the business.

More details are set out on pages 36-37 and 135-137

Employees are recognised as a key asset to the business and to the achievement of the strategy and this is recognised by the Board's inclusion as a key strategic objective the aim of becoming the employer of choice. During the year, the Board acted on employee feedback received through the communication and engagement channels described on pages 135 to 137 by:

- Continuing to enhance the working environment to facilitate increased co-operation by greater use of open plan facilities.
- Introducing improved technology at site level to facilitate communication and reporting and to improve time management at site management level.
- Further promoting and facilitating flexible working.
- Making available increased support for employees through greater focus on health and wellbeing, including mental health.
- Seeking and taking into account feedback as the Company's new values, described on pages 2, 15 and 23 were developed and introduced.
- Rolling-out the availability of defibrillators to offices and sites and offering training in their effective use.
- Taking into account feedback in the development of the plan for the roll-out during 2019 of new IT hardware and associated training in its use.
- Incorporating their views into the development of the new induction process, during both the design and later finalisation phases.
- Reflecting feedback in the further spread of agile working around the business and tailoring the process to better facilitate this.
- Introducing digitalisation of the workplace which will offer additional tools and resources requested for the workplace.

### Consideration of people with disabilities

The Company is committed to making its products accessible to customers with disabilities and to ensuring that prospective employees with disabilities should have fair consideration for all vacancies within the Group.

To provide more flexibility for customers with disabilities, the majority of the houses in our new house type range are designed to Level 2 of Part M of the Building Regulations. This enhanced standard allows for easier movement into and around the house as well as providing flexibility in adapting bathrooms and bedrooms for disabled people.

For employees, the Company is committed to ensuring that, where possible, people with disabilities are supported and encouraged to apply for employment; to achieve progress once employed; and for this to be facilitated to the extent reasonably possible by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

More details are set out on page 137 and in our Sustainability Report for 2019

### Careers

The Board is very mindful of the need to develop skills in the housebuilding industry, particularly in light of the possible challenges around Brexit, and the Company continues to offer a significant number of opportunities for the development of new skills:

- Apprentices are given opportunities to develop in key building trades.
- The Graduate programme, which lasts two to three years, helps to fulfil our talent succession requirements in Strategic Land, Land, Sales, IT and Finance as well as supporting key business and charity projects throughout the programme duration.
- All employees have annual reviews linked to personal development plans and targets for further improving their skills and experience.
- Training is available to assist employees in seeking to maximise their opportunities around the Group.

More details are set out on pages 36 and 136 to 137

## Our partners



### Engagement with our partners in the supply chain and consideration of their interests

The Company negotiates with subcontractors and suppliers, both on a national and a local basis, to develop national framework agreements and to agree both national and local commercial terms. These reflect the payment practices and performance in respect of which we have published two six-monthly Payment Practice Reports during 2019, which may be found online at <https://check-payment-practices.service.gov.uk/company/01392762/reports>

We engage with our suppliers at both local and national level to keep them informed of key forecasting information.

We engage with our suppliers on a wide range of sustainability initiatives through meetings, workshops and our membership of the Supply Chain Sustainability School. We are refocusing on waste elimination and reduction including packaging waste in particular.

The Company also engages with Non-Governmental Organisations (NGOs) and expert organisations to assist us in creating sustainable communities around our housing developments, covering areas such as urban design; ecology; and innovation.

The Company holds an annual materials suppliers conference to drive quality and environmental sourcing deeper throughout the supply chain.

We employ a full-time Research and Development Manager with specific responsibilities for innovation. The role includes a high level of engagement with our supply chain, both material manufacturers, suppliers and subcontractors, across a wide range of products and services. The role dovetails with our supplier relationship programme, in which we seek to enhance and improve both process and product with our key supply chain partners.

The Board and the Group Management Team, in developing and implementing the strategy, consider the impact of the Company's business operations on sustainability in relation to supply chain sourcing and supplier agreements.

The strategy approved by the Board reflected this engagement through seeking to increase the proportion of long term partnerships with subcontractors and suppliers and further increasing the high standards the Company sets in relation to safety, skills development and environmental responsibility.

More details are set out on pages 38 to 39



## Our investors



### Engagement with shareholders and consideration of their interests

The Board actively seeks and encourages engagement with shareholders, including its major institutional shareholders and shareholder representative bodies. The Board fully supports the principles of the 2018 UK Corporate Governance Code and also welcomes and acknowledges the Stewardship Code, both of which aim to foster a more proactive governance role by major shareholders. The Board has put in place arrangements designed to facilitate contact with shareholders concerning business, governance, remuneration and other relevant topics. This provides the opportunity for meetings between shareholders and the Chair, the Independent Non Executive Directors (including the Senior Independent Director), as well as the Chief Executive, Group Finance Director and Group Operations Director and other executives including the Company Secretary as appropriate, in order to establish a mutual understanding of objectives.

The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the Full Year and Half Year results. This includes engagement with shareholders and shareholder representative bodies at meetings with individual Directors to establish a mutual understanding of objectives. In addition, the Chair meets with the Company's institutional shareholders from time to time, both proactively and upon request, in order to discuss the Company and its performance, governance and remuneration policies.

An annual consultation exercise is undertaken by the Remuneration Committee, in conjunction with which the Chair of the Committee engages directly with shareholders and their representative bodies. In developing the proposed new Remuneration Policy, the Remuneration Committee took into account wider workforce remuneration and related policies, to ensure that incentives and rewards were aligned with wider Group remuneration principles and with Group culture and sought feedback from major shareholders and their representative bodies as part of the annual consultation.

At the Company's AGM – both before, during and after the meeting; Directors actively engage with shareholders who have attended. In addition, there are a series of 'roadshows' following the announcement of the Group's Full Year and Half Year results.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and consider detailed feedback through surveys; direct contact; and also other means, which are taken into account when considering major strategic and operational alternatives open to the Company.

The Company is, of course, also always very pleased to hear from and engage with our private shareholders and has, for example, hosted the United Kingdom Shareholders Association at our Chobham Manor development in November 2019. Individual shareholders were able to meet with Regional management for a presentation and Q&A, which was followed by a tour of the development.

### What our shareholders have asked us this year

During 2019, the Company held various meetings with investors representing a substantial proportion of the share register. Our engagement is both proactive, where we organise roadshows, attend conferences, host analyst days and site visits; and reactive, responding to incoming requests from our institutional shareholders.

We hosted a further seven site visits during 2019, which gave investors and analysts the opportunity to meet our operating teams and also hosted a separate event at which analysts met Regional management from across the business.

The overall level of engagement was slightly less than in previous years due to investors' informing us of their preference to await greater clarity around Brexit.

The key matters raised by investors at these meetings, and details of how the Company acted on the feedback received, were:

#### Margin and cost management

Margins reduced in 2019 as a result of higher levels of build cost inflation being experienced. As a result there were an increased number of questions around cost management and margin. During 2018, we had already launched a cost and efficiency review with multiple workstreams and an expectation of generating savings from 2020 into 2023. In 2019, in response to the changed market conditions, we also stepped up our focus on business as usual cost management with a number of initiatives complementary to the existing cost and efficiency workstreams. Appreciating that this is a key area of interest for investors we strengthened our communication on the various factors influencing margin as part of the 2019 full year results presentation, including expanding our margin bridge disclosure, which was already considered best in class.

#### Quality

A number of questions concerned customer service and quality following wider sector reputational issues.

Customers, in respect of both quality and service, were at the heart of our strategy, decision-making and actions when we announced our customer-focused strategy in 2018, at our capital markets day. In 2019, we introduced operational KPIs which focus specifically on customer and build quality, including those not before disclosed by the sector, such as the nine-month customer survey and the NHBC Construction Quality Review score, and explained why they are important.

### Environment, Social and Governance (ESG)

ESG is gaining increasing focus from investors, evident from letters from major shareholders and in our materiality assessment responses.

Taylor Wimpey has always had a focus on sustainability and our social impact. We have produced a separate Sustainability Report for many years and sustainability metrics have been integrated into our Annual Report and presentations. They also feature in targets for performance-related remuneration. The roll-out of our environmental strategy is a focus for 2020 which will formalise the work we have ongoing in the business and go further in committing to more ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint. We also plan to develop with The Carbon Trust a science-based carbon reduction target by the end of 2020.

#### Remuneration

The Chair of the Remuneration Committee wrote to 14 of the Company's major shareholders, and three key shareholder bodies, setting out the Company's proposed new Remuneration Policy which is being proposed to the 2020 AGM as Resolution 20 (see page 193). More details, together with feedback on the responses, appear in the Remuneration Report on page 118.

### Annual general meeting

The Board encourages all shareholders to vote at the AGM, which is attended by all Directors. The Notice of Meeting, including details of all resolutions to be proposed at the meeting, is set out on pages 192 to 198.

More details are set out on pages 40 to 41

## Our communities



### Engagement with communities in which the Company operates and consideration of their interests

We actively seek the views of local communities and develop a tailored planning and community engagement strategy for each development site, working closely with communities and other local stakeholders throughout all aspects of the planning process. This feeds into Board discussion of future development plans when considering strategic direction and progress, and when considering major capital expenditure proposals referred to the Board including on land purchase.

A key element of the Company's strategy is a renewed focus on placemaking and community when developing new sites and this involves interacting with all key stakeholders when designing, building, and marketing, new housing developments and taking their views fully into account.

We also support communities, both locally and nationally, through our charitable work, including financially and giving time, energy and leadership to support local efforts.

The introduction of defibrillators on sites and in permanent offices was considered in the wider context of customers; visitors; and placemaking in housing developments; and a decision was made that they would be handed over to the community when the relevant development had been completed. It also informed a decision to initially install them in a way that would facilitate this handover at the appropriate time.

Consideration was given to the possible impact of the Company's business operations on the environment in relation to areas such as the netting of hedgerows and trees.

The Board and the Group Management Team considered the sustainability and environmental impact in relation to the development of a revised range of house types, to take into account and help to address energy efficiency and sustainability in the materials and production techniques used.

The Board receives feedback from presentations in the areas of customer focus; procurement; how sustainability best practice supports the Group's business strategy; and the identification of areas where further developments can be made in placemaking and sourcing of sustainable materials. This feedback informs the Board's thinking in developing and implementing the strategy, for instance, through the incorporation of disabled access for customers and visitors in house types and for employees in offices and work situations, including on site, to try and ensure the widest possible availability of the product to customers and visitors and advancement opportunities for employees.

### Health and safety

The health and safety of our employees; customers; suppliers; subcontractors; and all visitors to our businesses and development sites, continues to be a non-negotiable top priority for the Company. The Board receives reports on health, safety and environmental matters, at Group level and for each operating division at each Board meeting. There is a detailed review at each Board meeting, as the first substantive item on the agenda, of health, safety and environmental issues in relation to employees; customers; visitors; and the impact of the business on the environment and sustainable development. The Head of HSE attends each Group Operation Team meeting and also attends the Board on an annual basis to present on key HSE issues, initiatives, trends and statistics.

More details are set out on pages 42 to 43 and in the Sustainability Report for 2019

# Division of Responsibilities

There is a clear and effective division of responsibilities between the Board and operating management which is a key foundation of the Company's strong governance.

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement and promotes a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non Executive Directors, and ensures that Directors receive accurate, timely and clear information. The Board includes an appropriate combination of executive and non executive (and, in particular, independent non executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business. Non Executive Directors have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. The Board, supported by the Company Secretary, ensures that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board has an established framework of delegated financial, commercial and operational authorities, which define the scope and powers of the Chief Executive and of operational management.

In line with the Code, the roles and responsibilities of the Chair and the Chief Executive have been clearly defined, set out in writing and signed by Kevin Beeston and Pete Redfern in their respective capacities.

During 2020, the roles and responsibilities document will be reviewed and updated as required following Irene Dörner becoming Chair on 26 February 2020.

## Ensuring there is no conflict of interest

In order to assist Directors in complying with their duty to avoid conflicts (or possible conflicts) of interest, it is standard procedure that the Board must first give its clearance to such potential conflicts of interest (which would include directorships or other interests in outside companies and organisations) following which, an entry is then made in the statutory register which the Company maintains for this purpose.

Whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is or may be a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association. In such cases, unless allowed by the Articles, any Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement.

The Board undertakes a regular review of each Director's interests, if any, outside the Company. In addition, all proposed new appointments and interests of Directors are cleared in advance with the Board, which considers the impact on the time commitments of the Director concerned. Following these reviews, the Board remains satisfied that, in line with the Code, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively and that any current external appointments do not detract from the extent or quality of time which the Director is able to devote to the Company. This is further borne out by Directors' attendance at Board and Committee meetings, which has been at or very close to 100% over many years.

## Board of directors

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society.

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. The board should ensure that workforce policies and practices are consistent with the company's values and support its long term sustainable success. The workforce should be able to raise any matters of concern.

As explained on page 63 Kate Barker, Non Executive Director and the Senior Independent Director, has agreed to remain on the Board (subject to Shareholder approval) beyond her nine year anniversary date, in order to help facilitate, and provide greater continuity during, the post-handover period of the Chair from Kevin Beeston to Irene Dörner.

## Role of the Directors

Whilst all Directors share collective responsibility for the activities of the Board, some Directors' roles have been defined in more detail as Governance considerations have developed over time, as follows:

### Chair

- Ensuring high standards of corporate governance and setting the cultural tone from the top.
- Building a well-balanced and highly effective Board.
- Chairing Board meetings and setting Board agendas.
- Promoting effective Board relationships.
- Encouraging constructive challenge and facilitating effective communication between Directors.
- Ensuring the effectiveness of the Board and enabling an annual review of its effectiveness.
- Engaging individually with Directors as required.
- Ensuring appropriate induction and development programmes for individual Directors.
- Agreeing the Chief Executive's personal objectives.
- Ensuring there is effective two-way communication and debate with shareholders.
- Maintaining an appropriate balance between the interests of stakeholders.

### Chief Executive

- Developing and implementing Group strategy.
- Recommending the strategic plan and related annual budget.
- Ensuring coherent leadership of the Group.
- Managing the Group's risk profile and establishing effective internal controls.
- Regularly reviewing the organisational structure; developing the Executive Team; and planning for succession.
- Ensuring the Chair and the Board are kept advised and updated regarding key matters.
- Maintaining relationships with investors and advising the Board accordingly.
- Setting the culture at the top, particularly with regard to compliance and sustainability.
- Day to day running of the business.

### Group Finance Director

- Operational responsibility for managing the Company's financial affairs, including treasury and tax matters.
- Overseeing the commercial, information technology and pension departments.
- In conjunction with the Group Management Team, overseeing the Company's risk profile.

### Group Operations Director

- Operational responsibility for managing the Company's development process, from land acquisition, through planning applications, design and production, to sale of the completed product and customer service matters.
- Overseeing the supply chain and logistics support for operations.
- In conjunction with the Group Management Team, overseeing the Company's risk profile.
- Agreeing the Group's annual budget proposal from an operational standpoint, prior to formal agreement with the Group Finance Director, the Chief Executive and then the Board.

### Senior Independent Director

- Acting as a sounding board for the Chair on Board-related matters.
- Chairing meetings in the absence of the Chair.
- Acting as an intermediary for other Directors, when necessary.
- Leading the evaluation of the Chair's performance.
- Leading the search for a new Chair, when necessary.
- Being available to shareholders who wish to discuss matters which cannot be resolved otherwise.

### Non Executive Directors

- Providing effective and constructive challenge to Management.
- Assisting in development and approval of strategy.
- Serving on Board Committees.
- Providing advice to Management and sharing their experience and wisdom.
- Keeping abreast of shareholders' views.

In addition to the foregoing, the Company Secretary fulfils a key role in relation to the Board and its Directors:

### Company Secretary

- Advising the Board on matters of corporate governance, compliance and on legal issues.
- Responsible for all legal and compliance matters relating to the Group.
- Providing support to the Chair and Non Executive Directors.
- Ensuring effective support to the Board and its meetings and agendas to enable efficient process.
- Keeping abreast of shareholders' views.
- Overseeing the Company Secretariat and the Legal Department.



## How we are governed

### The Board

- Provides strategic and entrepreneurial leadership within a framework of strong governance and effective controls.
- Is responsible for the Company's culture and for defining and setting its values and standards.
- Establishes the Group's risk appetite and oversees processes designed to ensure compliance therewith.
- Defines which matters are reserved for decision of the Board, including profit expectations and dividend policy.
- Reviews the Whistleblowing Policy and associated investigations and outcomes.
- Ensures effective engagement with shareholders.



### Board Committees


#### Audit Committee

- Reviews and advises the Board on proposed Full Year and Half Year reporting and announcements connected therewith.
- Undertakes a detailed half yearly review of the Group's risk assessment and mitigation processes and outcomes, and advises the Board on its annual risk review.
- Oversees the relationship with the external auditor.
- Oversees the reporting of internal audit investigations and reviews the implementation of changes resulting therefrom.
- Monitors continuous improvement in information technology security; data protection; and resilience to 'hacking' and cyber attacks.

 Read more about this Committee on pages 98 to 105

#### Nomination Committee

- Reviews the balance, diversity, independence and effectiveness of the Board.
- Oversees the selection, interview and appointment of new Directors to the Board.
- Reviews succession and contingency planning for the Board and across the Group's senior positions and related training, development and talent management.
- Reviews, sets targets for, and drives the strategy and progress to further improve diversity and inclusivity throughout the Group.

 Read more about this Committee on pages 86 to 97

#### Remuneration Committee

- Advises the Board on remuneration policy at Board and senior management level.
- Ensures that remuneration is geared to the enhancement of shareholder value.
- Ensures that targets are appropriate and are geared to delivering the strategy whilst appropriately limiting risk-taking and reflecting ESG considerations.
- Ensures that rewards for achieving or exceeding agreed targets are not excessive.
- Promotes the increasing alignment of executive and wider employee interests with those of shareholders and with the Company's culture by encouraging appropriate share plan participation and setting executive shareholding guidelines including post-employment.
- Reviews workforce remuneration and related policies and the alignment of incentives with culture, taking these into account when setting the policy for Executive Director remuneration.

 Read more about this Committee on pages 106 to 131



**Humphrey Singer**  
Chair of the Audit Committee



**Kevin Beeston**  
Chair of the Nomination Committee  
(to 26 February 2020)



**Irene Dörner**  
Chair of the Nomination Committee  
(from 26 February 2020)



**Gwyn Burr**  
Chair of the Remuneration Committee

# Composition, Succession and Evaluation

## Nomination Committee report



**Kevin Beeston**  
Chair of the Nomination Committee

### Dear Shareholder

As Chair of the Nomination Committee, I am pleased to report on the ongoing objectives and responsibilities of the Committee, the work that has been carried out during 2019 and the plans for 2020.

The Nomination Committee performs an important role for the Company and takes its responsibilities seriously, as demonstrated by the fact that in addition to myself, all of the Non Executive Directors are members of this Committee.

The primary objectives of the Committee are to support the Board in its responsibility to ensure:

- Formal, rigorous and transparent processes are in place for appointing new Directors to the Board and proposed appointees to senior management positions.
- Effective, deliberate and well thought through succession planning and contingency planning processes are in place across the Group for all key positions.

During 2019 and the first part of 2020 the Committee oversaw a number of significant changes to the Board. As reported in the 2018 Annual Report and Accounts, in accordance with the 2018 UK Corporate Governance Code's (the Code) provisions on Chair tenure, I will step down as Chair of the Board on 26 February 2020. The Committee, led by Kate Barker in her capacity as Senior Independent Director, led the search for my successor, along with the executive search consultants, Spencer Stuart. On 1 December 2019, the Board welcomed Irene Dörner as Chair-designate and an Independent Non Executive Director. Irene has brought over 30 years' executive and non executive experience, strong leadership skills and commercial experience to the Board. Irene will also serve on the Nomination Committee, which she will chair in due course, and the Remuneration Committee.

Further details of Irene's experience and the skills she brings to the Board appear in her biography on page 66.

Robert Noel also joined the Board as an Independent Non Executive Director on 1 October 2019. Robert is a chartered surveyor and has over 30 years of relevant experience in the property sector. On appointment, Robert became a member of the Audit and Nomination Committees. More details about Robert's experience and skills appear in his biography on page 67.

As already reported on page 62, James Jordan stood down as Group Legal Director and Company Secretary on 31 December 2019. The Board is extremely grateful for James' outstanding commitment, dedicated service and wise counsel over his 17 years' service. On 4 November 2019, Alice Marsden joined the Company as Group General Counsel and Company Secretary. Alice brings a wealth of corporate governance knowledge and experience to the Group Management Team and as Secretary to the Board. More information about Alice appears in her biography on page 67.

On the subject of succession, guidance issued by the Financial Reporting Council (FRC) is that Nomination Committees should look deeper into the Company to identify future leaders; adopt a wider outlook in identifying potential Directors; and look further ahead than any immediate requirement to replace an individual Director.

The Committee adheres to this guidance through the continuing development of the Company's regional Talent Management Boards which identify future talent and ensure that appropriate training and development plans are in place for those individuals, whether in the short or longer term pipeline, with the potential to be Directors or progress to other levels of senior management. The Committee has also focused on ensuring that individual Directors, and the Board as a whole, have the necessary experience and skills; and identifying whether there are any particular skills gaps, in order to support the Company's medium and longer term strategic direction and the Board's ability to oversee its effective delivery. More details are set out on pages 89 and 90.

The Committee welcomes the Hampton-Alexander Review which seeks to improve Board and senior leadership diversity across FTSE 350 companies. As at 31 December 2019, the Company had five women on its Board (50%) and eight women (50%) in roles across the combined Board and Group Management Team. In 2019, the Hampton-Alexander Review again recognised Taylor Wimpey's performance as above average for the sector. Further progress will be made in 2020.

The Committee and the Board also take into account wider diversity, including race, age, religion and experience. We fully support the various Government initiatives in this area,

including the 'Beyond One by 21' report and recommendations launched in 2016 by Sir John Parker, which seeks to increase ethnic diversity on UK boards. Diversity and inclusivity remain firmly on the Taylor Wimpey agenda with monitoring and regular reporting taking place, including a specific annual update and discussion with the Board. Whilst we continue to make progress, we do recognise that there is still further work to be done in order to achieve our own diversity and inclusivity strategy and to support the Government recommendations.

The Company also strongly supports the Government's initiative on gender pay gap reporting and the Committee has overseen the publication of the Company's third Gender Pay Gap Report. This can be found on the Company's website at: [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

The Committee's progress and achievements during 2019 and its plans for 2020 are set out on page 86.

Following the publication of the Code, the Committee has taken the opportunity to conduct a thorough review of its Terms of Reference and has updated them to ensure that they are in line with the Code and reflect best practice. The Terms of Reference can be found on the Company's website at: [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)

### The key priorities of the Committee continue to be:

- To regularly review the Board's composition; balance; diversity; experience and skill sets; and individual Directors' time commitment.
- To regularly review our succession and contingency planning across the business and to ensure individuals' careers are supported by their professional development.
- To drive the Company's diversity and inclusivity agenda at all levels of the business.
- To ensure the Group continues to have the necessary level of Board and senior management skills and leadership to deliver our strategy.

The Committee's objectives, the strategy for delivering them, progress made towards them during 2019 and targets and plans for 2020 are described in more detail in this Report.

The Committee will continue to ensure that the present and future composition of the Board and the Group's executive management are appropriate to deliver the Group's strategy and that all applicable Code requirements continue to be met.

**Kevin Beeston**  
Chair of the Nomination Committee

25 February 2020

### Nomination Committee summary

The Committee is chaired by the Chair of the Board and is composed of a majority of Independent Non Executive Directors as required by the Code.

Committee members	Meetings attended
Kevin Beeston (Chair)	2/2
Irene Dörner <sup>(a)</sup>	0/0
Kate Barker	2/2
Gwyn Burr	2/2
Angela Knight	2/2
Humphrey Singer	2/2
Robert Noel <sup>(b)</sup>	1/1

<sup>(a)</sup> Appointed to the Committee on 1 December 2019.  
<sup>(b)</sup> Appointed to the Committee on 1 October 2019.

### Main objective

- To ensure a formal, rigorous and transparent process is undertaken for the appointment and removal of Directors to or from the Board, its Committees and other senior roles and, in conjunction with the Board, to ensure effective diversity initiatives and succession planning processes are in place across the Group.

### 2019 performance

- Oversaw the selection and appointment of the new Chair of the Board and the standing down of an Executive Director from the Board.
- Oversaw the selection and appointment of a new Independent Non Executive Director to the Board.
- Led further development of the Board and Board Committee succession planning.

- Reviewed contingency and longer term succession planning for all senior roles across the business.
- Further progressed the diversity and inclusivity agenda across the business, including partnering initiatives with selected third parties.
- Monitored action to further deepen, where necessary, succession planning in the Finance function of the business.

### 2020 objectives

- To further progress the diversity and inclusivity agenda across the business and ensure the progress made continues to be embedded within our culture.
- To continue to review and enhance succession planning processes at both the Board level and across the Group.

### Committee activities during 2019

The Committee meets formally at least twice per year and otherwise as circumstances require.

#### May 2019

- Reviewed succession and contingency planning processes and current and future plans for:
  - The Board
  - The Non Executive Directors
  - Board Committees
  - The executive levels immediately below the Board
  - Other key roles within the business.

- Reviewed progress and plans for developing talent.
- Received an update on the talent processes in place across the business.
- Received an update on the progress of the recruitment process for the new Chair of the Board and a new Non Executive Director.
- Discussed the potential candidates for the roles of Chair and Independent Non Executive Director, and reported progress made to the Board.
- Reviewed progress on diversity across the business and noted the requirement of the Sir John Parker Review to have at least one Director of colour by 2021.

#### October 2019

- Received an update on progress of Group succession planning and related development plans.
- Received an update on succession and contingency planning for the Board and key executives below Board level.
- Received an update on the progression of key executives below Board level.

## Candidate selection process

### External advice

The engagement of independent recruitment consultants who have no other connection to the Company

### Consider

The preparation of a 'long list' of potential candidates which takes into account the outcome of the Committee's latest review of the composition and skill sets of the Board

### Select short list

The selection of a 'short list' of suitable candidates meeting the Committee's criteria

### Interviews and meetings

Interviews and meetings with the Chair, Chief Executive, other Executive Directors, and with each Independent Non Executive Director

### Select candidate

### Take up references

### Appointment

### Induction

## Committee purposes and responsibilities

The Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, which ensures that appointments to the Board are made on merit and assessed against objective criteria. The Committee guides the Board in regularly assessing whether there is an appropriate balance of expertise and skills on the Board and on other diversity considerations. The Committee welcomed the Hampton-Alexander Review which set the target of 33% of women at Board level and those reporting directly to the executive committee (the Group Management Team) by 2020. As reported on page 91, as at the date of this report, we are meeting these targets.

The Committee oversees and advises the Board on the identification, assessment and selection of candidates for appointment to the Board. A description of how appointments are typically made from outside the Company to the Board is set out on the left.

The Committee also guides the Board in assessing whether the Board has the correct balance of expertise and in arranging orderly succession planning for appointments to the Board and in respect of senior management positions across the business. This encompasses not only the immediate succession planning for Directors but also a deeper review into the Company's management structure to identify those with longer term potential to develop into future successors in the medium to long term. The Committee also reviews Board composition in light of the Company's strategy, to ensure as far as possible that new appointments help support the drive to achieve its strategic objectives and bring the required skill sets.

### Board appointments

Appointments to the Board are subject to formal, rigorous and transparent procedures, and the Committee maintains an effective succession plan for both the Board members and senior management. Appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.

The Board and its Committees have a combination of skills, experience and knowledge. The Committee considers the length of service of the Board as a whole and membership has been regularly refreshed as considered appropriate. The annual evaluation of the Board considers its composition, diversity and how effectively members work together to achieve objectives. More information on the Board evaluation is available on pages 92 and 93. Individual evaluations also demonstrate that each Director continues to contribute effectively to the Board as a whole.

During 2019, Irene Dörner and Robert Noel were appointed to the Board as Independent Non Executive Director and Chair-designate, and Independent Non Executive Director respectively. The Committee followed the typical candidate selection process, as set out on the left.

The Committee, led by Kate Barker in her capacity as Senior Independent Director, initiated the recruitment process for a successor to the role of Chair of the Board and the executive search consultants, Spencer Stuart, undertook the search. The Committee, led by Kevin Beeston, also initiated the recruitment process for an additional Independent Non Executive Director and the executive search consultants, Russell Reynolds, undertook this search.

Following the searches conducted by Spencer Stuart and Russell Reynolds, a 'long list' of candidates were considered by the Committee. Both external search consultants were instructed to ensure that there was an appropriate level of diversity in the long list. This resulted in the selection of a 'short list' of potential candidates who met the Committee's criteria in terms of the skills and expertise they could bring to the Board. Interviews and meetings were then held with the Chair, Chief Executive, other Executive Directors and each Independent Non Executive Director and the final candidates were selected.

It has been confirmed that neither Spencer Stuart nor Russell Reynolds have any other connection with the Company or individual Directors.

## Relevant skills and expertise

The Committee has reviewed the appropriate balance of skills, experience, independence and knowledge of the Company of the Board to enable its duties and responsibilities to be discharged effectively. This review was utilised in drawing up the recruitment framework, including the list of desired skills, in the recruitment process for the appointment of a new Independent Non Executive Director and Chair-designate in December 2019 and a new Independent Non Executive Director in October 2019. The relevant skills and expertise of the Board were also considered by the Committee in the decision that the Company Secretary should no longer also be a Director with effect from the end of 2019. The Committee considers whether each Director brings relevant and complementary skills, experience and background to the Board, details of which are set out on this page, and additional information is also set out in the biographies on pages 66 to 67.

**Kevin Beeston, Chair**, has a wealth of commercial, financial and senior-level management experience including being a former CEO of a FTSE 100 company. Kevin also has significant experience of chairing boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

**Irene Dörner, Independent Non Executive Director and Chair-designate**, has over 30 years of commercial, financial and senior-level executive experience, principally acquired as CEO of HSBC Malaysia, and CEO and President of HSBC in the United States, and as Group Managing Director of HSBC Holdings. Irene has significant experience of chairing boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

**Pete Redfern, Chief Executive**, has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. In 2014 he joined the Board of Travis Perkins plc as an independent non executive director and serves on their remuneration, employee voice, and Stay Safe committees (chairing the latter).

**Chris Carney, Group Finance Director**, has financial, treasury, risk and financial control expertise including that gained from his time with Associated British Foods plc and in private practice with Deloitte; and later in various roles within the Company's Finance Department. He also has significant operational and transactional experience from his previous roles with the Company as successively Regional Managing Director, Divisional Managing Director, and Divisional Chair within the Company's UK housebuilding operation.

**Jennie Daly, Group Operations Director**, has considerable experience in the UK housebuilding industry gained from her time with Westbury plc, Harrow Estates Plc, and Redrow plc, and her previous roles with the Company as successively UK Planning Director and UK Land Director.

**Kate Barker, Independent Non Executive Director and the Senior Independent Director**, is an industry-recognised economist and has led policy reviews for the Government in the areas of land use, planning and housing supply. Kate also brings a wider economic insight gained through her various roles, including as a Member of the Oversight Board of the Office for Budget Responsibility as well as experience from her other non executive positions.

**Gwyn Burr, Independent Non Executive Director**, has over 25 years' executive experience, principally in customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director from 2005 to 2013 at J Sainsbury plc. Gwyn also has significant experience on several boards as a non executive director and chair of remuneration committees.

**Angela Knight, Independent Non Executive Director**, has significant senior-level experience in both the public and private sectors. In the public sector, she was a Member of Parliament from 1992 until 1997, including two years as the Economic Secretary at HM Treasury, and was Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019. In the private sector, she has significant experience as a non executive director including as the senior independent director of quoted companies.

**Robert Noel, Independent Non Executive Director**, is a chartered surveyor with over 30 years' experience in the property sector, including from 2012 to date as CEO of Land Securities Group PLC and previously as Property Director of Great Portland Estates plc. In addition, Robert was also previously the President of The British Property Federation.

**Humphrey Singer, Independent Non Executive Director**, has a wealth of financial experience from his role as Chief Financial Officer at Belron Group, and his previous role as Chief Finance Officer of Marks and Spencer Group plc. In addition, Humphrey has expertise in the areas of both digital solutions and customer services which is a useful skill set for the Board and the Company. He has recent and relevant financial experience as required by the Code in connection with his chairing of the Audit Committee.



Board and Committee balance, diversity, independence and effectiveness

The Nomination Committee supports the Chair of the Board in their role to ensure that the Board is conducted so as to allow the Independent Non Executive Directors to challenge the Executive Directors constructively whilst, at the same time, also supporting them to implement the strategy and run the business effectively. This is achieved by the Committee ensuring that the Board has the right balance of skills, independence and knowledge, and this is something that is kept under regular review.

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including in the areas of gender, age, disability, ethnicity and experience.

As previously mentioned, the Committee continues to recognise its responsibility to comply with the recommendations of the Hampton-Alexander Review. At the start of 2019, four out of nine Taylor Wimpey Board members were women (44%), this increased to five out of ten (50%) on 31 December 2019, and further increased to five out of nine (56%) following Kevin Beeston stepping down from the Board on 26 February 2020. The proportion of women on the Group Management Team (our equivalent of an Executive Committee) and their direct reports, are set out on page 91.

The Code requires at least half of the Board, excluding the Chair, to consist of Independent Non Executive Directors. The Committee considers that the balance of the Board, consisting of a Chair, three Executive Directors and five Independent Non Executive Directors (reducing to four Independent Non Executive Directors during 2020) will continue to provide the right blend of experience, expertise and challenge in order to take the Company forward in line with the strategy, whilst ensuring and maintaining good governance and best practice. This will be kept under regular review in line with the guidance set out in the Code.

This balance also ensures that there is an effective balance of guidance, support and constructive challenge to the Executives. It is considered that this will continue to be the case during 2020.

The Committee will keep the balance and composition of the Board under regular review, and will take into account the recommendations of the above mentioned Hampton-Alexander Review and also the Parker Review and its report on increasing the ethnic diversity of boards.

Induction

The importance of induction and training is recognised by the Committee and so the Company has established procedures whereby newly appointed Directors, including Non Executive Directors, receive a formal induction. This includes training and continuing familiarisation with the Company's business, strategy, operations (including health and safety) and systems, the principles underlying the discharge of their duties as a Director, and wider issues relating to the housing sector.

For newly appointed Non Executive Directors, the induction includes meetings with key members of senior management and Function heads from across the business, external advisers and site visits. Further information on the induction that Irene Dörner and Robert Noel received following their appointment to the Board during 2019 can be found on page 65. These programmes for Directors were reviewed during the year and are considered to remain appropriate.

Board succession and contingency planning

As stated on pages 86 and 88, there were a number of changes to the Board during 2019. The Committee considered the constitution and performance of the Board and its Committees and concluded that they continue to function effectively.

In 2018, the Committee noted the requirement of the Code that a chair of the board should not normally serve for longer than nine years, subject to a limited extension to facilitate effective succession planning. Following this requirement, the Committee completed an extensive search and recruitment process and the appointment of Irene Dörner as Chair of the Board from 26 February 2020 ensures we remain compliant.

During 2019, the Committee has considered the short and long term succession plans for all Board members and key members of senior management, together with appropriate development plans. In doing so, the Committee has reviewed the talent pipelines available for these roles as well as our talent development and targeted training programmes.

As highlighted in the Committee's 2019 performance on pages 86 and 87, succession planning for employees at all levels of the organisation has continued to be a key area of focus for the Committee. With a view to identifying key prospects and tailoring training and development plans to allow individuals to demonstrate their potential for future progression, the Committee appreciates having visibility of a wide range of employees with leadership potential, together with their individual development plans. Furthermore, management below Board level is provided with access to the Board, including the opportunity to attend Board meetings from time to time and other Board-related functions in order to give presentations on specialist topics, project work and the performance of specific regional businesses and divisions. This provides valuable exposure to the Board for up and coming management as well as being extremely valuable for the Committee in assessing the Company's strength in depth.

The Company also operates a Group Talent Board which is chaired by the Chief Executive and is supported by our divisional Talent Management Boards, comprised of senior executives together with HR representatives. These Boards regularly review succession planning and related development and training requirements across the Company. Actions to support succession planning across the Company include the development of career paths linked to experience, exposure and education; an assessment and development centre; and the promotion of the Company's mentoring scheme.

Contingency planning concerns the Company's and the Board's preparedness for and responsiveness to sudden and unexpected loss or non-availability of a Board member or key members of senior management.

The Committee has identified suitable individuals within the Company who, either singly or in concert with one another, can quickly assume a key role and provide effective support until the individual returns to work, or in appropriate cases, a successor can be identified and appointed.



Enhancing our succession planning process in 2019

Succession planning for people at all levels of the organisation has continued to be a key area of focus for the Board and the Nomination Committee. In addition to regular reviews of executives with leadership potential together with their individual development plans, senior management is regularly provided with access to the Board, including the opportunity to attend and brief Board meetings. This provides valuable exposure for developing management talent as well as assisting the Board in assessing the Company's leadership strength in depth.

Gender diversity

With regard to gender, as at 31 December 2019, the diagrams below show the number of women representing each group. Please note that these figures take into account James Jordan's retirement on 31 December 2019.

plc Board



Percentage of the workforce that are women

29%  
2018: 31%

Group Management Team  
(Executive Board of Taylor Wimpey UK Limited)



Percentage of new starters with the Group during 2019 that are women

22%  
2018: 26%

While we continue to make reasonable overall progress and are committed to doing so, we of course recognise that this is a journey and we still have more work to do in order to fulfil our overall diversity ambitions and, as stated on page 95, it is a priority for 2020 to achieve further progress in this area.

Regional Managing Directors



## Board evaluation

A key requirement of good governance is ensuring that the Board itself is operating effectively. The carrying out of a formal and rigorous annual evaluation is a very important exercise and it is one which the Board and each Director takes very seriously, whilst also recognising the focus that our shareholders place on it.

In line with the Code, the Board conducts its annual evaluation exercise via an independent external facilitator once every three years. The last such externally facilitated evaluation was conducted for 2017 and consequently arrangements are in hand for the 2020 evaluation to be externally facilitated. This will be reported on in detail in next year's Corporate Governance Report.

The evaluation for 2019 was internally facilitated by the Chair in conjunction with the Company Secretary. The exercise, which considered the effectiveness of the Board, each Board Committee and each Director, was conducted between October and November 2019 and consisted of the following:

- A detailed and comprehensive bespoke questionnaire which the Company Secretary distributed securely online to each individual Director for completion and return;
- Collation of the responses was undertaken by the Company Secretary on a non-attributable basis;
- Review by the Chair and the Company Secretary of each performance area;
- Review by the Chair of each individual Director;
- Review by the Senior Independent Director and the Company Secretary on the feedback provided on the performance of the Chair;
- Led by the Senior Independent Director, the Independent Non Executive Directors also met separately to review the Chair's performance based on the non-attributable feedback and also to discuss other matters;

- Presentation of the findings on the Board and Board Committees to the Board in December 2019 on a non-attributable basis; and
- Preparation of an action plan designed to address the findings, discussed at the Board in February 2020, as set out in the table opposite, and to be actioned during 2020.

Feedback was then provided on an individual basis, by the Senior Independent Director to the Chair (and vice versa) and through the Chair discussing each individual Director's performance assessment with the relevant Director on a one-to-one basis.

The overall outcome of the 2019 evaluation exercise was that the Board considered that it continues to function effectively and in line with first class corporate governance principles, and is providing effective leadership to the Group.

As part of the Board evaluation, the time commitments of all Directors in line with the requirements of the Code were reviewed in detail. Following this review, the Board was satisfied that each Director was able to allocate sufficient time to discharge his or her responsibilities to the Company effectively. This included not only attendance at Board and applicable Committee meetings, where attendance was 100% during 2019 for all Directors, but also preparation time for meetings, visits to our operating businesses and other additional commitments that may be required from time to time.

Consistent with previous exercises, the 2019 evaluation proved to be very useful. It again provided an opportunity to reflect on the strengths of how we operate and where we can improve as a Board. The Board has already discussed the areas identified for improvement and will continue to focus on them during the course of 2020.

The main action points and recommendations arising from the internally facilitated 2018 and 2019 Board evaluation exercises, together with actions taken during 2019 in relation to the former, and actions taken and planned during 2020 in relation to the latter, are set out in the table opposite.

2018 Evaluation: Recommendations included	Actions taken during the year
Maintain focus on progress in achieving the strategy.	<b>Strategy:</b> The Board regularly reviewed during 2019 how the strategic direction is being adopted and progressed across the business and will agree and monitor this progress against milestones around the interim strategic goals and priorities identified by the Group Management Team.
Make further progress on succession planning in the Finance function.	<b>Succession planning:</b> Action was taken to deepen the overall strength in depth of the Finance function across the business and the Nomination Committee is being kept informed of progress.
Develop a faster pace of improvement on diversity and inclusivity at all levels across the Group.	<b>Diversity:</b> The Board continues to monitor the progress of diversity and inclusivity matters across the Group. Diversity and inclusivity is included as a special topic at a Board meeting each year when the Chair of the Diversity and Inclusivity Committee attends and updates the Board on ongoing initiatives, objectives and priorities. The Board also receives regular updates on diversity and inclusivity throughout the year.
Develop improved methods of monitoring progress in the strategic aim of becoming a more customer-focused business.	<b>Customer-focused strategy:</b> The Board believes that considerable progress has already been made in this area and additional reporting is being developed to assist in driving further improvements and monitoring their effectiveness. In addition to regular reporting, progress on our customer-focused approach was included as a special topic during 2019.
Implement ideas from Non Executive Directors from their other Board appointments with a view to enhancing the Taylor Wimpey Board processes.	<b>Board processes:</b> A number of good suggestions were made, including the holding of pre-Board breakfast meetings with, for example business leaders, leading industry commentators, and / or with stakeholder groups. During 2019, two breakfast meetings were held and covered the topics of behavioural science and artificial intelligence.
2019 Evaluation: Recommendations included	Actions being or to be taken during 2020
Review and confirm the division of responsibilities between the Chair, Chief Executive, Senior Independent Director and Matters Reserved for the Board.	Conduct a review of the division of responsibilities document and update as required following the appointment of the new Chair of the Board and Senior Independent Director. Following this review, the Matters Reserved for the Board will be reviewed in light of any changes.
Assessment of progress made on engagement with employees and focus on further progress.	The National Employee Forum (the NEF) has been very successful since its formation in 2017. During 2020, the Board will review the NEF and consider other available options to further strengthen engagement with employees by the Board taking account of the extent of actions taken by our peers and across the FTSE 100.
Review agendas, timings and paper structure.	Conduct a full review of Board and Committee agendas and papers.
Non Executive Directors only meeting.	Hold additional Non Executive Director only meetings during the year.

### Annual re-election to the Board

The Code requires every Director to seek election or re-election, as appropriate, at each year's AGM. Accordingly, at the 2020 AGM, with the exception of our Chair, Kevin Beeston, who will have stepped down from the Board by this point, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for election or re-election, as appropriate.

Details of the resolutions to be proposed in this respect and supporting biographical details of the Directors appear in the Notice of Meeting on pages 192 to 198.

As part of the 2019 Board evaluation process, the Board reviewed and re-affirmed that it considers each of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Directors' judgement.

In line with the Code, a rigorous evaluation took place with regard to Kate Barker as she will have served on the Board for nine years by the time of the 2020 AGM. The Committee has considered that it would be beneficial for Kate to remain a Non Executive Director until 31 July 2020 to support Irene Dörner as she takes on her new position and responsibilities as Chair and also to provide additional stability in the Board composition. During that additional period, on reaching the ninth anniversary of her appointment to the Board (20 April 2020), Kate will step down as the Company's Senior Independent Director and as a member of the Audit and Remuneration Committees. An appropriate explanation has also been made in Resolution 8 proposing Kate's re-election at the AGM and in the explanatory notes accompanying the Notice of the AGM on page 196.

The performance evaluation of the Board and its Committees and each individual Director, as set out on pages 92 to 93, included in relation to their duties under Section 172 of the Companies Act 2006, details of which are set out on pages 76 to 81.

In addition, the Board re-evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time to the Company in order to discharge their responsibilities effectively, including not only attendance at Board and applicable Committee meetings but also preparation time for meetings, visits to businesses (including the annual Board away day / visit) and other additional commitments that may be required from time to time. Recognising the importance of the time commitment of each Director to shareholders, this will continue to be kept under review for all Directors during 2020, including as part of the external Board evaluation process.

The Chair, at the time of his appointment on 1 July 2010, met the independence criteria as set out in the Code.

The Chair-designate will, at the time of her planned appointment on 26 February 2020, meet the independence criteria as set out in the Code.

### Employee diversity and inclusivity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2019. Within Taylor Wimpey, diversity and inclusivity remained an area of clear focus throughout 2019 and will continue to be in 2020 and beyond. To support the Board's diversity and inclusivity, the Diversity and Inclusivity Committee has continued their work to ensure that the Company as a whole is operating in a diverse and inclusive manner.

Although the Nomination Committee and the Board will continue to appoint based on merit, we recognise that boards generally perform better when they include top-quality people from a range of backgrounds and experiences. Therefore, diversity and inclusivity will continue to be a key consideration when assessing the composition of the Board, as well as our key executives and wider management teams, to ensure the development of a diverse pipeline for succession.

The Diversity and Inclusivity Committee, which includes a variety of members from across the business, has been overseeing progress towards achieving the Company's Diversity and Inclusivity Strategy and implementing and progressing initiatives in order to improve our performance in these key areas. The Company's Diversity Policy, as set out on pages 96 to 97, focuses on the challenges faced in developing an inclusive and diverse workforce, with each regional business making an appropriate commitment to this. The Diversity and Inclusivity Strategy is based on the following key objectives:

- **21st-century leadership** – we ensure that our leaders understand their role in developing a more diverse and inclusive culture and have the relevant training and support to achieve this.
- **Remaining an employer of choice** – we ensure that our working environment, policies, procedures and development and progression opportunities support greater diversity and inclusivity.
- **Expanding our reach** – we develop broader recruitment channels, understand and embrace the diversity of our customers and workplace and improve engagement with them.

By embracing diversity and inclusivity, the Board believes the Company will better understand how people's differences and similarities can be utilised for the benefit of not only the Company but most importantly also for individuals, the communities we work within, society as a whole, and our customers. Having a diverse workforce will improve the Company's ability to become even more of a customer-focused business.

The Company has put in place systems to measure and monitor diversity around the Group more effectively. The data becoming available from these improved systems has assisted in designing and implementing a number of improvements to Group employment terms and conditions which we believe should facilitate access to and success at work for all, such as the following:

- **A review of gender pay** – we are committed to creating a diverse and inclusive place to work. Our fair and transparent approach to recruitment and our people is one of the defining factors in Taylor Wimpey's culture and future workforce. Embracing diversity enables us to succeed in a competitive market so we have implemented our Diversity and Inclusivity Strategy which focuses on gender equality as well as promoting other key workforce policies that highlight positive approaches to employee diversity. Our action plan to support gender equality sets out measures to challenge the traditionally male-dominated culture of the construction and homebuilding industries.
- **Implementing a flexible working policy** – following our initial trial, a number of our business units have introduced agile and flexible working policies which have been received positively. We have developed a set of agile working principles to support our business units and we will continue to develop our policies to ensure we can attract and retain talent.
- **Young Persons Forum** – continuing the success of our Young Persons Forum in our West Scotland regional business unit, we have rolled out further forums across the business. This Forum gives our young employees the opportunity to meet other young people across our businesses, provides training and information sessions and a platform for discussion of business-related matters.

- **Unconscious bias training** – we have introduced mandatory unconscious bias awareness training for all employees which is raising awareness and promoting wider thinking to support our drive to be more diverse and inclusive.
- **Applicant tracking system** – we have launched a new applicant tracking system which has improved our application process and enables us to reach a wider and more diverse pool of talent so we can ensure that roles are being advertised sufficiently widely and can understand how candidates are being selected for recruitment.



## Progress of our Diversity Policy

The Company's plans and progress in implementing its Diversity Policy are measured and monitored by the Nomination Committee and the Board. Set out below is the Diversity Policy benchmarked against appropriate targets. The Company is also committed to ensuring that our people are free from any direct and indirect discrimination, harassment, bullying or any other form of victimisation. Our Grievance and Harassment Policies ensure that any reported incidents are addressed and our Whistleblowing Policy encourages employees to speak up, including through an independent third party whistleblowing hotline, about any inappropriate practices or behaviour. These policies are regularly publicised to all employees.

Diversity Policy	Strategy	Progress
Taylor Wimpey operates in diverse communities. We believe that embracing this diversity will enable us to succeed through a workforce that is inclusive, creative and innovative. Diversity covers many aspects. We have defined diversity to mean that we actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race, disability and religion but also diversity of thought, background and experience.	We will examine our culture and practices to determine what further actions can be taken to improve diversity and inclusion within Taylor Wimpey.	Our Working Party, the Taylor Wimpey UK Diversity and Inclusivity Committee (the Committee), fully incorporates our previous BAME Working Group. This means we have full representation across all of our UK Divisions, with every regional business having a link to the Committee via their nominated champions.  The Committee meets every quarter with clear objectives and action plans now in place for 2020 which will focus on achieving our diversity and inclusivity agenda. Our strategy and associated workstreams are designed to move us forward as a diverse and inclusive employer with particular emphasis on gender and BAME again this year.  The three key objectives stated within the Diversity and Inclusivity Strategy are: – 21st-Century Leadership. – Employer of Choice. – Expand our Reach.  The Committee has engaged with the EY Foundation which supports young people from socially deprived and BAME backgrounds that are facing significant barriers to work. We have sponsored 22 young people to gain work experience and skills, resulting in job placements for several of these young people.  The Chair of the Committee and the Head of Human Resource Strategy continue to drive the Diversity and Inclusivity Committee agenda and will provide updates on progress of our plans and specific initiatives to our Divisional Chairs, Divisional Managing Directors and Regional Managing Directors. This ensures strong two way communication and strengthens the commitment to the Diversity and Inclusivity Strategy from the leaders of our business.
Managing diversity is about valuing everyone as an individual – valuing people as our employees, customers and clients. People have different needs, values and beliefs. Our people management practice demands that employment propositions are both consistently fair and also flexible and inclusive in ways that assist our people while supporting our business needs and objectives.	We will identify people management practices that assist a diverse workforce to achieve its full potential.  We will use our Community Engagement Programme to heighten awareness of positive strategies for personal interaction and valuing individuals.  We will increase the opportunities for young people to join the Company and will promote continuous personal development.	We are proud of our involvement with the Leonard Cheshire Disability Change 100 programme which offers undergraduate students with a disability a summer placement and we are committed to continuing this support. This year, one of our previous students was successful in joining the 2019 Graduate Scheme.  In 2019 we increased the number of people employed with a disability to 54, compared to 43 in 2018.  We have continued to promote our 'Employer of Choice' and diversity agenda through numerous publications and recently our West Scotland regional business was shortlisted for the 'Age Inclusive' award at The Herald & GenAnalytics Diversity Awards.  We have again been recognised by the Hampton-Alexander Review, an independent review body which aims to increase the number of women on UK boards. For the third year in a row, we have been included in the top 50 UK employees for gender diversity.  During 2019, we continued to roll out the Young Persons Forums across our business units. These forums ensure that our young people are fully engaged with the business, creating strong networks that will bring huge benefits to both the individuals and wider business. They also ensure that young people have a strong voice within Taylor Wimpey.  The principles and benefits of flexible working were continually promoted during 2019. The launch of the agile working campaign has further endorsed this initiative and this has created some fantastic success stories around the business. We will continue to promote this initiative across the business during 2020.

Diversity policy	Strategy	Progress
We believe that everyone should have the right to equal access to employment and, when in our employ, to equal pay and access to training and career development.	We will ensure that all managers involved in recruitment and selection receive training that incorporates the areas of diversity and promoting equality.  We will extend our recruitment sources in order to attract a more diverse range of applicants.	In 2019, we recruited 24 graduates, 36 management trainees, 56 site management trainees, and 382 trade apprentices.  During 2019, we continued to partner with a number of specific diversity partners with the objective of driving the attraction and development of a more diverse and representative workforce.  The Company's ongoing implementation of the strategy launched in 2018 has involved open sessions chaired by Pete Redfern and other Board members with groups of employees representing all areas of the business. These sessions were designed to allow all voices to be heard and influence how we achieve our strategic goals.  Diversity and inclusivity is continually discussed as part of the talent and succession reviews which are completed by all business units twice a year. These reviews are cascaded upwards, culminating in business wide reviews by the Divisional Chairs with the Chief Executive and Group Human Resources Director.  A full review of all Taylor Wimpey policies and the Company website is being undertaken through a diversity and inclusivity 'lens'.
We are committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. We will not tolerate any behaviour that detracts from this.	We will encourage our people to speak out and report any direct or indirect discrimination, harassment or bullying. We will act promptly in addressing any inappropriate behaviour or practice.	A specific focus of the Company's whistleblowing campaign is on encouraging employees to speak up against any inappropriate practices or behaviour.  Our Grievance Policy ensures that any reports of harassment or bullying are investigated and acted upon.
We acknowledge that we must continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent. Establishing an organisational culture with diversity as a core value will enable individuals to reach their full potential and provide the best service to our customers.	Diversity will be promoted from the highest level and we will ensure that our people understand the benefits of having a diverse and inclusive workforce.	Diversity is a core message within our strategy, a main item at our executive and regional management meetings and is a standing agenda item at Group Management Team meetings.  In order to support each employee to maximise their performance and achieve their own personal goals we have designed a 'Cultural Principles' framework where we describe the behaviours and attitudes we believe are required for effective performance in order to deliver our vision, mission and values. Encouraging and embracing diversity is an integral part of our philosophy.  The Careers section of our website includes a dedicated diversity and inclusivity section highlighting our focus on this area.  In 2019, we developed our first divisional female network which consists of employees from functions such as Technical, Commercial and Production which are departments that historically have had lower female representation within our business. The aim of the network was to take positive action where we created a platform for our females and males to openly discuss and share what may be preventing women from progressing, provide an inclusive network with access to senior leaders, career development support and boost confidence. The network has been attended by a Divisional Chairman and Divisional Managing Director and so far, has successfully aided further awareness and positive actions amongst our leaders on how we can further support and encourage female talent. This includes some very practical changes such as working with suppliers to ensure female uniforms are readily available for site employees, suitable facilities are available for women working on site, role modelling as well as development support to help the network consider how they influence and get traction in male dominated environments. We have some fantastic ideas and learnings coming out of this employee resource group and plan to expand this further.  We published our updated gender pay gap data in March 2020 and it can be viewed on our website at <a href="http://www.taylorwimpey.co.uk">www.taylorwimpey.co.uk</a>

# Audit, Risk and Internal Control

## Audit Committee report



**Humphrey Singer**  
Chair of the Audit Committee

### Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Audit Committee, summarising below, and in the report which follows, the ongoing responsibilities and objectives of the Committee; the work that has been carried out during 2019; and the priorities established for 2020.

The Committee supports the Board in fulfilling its corporate governance responsibilities, including the Group's risk management and internal control framework; internal audit process; financial reporting practices; the preparation and compliance of the Company's Annual Report and Accounts; and the external audit process.

The main responsibilities of the Audit Committee are summarised opposite in the main objective on page 99 and further details of the Committee's

responsibilities can be found in the Terms of Reference of the Audit Committee which is available in full on the Company's website. Following a review during 2019, it was determined that they remain appropriate, in line with best practice and reflect the Committee's responsibilities under the Code and related regulations.

The Committee conducts an annual evaluation of its performance against its key objectives.

An interim review of progress against these objectives was considered at the Committee's July and December 2019 meetings, and the evaluation for 2019 was formally assessed recently by the Committee at its February 2020 meeting.

The key performance areas of the Committee during 2019 are set out on page 99 and described in more detail in this report.

The Committee's key areas of focus for 2020 are also set out on page 99. Whilst these remain sufficiently flexible to permit the Committee to quickly respond to any major change in circumstances, our key priorities for the year ahead will include the continued delivery of robust risk management and work to further strengthen the control framework.

The Committee continues to hold meetings with the external auditor and the Head of Internal Audit, independent of the Executive, and these assist in ensuring that reporting, forecasting and risk management processes are subject to rigorous review throughout the year.

I am pleased to confirm that throughout the year the Committee met the Financial Reporting Council (FRC) guidance on Audit Committees which was issued in April 2016, and which was incorporated into the Code. The aim of the guidance was to further improve good governance around the Committee's competence; induction for new members; audit rotation; independent assessment of areas of judgement; and sufficiency of resourcing for the Committee; all with the aim of ensuring that the Committee is able to perform its primary function of protecting shareholders' interests in relation to the Company's financial reporting and internal control.

The Committee will continue to ensure that all applicable regulations are complied with, in order to remain confident that the business continues to operate in a controlled and managed way.

I would like to welcome Robert Noel, independent Non Executive Director, who joined the Committee on his appointment to the Board on 1 October 2019. Rob's deep understanding of the property sector and wide commercial experience as CEO of Land Securities Group PLC will add to the Committee's skill sets and further enhance the quality of its work on behalf of shareholders.

**Humphrey Singer**  
Chair of the Audit Committee

25 February 2020

## Audit Committee Summary

The Audit Committee is chaired by Humphrey Singer. Robert Noel joined the Committee on his appointment to the Board on 1 October 2019. All members of the Committee are Independent Non Executive Directors as required by the Code. The Board has determined that Humphrey Singer has recent and relevant financial experience as required by the Code. In addition, and in line with the Code, the Board considers that the Audit Committee when considered as a whole, has the necessary competence relevant to the housebuilding sector in which the Company operates.

### Members

Committee members	Meetings attended
Humphrey Singer (Chair)	3/3
Kate Barker	3/3
Angela Knight	3/3
Robert Noel <sup>(a)</sup>	1/1

(a) Appointed on 1 October 2019.

### 2019 key areas of focus

- Monitored new initiatives to support business partnering by the Finance function.
- Monitored the Commercial function's new initiatives to further strengthen commercial controls.
- Gained assurance that planned initiatives progressed within a robust framework.
- Oversaw an update to the joint venture framework to ensure alignment with core frameworks, processes and controls within the business.

### Main objective

To assist the Board in fulfilling its corporate governance responsibilities relating to the Group's risk management and internal control framework; internal audit process; financial reporting practices including the key accounting judgements and estimates; and external audit process.

- Engaged with the senior management team to ensure an effective and appropriate risk management and control framework continued to evolve.
- Received the Group Fraud Risk Assessment and gave continuing focus thereto.

### 2020 key areas of focus

- Oversee the external audit tender process.
- Continued focus on key initiatives to support cost management and simplification of key commercial processes.
- Gain assurance that current technology and ongoing related process improvements are implemented within a robust framework.

## Committee activities during 2019

### February 2019

- Reviewed the draft 2018 Annual Report and Accounts, including significant accounting and audit issues; issues of materiality; and the external auditor's report; and conducted a formal compliance check.
- Disclosed relevant audit information to the auditors and the required evidence in support of it.
- Reviewed the Group's 2018 draft Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends.

- Concluded the prior year's risk review.
- Reviewed the draft Viability Statement to appear in the 2018 Annual Report and Accounts.
- Reviewed the Committee's performance against its objectives for 2018 and set objectives for 2019.
- Received the Group fraud risk assessment.
- Held private meetings with the external auditors and the Head of Internal Audit.
- Agreed Internal Audit's programme of work for 2019.

### July 2019

- Reviewed the draft Half Year Statement for 2019, including significant accounting issues; materiality; and the external auditor's report on its review of that statement.
- Conducted the 2019 Half Year risk review.
- Received a further detailed presentation on the Group's data security, including progress to date and plans for further improvement.
- Advised the Board regarding the appropriateness of the proposed dividend.

- Reviewed Deloitte's plan for the audit of the Company's 2019 accounts, and the progress of the audit to date.
- Led the appraisal of Deloitte's performance during the audit of the Company's 2018 results.
- Reviewed and agreed the process for tendering the external audit during 2020, with a view to the new appointee (subject to shareholder approval), shadowing the incumbent external auditors on the 2020 audit and commencing as external auditor from 1 January 2021.

### December 2019

- Received a briefing on key accounting judgements with regard to the Company's 2019 accounts.
- Oversaw the process of development of the Board's Viability Statement included in its 2019 reporting.
- Considered the risk review outcome for 2019.
- Received a detailed presentation on progress to date and plans for further improving the Group's IT systems and wider IT security more generally.
- Conducted an interim review of progress against the Committee's objectives for 2019.
- Reviewed and approved the initial tender documentation commencing the process for the appointment of new external auditors.

### February 2020

- Reviewed the draft 2019 Annual Report and Accounts, including significant accounting and audit issues; issues of materiality; and the external auditor's report; and conducted a formal compliance check.
- Reviewed and confirmed the processes which allow the Committee to ensure that the 2019 Annual Report and Accounts meets the requirements of Code Principle N, Provision 27, to present a fair, balanced and understandable assessment of the Company's position and prospects.

- Disclosed relevant audit information to the auditors and the required evidence in support of it.
- Reviewed the Group's draft 2019 Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends.
- Concluded the 2019 risk review.
- Reviewed the draft Viability Statement to appear in the 2019 Annual Report and Accounts.
- Reviewed the Committee's performance against its objectives for 2019 and set objectives for 2020.

- Reviewed the Committee's performance against its Terms of Reference during 2019.
- Agreed Internal Audit's programme of work for 2020.
- Received an update on progress of the external audit tender process.
- Recommended to the Board the reappointment of Deloitte as external auditor.

## Committee purpose and responsibilities

The membership of the Audit Committee is set out in the table on page 99. Committee meetings are also attended, by invitation, by the Chief Executive, Group Finance Director and Group Operations Director, the Chair and other Non Executive Directors (who traditionally attend the key Committee meetings dealing with the Company's interim and full year accounts), Group Financial Controller who also has direct oversight of the risk management framework, Head of Internal Audit, other senior executives, the Company Secretary, Deputy Company Secretary and Deloitte LLP (Deloitte), the external auditor. The Committee also meets individually and privately with the Head of Internal Audit and with representatives from Deloitte during at least two Committee meetings per annum, which normally take place around the time of the Full and Half Year financial statements, in order to discuss any matters which the auditor may wish to raise in confidence, with only the Secretary being present.

It is a requirement of the Code that the Board should:

- Establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself as to the integrity of financial and narrative statements.
- Present a fair, balanced and understandable assessment of the Company's position and prospects.
- Establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the Principal Risks the Company is willing to take in order to achieve its long term strategic objectives.

## Committee activities during 2019

The Audit Committee met on three occasions during the year. The reports considered at the February 2020 meeting concluded the Committee's activities with regard to the Company's 2019 reporting and have been included on this page.

At those meetings, the Committee carried out its remit which, in addition to reviewing at each meeting the summary reports of Internal Audit activity, primarily included reviews of the following:

- Financial reporting practices.
- The risk management and internal control framework.
- The internal audit process.
- Checking for any incidences of fraud, actual, alleged or precautionary, and ensuring proper controls and a response plan are in place.
- Preparations for the tendering of the external Auditor role.

In carrying out these activities, the Committee places reliance on regular reports from Executive Management, Internal Audit and from Deloitte. In monitoring the financial reporting practices, the Committee reviewed accounting policies, areas of judgement highlighted by Executive Management and Deloitte, the going concern assumptions and compliance with accounting standards and the requirements of the Code.

## Committee competence

A key requirement of the FRC's guidance on Audit Committees is that each Committee member should have sufficient knowledge, training and expertise to contribute effectively to the Committee's deliberations.

The Committee Chair has extensive experience of the financial reporting requirements of FTSE 100 companies; of financial reporting preparation and compliance for public companies; and of dealing with internal and external auditors in his previous roles with Marks and Spencer Group plc and Dixons Carphone plc. He also has previous experience of both attending Audit Committee meetings and of being a member of an Audit Committee. This experience has given him an insight into key areas of shareholder concern and independent experience of robustly challenging both Management and the external and internal auditor.

The Committee Chair is assisted by three other Independent Non Executive Directors:

- Kate Barker has wide experience of key areas in which the Company operates day to day, having led Government policy reviews into housing supply and land use planning. She also has experience of being a non executive director with Man Group plc and previously with Yorkshire Building Society.
- Angela Knight has wide experience of financial services and banking and has extensive non executive director experience.
- Robert Noel, who joined the Committee on 1 October 2019, has considerable experience of the property sector and wide commercial experience as CEO of Land Securities Group PLC.

The Committee is confident that its members collectively have the necessary competence relevant for the housebuilding sector as envisioned by the Code.

As described in the Nomination Committee Report on page 90, there is a formal process of induction for new Directors and this includes specific reference to supporting competence in relevant Committee areas through exposure to appropriate areas of the Company's operations and performance.

All the members of the Audit Committee are Independent Non Executive Directors and the Chair has recent and relevant financial experience as required by the Code.

The Committee is confident that its composition; balance; and expertise can give shareholders confidence that the financial reporting; risk; and control processes of the Company are subjected to the appropriate level of independent, robust and challenging oversight.

## Committee evaluation

The Board evaluation for 2019, which is described more fully in the Nomination Committee Report on page 92, included an appraisal of the performance of the Audit Committee and individually of its Chair and other members.

The outcome of the appraisal was that the Committee was considered to continue to operate effectively, with the necessary level of expertise and independent challenge, and with no specific actions arising requiring further improvement.

At its February 2020 meeting, the Committee reviewed its performance against its objectives and Terms of Reference during 2019, which was considered to have been satisfactory.

## Risk management and internal control

### Risk management

The Committee's objective for 2019 in this area was:

- To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes.

To achieve this objective, the Committee undertook the following during 2019:

- The risk review was conducted twice during the year, at the Committee's July (half year) and December (full year) meetings and covered both the systems used and the reported risks.

A number of enhancements were made during 2019 and into 2020 to the processes for identifying, assessing, monitoring, reporting, and managing the residual elements of risk. This included examination of best practice comparators in industry and reflecting these in the Company's own processes around risk and the assessment of risk appetite.

The Audit Committee conducted a detailed review of risk at its July and December meetings immediately preceding the Board meeting and on each occasion provided advice to the Board in connection with the Board's own risk review.

The Committee received regular updates on the review of historic and more current developments following the tragic fire at Grenfell Tower and actions taken by the Company to comply with Government guidance on fire safety.

During the year, the Board and Audit Committee received updates on key information technology risks, including the resilience of the Group's systems to cyber attack and action taken to maintain security.

The Board undertook a longer term risk review in preparation for future strategy reviews.

The Board's objectives for 2020 in this area are:

- To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes.
- To continue to develop the Company's risk processes in light of evolving best practice.

The Group has established an ongoing process of risk management and internal control, applying Principle O and its supporting Provisions of the Code which relates to determining the nature and extent of Principal Risks and the maintenance of sound risk management and internal control systems. The Board is responsible for the effectiveness of the system of internal control, which has been designed to meet the requirements of the Group and the risks it encounters, over various time horizons, including taking account of environmental, social and governance considerations. The systems cannot eliminate the risk of failure but rather seek to manage both the likelihood of their occurrence and the extent of their impact, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Principal Risks facing the Company, as assessed by the Board, are set out on pages 48 to 52, together with information on the mitigations for each risk, and a description on page 46 of the Group's appetite for risk.

The Board makes its assessment of risk half yearly, after overseeing, with advice from the Audit Committee, a bottom-up and top-down review of risk in all areas of the business, with a time horizon of up to five years. Action to mitigate the effect of each one is led by the Chief Executive either directly or indirectly in conjunction with the Group Management Team (GMT).

The Board's assessments use a standard methodology which takes into account environmental, social and governance considerations. In compliance with the Code, the Board, led by the Audit Committee, also regularly reviews the effectiveness of the Group's system of internal control in providing a responsible assessment and mitigation of risks.

The Board's monitoring covers all controls, including financial, operational, compliance and assurance controls which include risk management.



## Emerging risks

The Committee has overseen additional consideration in relation to emerging, longer term potential risks in line with developing guidance in this area. A detailed review was conducted by Management, in discussion with the Group Operation Team, taking the form of 'horizon scanning' for potential emerging risks, which were then grouped into the following categories and agreed by the Board as:

- Environmental,
- Political and economic,
- Social,
- Operations,
- Technical,
- Governmental.

For each of these emerging risks, a timeline of its likely emergence is being mapped and further consideration given to its potential impact on the Company. This will enable any appropriate mitigation actions to be planned and introduced, including consideration of best practice in this area.

Examples of the Board's and the Committee's reviews in this regard are around the possible impact of Brexit and are set out in the explanation of the process leading to the making of the Viability Statement on page 52; and the assessment of, and mitigation steps related to, risk arising from the impact of the market environment on page 49 and material costs and the availability of subcontractors on page 50.

## Internal control

Compliance with the Group's system of internal control is primarily driven and co-ordinated through compliance with an established Operating Framework supported by detailed manuals covering the main disciplines. These include clear levels of delegated authority, responsibility and accountability, and are subject to periodic review to ensure they remain appropriate and proportionate to the Group's changing strategic and operating requirements. Adherence to the Operating Framework is monitored by the senior management team and assessed independently by Internal Audit. At its half year and year end meetings, the Board reviews risk in relation to the Company's strategic objectives and its current plans to deliver them. It also reviews progress and performance in action taken to mitigate the impact of those risks.

The Board is supported in this by more regular and detailed reviews by the Audit Committee, including the review of reports from Internal Audit, and by risk reviews across the business, led by the GMT. These reviews during 2019 resulted in a number of enhancements to internal controls, designed to better manage risk across the business, as outlined in the key areas of focus for 2019 on page 93.

The Committee also oversees the actions being taken to monitor Information Technology (IT) initiatives which aim to either directly protect against and reduce the risk of cyber-related type attacks and fraud; support and enhance the current IT environment including data protection; or that are crucial in their contribution to key business initiatives aiming to enhance the experience of customers, suppliers and/or employees.

At its meeting in February 2020, the Board, after conducting its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying, assessing, and ranking the various risks facing the Company; and in monitoring and reporting progress in mitigating their potential impact on the Company.

The Board also approved the statement of the Principal Risks and uncertainties set out on pages 48 to 52 of this Annual Report.

## External auditor

### Re-appointment

As noted earlier, Deloitte LLP is the Company's external auditor. A new audit partner, Dean Cook, is the partner in charge of the audit of the Company's 2019 accounts, after 'shadowing' the previous partner during the 2018 annual audit.

The Committee considers that the relationship with Deloitte is working well and is satisfied with their effectiveness. Their performance is kept under regular review by the Board and the Audit Committee and the Committee undertakes a formal assessment of the external audit process each year, including both current and ongoing suitability.

This review takes the form of a detailed checklist and questionnaire issued to Directors; executives involved in the detailed stages of the audit process; and a representative sample of employees in regional business units.

The Committee also considered the output from the Financial Reporting Council's Audit Quality Review (AQR) annual inspection of audit firms to ensure the matters identified by the AQR have been addressed in the audit of the Company's 2019 financial statements.

In addition, the Committee considered whether the external auditor had appropriately challenged management estimates and judgements.

The auditor's report (starting on page 140) details the key matters that were considered as part of the year end audit. This includes details of the procedures performed by Deloitte to assess the estimates and judgements made by management.

The outcome of this review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 13 at the 2020 AGM on page 192, that Deloitte LLP should continue as external auditor to the Company.

The Company will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee as well as other relevant factors. There are no contractual restrictions on the Company's selection of its external auditor.

## Tender

The Company last conducted a tender process for the external audit in 2007/2008. UK rules relating to the requirement for rotation of external auditors by FTSE 350 companies permit transitional arrangements in line with guidance issued by the FRC which, applied to the Company, allow the present auditor, Deloitte, to continue in office up to and including the conclusion of the audit of the Company's 2020 accounts. This is considered by the Committee to be in the interests of shareholders and other stakeholders.

During the year, we commenced the external audit tender process. This is being overseen by the Chair of the Audit Committee and is being carried out in compliance with the provisions of the Competition and Markets Authority Audit Order 2014. It also considers guidance and best practice being issued in light of the current ongoing reviews of the audit market.

During 2019, we have completed several planning steps, including:

- Agreeing detailed selection criteria for the evaluation of the audit firms and a tender timetable to enable a smooth transition from our current external auditor, which subject to relevant Board and shareholder approvals, would enable the selected firm to 'shadow' Deloitte on the external audit of the 2020 financial statements.
- Reviewing the FRC's AQRs in assessing and determining potential firms to invite to participate in the audit tender process.
- Selecting three firms to invite to the tender process.
- Interviewing and selecting potential lead audit partners.
- Approving the Request For Proposal (RFP) that was issued in December 2019. At this stage, one firm withdrew from the process and therefore two firms progressed to the next stage.

Full details of the decision and the full process of review and assessment underpinning it, will be included in next year's Annual Report.

## Statement of compliance

The Company has complied throughout the reporting year 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.

## Appointment of the auditor for non-audit services

The Audit Committee has a formal policy, reviewed annually, on whether the Company's external auditor should be employed to provide services other than audit services. In line with the Code, the Committee has regard to the relevant ethical guidance regarding the provision of non-audit services by Deloitte.

As part of that policy, the Committee has determined that the following assignments should not be undertaken by the auditors:

- Bookkeeping or other services related to the accounting records or financial statements,
- Internal audit outsourcing services,
- The provision of advice on large Information Technology systems,
- Services connected with valuation, litigation support, legal, recruitment or remuneration.

Where non-audit services have an initial or forecast face value in excess of £100,000 there must be prior review and authorisation by the Group Finance Director and the Committee.

The Board is satisfied that this policy meets the EU Audit Directive and Audit Regulation 2016, and will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

Deloitte undertook non-audit services in the form of assurance work carried out in connection with the announcement of the Company's half year results for 2019, which is of direct benefit to shareholders although it is not formally regarded as 'audit' work for reporting purposes.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2019 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.1 million in 2019 (2018: £0.1 million) which represents approximately 14% of the audit fee as set out in Note 6 to the Accounts on page 161.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2019 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.1 million in 2019 (2018: £0.1 million) which represents approximately 14% of the audit fee as set out in Note 6 to the Accounts on page 161.

## Internal Audit

Internal Audit's primary role is to support the Board and Management, and to protect the assets, reputation and sustainability of the Group. The function is led by the Head of Internal Audit who has direct access to the Chair of the Audit Committee and the Chair of the Board, protecting the function's independence. The Head of Internal Audit also has access to the Chief Executive and the other Executive Directors, as required.

Internal Audit reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets; to quantify, price, transfer, avoid or mitigate risks; and to monitor the activities of the Group in accomplishing established objectives.

The Internal Audit plan, and the individual audits conducted in line with the audit plan, are driven primarily by the Group's strategic plan and key risks. Following each review, an Internal Audit report is provided to both the management responsible for the area reviewed and the GMT. These reports outline Internal Audit's opinion of the management control framework in place together with actions indicating improvements proposed or made as appropriate. The Chief Executive, the GMT and senior management consider the reports on a regular basis and are responsible for ensuring that improvements are made as agreed. A database of audit recommendations and improvement initiatives is maintained. Follow-up and escalation processes ensure that such improvements are implemented and fully embedded in a timely manner.

The Company belongs to and participates in industry-wide forums and other initiatives aimed at combating fraud within the housebuilding and construction industry.

Summaries of all key Internal Audit reviews and activity and resulting reports are provided to the Audit Committee for review and discussion.

The Internal Audit function also reviews proposed related-party transactions, such as purchases by employees from Group companies, to provide assurance that proper procedures are followed and that such procedures are undertaken strictly in accordance with the formal policy in place and, where applicable, company law.

The most recent independent formal evaluation of the Internal Audit function was carried out in 2015 on behalf of the Audit Committee by PwC and its finding was that Internal Audit continues to operate effectively. A number of initiatives were progressed subsequently to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group. The next such evaluation is currently being planned for 2020 and will consider the recommendations included in the Code of Practice for effective internal audit in the private and third sectors, published in January 2020 by the Chartered Institute of Internal Auditors.

#### Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks and uncertainties identified on pages 48 to 52. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. The Committee reviewed the forecasts and the Directors' expectations based thereon, and agreed that they were reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

#### Viability Statement

The Viability Statement is designed to be a longer term view of the sustainability of the Company's strategy and business model and related resourcing, in the light of projected wider economic and market developments. The Committee considered whether there should be any change to the five-year period chosen for the statement but remained of the opinion that this continued to be appropriate, taking into account the balance sheet strength and development cycle. The Committee also reviewed the Directors' expectations; the criteria upon which they were based; and the sensitivities applied, including how these linked to the Principal Risks faced by the business; and agreed that they were reasonable. The statement appears on page 52 together with details of the processes, assumptions, and testing which underpin it.

#### Annual Report and Accounts 2019

##### Fair, balanced and understandable

A key requirement of our financial statements is that they are fair, balanced and understandable, and that they include the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Committee monitors the integrity of the Group's reporting process and financial management; and reviews in detail the work of the external auditor and any significant financial judgements and estimates made by Management.

It considers the output from the above and reviews the Full Year and Half Year financial statements before proposing them to the Board for consideration.

The review of the Company's Annual Report and Accounts took the form of a detailed assessment of the collaborative process of drafting them, which involves the Company's Investor Relations; Company Secretariat; and Finance functions, with guidance and input from other relevant functions and external advisers. It ensured that there is a clear and unified link between this Annual Report and Accounts and the Company's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Reports; and the Financial Statements.

In particular, the Committee:

- Reviewed all material matters, as reported elsewhere in this Annual Report.
- Ensured that it correctly reflected the Company's performance in the reporting year, as described in this Annual Report.
- Ensured that it presented a consistent message throughout.
- Ensured that it correctly reflected the Company's business model, as described on pages 30 and 31.
- Ensured that it correctly described the Company's strategy, as described on pages 24 to 29.
- Considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

#### Significant items

The items below are those that the Audit Committee has considered in discharging its duties and in considering the financial reporting of the Group.

#### Cost allocation of inventory

The cost allocation framework used across the Group, controls the way in which inventory is costed and allocated across each development. It also ensures that any costs incurred in excess of the original budget are recognised appropriately as the site progresses. The Committee reviewed reports and recommendations from the senior management team in relation to areas of the business recognising cost excesses. The Committee also reviewed the work undertaken by Deloitte which included testing of the Group-wide controls to monitor cost allocation. These reviews enabled the Committee to gain assurance that the framework is applied consistently.

#### Defined Benefit Pension valuations and Pension Increase Exchange (PIE)

The Committee reviewed the funding position of the Taylor Wimpey Pension Scheme and discussed and agreed the market-based assumptions used to establish the net pension deficit recognised on the balance sheet at 31 December 2019.

The Committee also reviewed the assumptions used in calculating the credit to the income statement as a result of the PIE exercise undertaken in the year for members of the Taylor Wimpey Pension Scheme.

#### ACM cladding and leasehold provisions

The Committee reviewed senior management's updates on the progress of rectification of buildings identified with ACM cladding materials, together with utilisation and estimates of the remaining provision. The Committee also reviewed the level of applications received in respect of the Ground Rent Review Assistance Scheme, the utilisation of the provision and latest management assumptions.

#### Recommendation to the Board

The outcome of the above processes, together with the views presented by Deloitte, was that the Committee recommended, and in turn the Board confirmed, that the 2019 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

More detail on how the Board and the Audit Committee have addressed the assessment, control and mitigation of risk, and the oversight of the internal and external audit functions, appear in the Audit Committee Report on pages 101 to 104

# Remuneration

## Remuneration Committee report



**Gwyn Burr**  
Chair of the Remuneration Committee

### Dear Shareholder

Following my appointment as Chair of Taylor Wimpey's Remuneration Committee in April 2019, I am pleased to present the 2019 Directors' Remuneration Report for Taylor Wimpey.

The Remuneration Committee (the Committee) remains mindful of the continuing debate around Executive Director remuneration from both a workforce and wider societal perspective. As a Committee we look to ensure that our remuneration policies and practices are directly linked to the Company's purpose and values; and to the successful delivery of our long term strategy for the benefit of our shareholders and our wider stakeholders.

### The 2018 UK Corporate Governance Code

The Committee welcomes the wider remit and responsibilities placed on it by the introduction of the 2018 UK Corporate Governance Code (the Code). During 2019 we focused on embedding the new responsibilities into our existing processes and updated the Committee's Terms of Reference to ensure that they meet both the Code and wider best practice and also to ensure that the Committee considers all relevant matters when discharging its responsibilities.

### Remuneration Policy review

This Report looks at how the current remuneration policy (current policy) for Executive Directors has been applied during 2019 and will also explain the Committee's thinking around the proposed new policy (New Policy) which, if approved by shareholders, will apply from 2020 to 2022.

Our current policy has successfully accommodated the significant changes that have taken place to our business and its leadership during its three-year term. Over a period of strong financial performance, we believe that there has been a clear and appropriate link between performance and reward. We have administered the current policy robustly including, for example, using Committee discretion to scale back 2017 Executive Director bonuses; and accordingly,

the vote each year on our Directors' Remuneration Report has been strongly supported by shareholders – which has been very much appreciated. Further details on how the current policy has been applied during 2019 can be found on pages 121 to 131.

We believe that current remuneration levels are appropriately positioned and no changes to the maximum limits of either the Executive Incentive Scheme bonus (EIS, our annual bonus) or Performance Share Plan (PSP, our long term incentive plan) are proposed under the New Policy. Therefore, it is proposed that the structure of the current policy be effectively rolled over for the next three-year policy period – albeit updated to bring it into line with the Code and investor requirements on matters such as pension provision and post-employment shareholding requirements.

Under the proposed New Policy, the Committee has carefully considered pension arrangements for Executive Directors. We propose to reduce all Executive Directors' pension contributions to 10%, which is the level of the pension contribution available to the majority of the workforce. As this will be a reduction in the Executive Directors' contractual entitlements, the Committee proposes that this will be done over the next five years. Further details of how this will be done can be found on pages 113, 116 and 121.

The Committee has also reviewed the required minimum level of share ownership (which is 200% of salary) and considers this to remain appropriate for the New Policy, recognising that two of the three Executive Directors are building their shareholdings to this level and the value of the Chief Executive's shareholding is significantly in excess of this minimum. In addition, in line with the Code and shareholder guidance, we are introducing a post-employment shareholding requirement for the Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years.

Overall, we believe that these changes represent a sensible evolution of the current policy, showing restraint and embracing the latest best practice requirements from both corporate governance guidance and feedback from shareholder engagement. Further details on the proposed changes and why the Committee believes the New Policy is in accordance with the Code can be found on page 112.

### Wider workforce remuneration

The Committee took the wider workforce remuneration policies and practices into consideration when determining the New Policy for Executive Directors. We have also used both internal and external measures to ensure that it remains appropriate (including pay gaps and pay ratios). The Committee is comfortable that the incentives and rewards available to the wider workforce are directly linked to the culture and strategy of Taylor Wimpey at all levels, including the Remuneration Policy for Executive Directors.

I was pleased to attend the National Employee Forum (NEF) where I took the opportunity to discuss the proposed New Policy and the wider remuneration policies and practices alignment with executive pay more generally. I was encouraged to see the level of engagement from the NEF employee members and look forward to further engagement with the NEF in the near future.

Subject to shareholder approval at the 2020 AGM, management will apply the New Policy and review the Group's overall remuneration policies and incentive arrangements for the wider management team, to ensure a clear and coherent policy cascade supporting the Group's strategy, throughout the policy period. The Committee will be providing input and challenge as part of this process.

The Committee also encourages employee share ownership across the business and is pleased that 57% of all employees either participate in one or both of our all-employee share schemes, or are otherwise shareholders in the business.

### Shareholder engagement

The Committee has continued its much-valued and long-established practice of engaging and consulting with its key institutional investors and with shareholder representative bodies. We are very grateful for the constructive engagement that has taken place with regard to both the proposed New Policy, performance during 2019, and remuneration proposals for 2020.

### Board changes

The Committee considered the remuneration arrangements in relation to the Board changes that happened during 2019. These included the retirement arrangements for James Jordan as Group Legal Director and Company Secretary and the appointment of Irene Dörner as Chair-designate.

### Remuneration Committee Summary

The Committee is chaired by Gwyn Burr. The Committee consists of three independent Non Executive Directors as required by the Code and also the Chair-designate and Chair of the Board. Its members are set out in the table below.

Committee members	Meetings attended
Gwyn Burr (Chair) <sup>(a)</sup>	4/4
Kate Barker <sup>(b)</sup>	4/4
Kevin Beeston <sup>(c)</sup>	4/4
Irene Dörner <sup>(d)</sup>	1/1
Angela Knight	4/4

- (a) Appointed as Chair of the Committee on 25 April 2019.  
(b) Stood down as Chair of the Committee on 25 April 2019.  
(c) To stand down from the Board on 26 February 2020.  
(d) Appointed to the Committee on 1 December 2019 and as Chair of the Company on 26 February 2020.

### Main objective

To establish and maintain formal and transparent procedures for developing policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of individual Directors and senior executives; and to review wider workforce remuneration and other policies in accordance with the 2018 Code.

### 2019 activities

- Reviewed the Remuneration Policy and developed a new Remuneration Policy for consideration at the 2020 AGM.
- Reviewed and adopted updated Terms of Reference in line with the 2018 Code.
- Embedded ways in which employee views were taken into account in relation to pay at Board and senior management level.
- Reviewed the performance conditions for the EIS and PSP.

- Continued to encourage share ownership across the business through participation in our all-employee share plans.
- Agreed the retirement arrangements for the Group Legal Director and Company Secretary and agreed the fee for the Chair-designate.

### 2020 objectives

- Implement the revised Remuneration Policy (subject to shareholder approval at the 2020 AGM).
- Continue to consider the evolution of the performance conditions in line with the business strategy.
- Monitor senior management remuneration in line with the Code.

### Committee activities during 2019

#### February 2019

- Reviewed feedback from major shareholders on the remuneration consultation conducted in December 2018 around the Company's remuneration proposals for 2019.
- Considered and approved the salary review proposals for 2019 for the Executive Directors and the wider executive team.
- Considered and approved the outcome of the EIS for 2018 and of the PSP Award vesting in 2019.
- Considered and approved the Committee's Terms of Reference which had been updated in line with the Code.

#### March 2019

- Approved the retirement arrangements for James Jordan (Group Legal Director and Company Secretary) and the remuneration of Alice Marsden (Group General Counsel and Company Secretary).

#### July 2019

- Initial consideration of the 2020 Remuneration Policy update.
- Agreed the fee for Irene Dörner (Chair-designate).



As announced on 28 March 2019, James Jordan stepped down from the Board on 31 December 2019. Remuneration paid to James during 2019, and until he retires from the business on 31 March 2020, is in accordance with his contractual terms and the current policy which is consistent with the statement published on the Company's website on 31 December 2019. Further details can be found on page 123.

As announced, our new Chair, Irene Damer, has been appointed and from her accession to the Chair of the Board on 26 February 2020 she will receive a fee of £320,000 per annum, the same as Kevin Beeston, her predecessor. Irene joined the Board on 1 December 2019 as a Non Executive Director and Chair-designate and her fees were the same as our basic Non Executive Director fees until she became Chair. I am also pleased to have welcomed Irene to the Committee and look forward to working with her in 2020 and beyond.

## 2019 performance and incentive plan payments

During the year, the current policy operated as intended in terms of Company performance and quantum. The EIS and PSP continued to operate with clearly defined performance conditions, which are set at the start of the relevant performance period.

Our trading performance during 2019 was very much in line with our expectations, against the backdrop of strong sales rates but also ongoing political and macro-uncertainty. As a result the EIS outturn for 2019 was 50.6% of the maximum.

The PSP award granted in 2017, which measured performance up to the end of 2019 vested in part. Cash Conversion, Return on Net Operating Assets (RONOA) and Total Shareholder Return (TSR) against the FTSE 100 were vested in full. Operating Profit Margin partially vested and the TSR measure against the housebuilder peer group did not vest. On this basis, the performance against the five measures led to an overall vesting of 62.8% of the 2017 PSP Award.

Full details of the performance targets and the results achieved for both the EIS and PSP can be found on pages 125 and 126 of this report.

The Committee looked at the broader circumstances in which performance against the measures for both incentive plans has been delivered and is comfortable that there has been a strong link between reward and both financial and operational performance. The Committee is also comfortable that there are no exceptional circumstances that require the consideration of discretion to be applied.

## 2020 remuneration approach and alignment to strategic objectives

The Committee reviews the performance conditions for the Company's incentive plans each year to ensure that they remain appropriate and directly linked to our strategy. Therefore, following shareholder consultation, we have taken the opportunity to update and refresh the performance conditions used in both the EIS and PSP to ensure that they remain aligned to the Company's long term strategy.

## Customer Service

As detailed in the Strategic Report on pages 24 and 25 over the last two years there has been an increased emphasis on the business strategy that places the customer front and centre in what Taylor Wimpey does. As a result, the Committee has decided to reflect this by including a customer service measure in each of the EIS and PSP to ensure that customers remain the focus both in the short and longer term. A customer services measure has operated in the EIS for several years; however, this will be the first time that customer performance is measured over the three-year performance period in the PSP.

## Healthy cash returns

Cashflow is considered to be a critical measure for the business as there continues to be a level of uncertainty in relation to the housing market. Therefore, the Committee has decided that a cashflow measure, Cash Conversion, will operate in both the EIS and the PSP (Cash Conversion will be assessed as an aggregate across the full three-year period for PSP) in 2020. This will ensure that our priority remains converting our profit into healthy cash returns and will provide strong support for further dividend progression over the medium term.

In relation to the EIS performance measures: Group Operating Profit, Customer Service and Build Quality will remain for 2020; however, Order Book and RONOA will be replaced by Cash Conversion and Operating Profit Margin. A focus on Operating Profit Margin will ensure a focus on our cost discipline and mitigate future build cost inflation. Further details on these two new measures can be found on page 122.

The performance conditions to be used in the PSP will retain TSR as a measure; however, to simplify the TSR element, the relative TSR measured against the FTSE 100 will no longer be used. Instead 40% of the Award will focus solely on our performance against a listed housebuilder peer group. Customer Service will replace Operating Profit Margin, but Cash Conversion will remain a measure for the 2020 Award. This reduces the number of measures that performance is measured against and ensures a simpler, more direct link to strategy, in respect of the Award.

The targets for the performance conditions in both the EIS and PSP are stretching and challenging and will not reward mediocre performance. Further details on the weightings and targets for both incentive plans can be found on page 122.

The average salary increase being proposed across the Company for 2020 is 2% and will apply with effect from 1 April 2020. This increase will also apply to Pete Redfern, Chris Carney and Jennie Daly as well as to the wider senior management team.

Finally, I'd like to take the opportunity to thank Kate Barker for her stewardship of the Remuneration Committee since 2016, and Kevin Beeston for his wise counsel to the Committee during his nine years of membership of the Committee.

I very much hope that you will feel able to support our New Policy; the level of remuneration paid with respect to 2019; and the manner in which we propose to implement the New Policy during 2020.

*Gwyn Burr*

**Gwyn Burr**  
Chair of the Remuneration Committee

25 February 2020

## October 2019

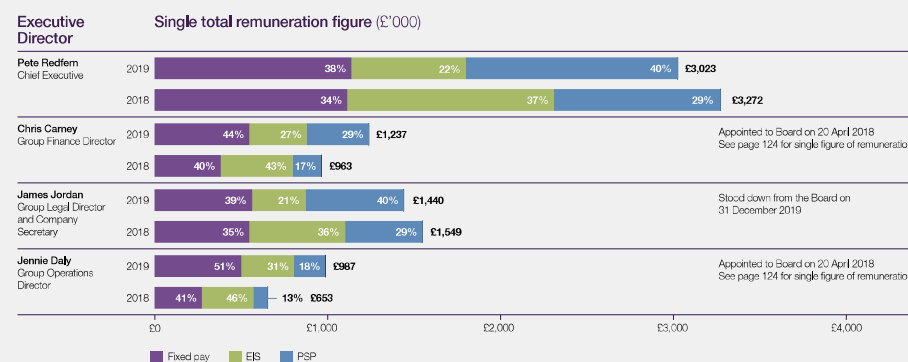
- Further consideration of the Remuneration Policy update and the application of the policy to senior management.

## December 2019

- Final consideration of the proposed changes to be made to the 2020 Remuneration Policy.
- Agreed the remuneration consultation letter to be sent to major shareholders and shareholder representative bodies setting out the proposed changes to be made for the 2020 Remuneration Policy.
- Considered reports from Korn Ferry on executive remuneration benchmarking.
- Considered a general governance update from Korn Ferry on remuneration considerations.
- Preliminary discussions on salary proposals for 2020; projected outcomes of the 2019 EIS and PSP Award vesting in 2020.
- Considered the performance measures and targets for the 2020 EIS and 2020 PSP Award.

## Executive Directors' total remuneration

The chart below compares the 2019 single figure for total remuneration for each of the Executive Directors with the equivalent figure for 2018.



# Remuneration at a glance

## Application of the current Remuneration Policy in 2019

Policy elements	Award timeline					Purpose	Measure	% Strategic goal	KPI	S Stakeholders
	Year 1	Year 2	Year 3	Year 4	Year 5					
Variable Pay <b>Executive Incentive Scheme (Annual bonus) (EIS)</b>						To reward the achievement of stretching objectives that support the Company's annual and strategic goals	Operating Profit*	●		●
							RONOA*	●		●
							Order Book		●	●
							Customer Service		●	●
							Build Quality		●	●
Variable Pay <b>Long Term Incentive Plan (PSP)</b>						To assist with retention and the incentivisation and motivation of senior executives to deliver long term returns to shareholders	TSR v Peer Group			●
							TSR v FTSE 100			●
							Cash Conversion*	●		●
							Operating Profit Margin*	●		●
							RONOA*	●		●
Fixed Pay <b>Base salary</b>						To recruit and reward executives of a suitable calibre for the role and duties required				
Fixed Pay <b>Benefits</b>						To provide a competitive package of benefits to assist with recruitment and retention of staff				
Fixed Pay <b>Pension</b>						To provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders				

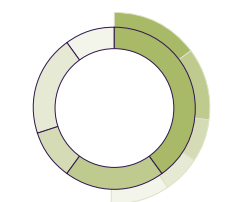
■ Performance period ■ Deferral / holding periods

\* Read more about our financial definitions on page 58.

● Read more about our strategic goals on page 24    ■ Read more about our KPIs on pages 25 to 29    S Read more about our stakeholders on pages 32 to 43

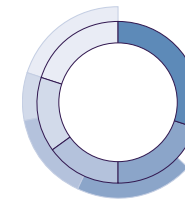
## Executive Directors' remuneration in 2019

2019 EIS outcome



	Weighting	Outcome
Operating Profit	40%	14.9%
RONOA	20%	12.1%
Order Book	10%	7.3%
Customer Service	20%	6.3%
Build Quality	10%	10%

2017 PSP outcome

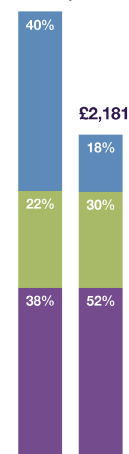


	Weighting	Outcome
TSR v Peer Group	30%	0%
TSR v FTSE 100	20%	20%
Cash Conversion	15%	15%
Operating Profit Margin	15%	7.8%
RONOA	20%	20%

## 2019 actual remuneration v 2019 on target potential (£000's)

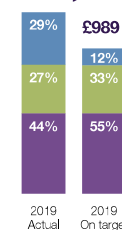
**Pete Redfern**  
Chief Executive

**£3,023**



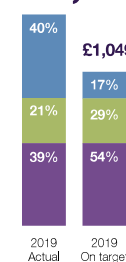
**Chris Carney**  
Group Finance Director

**£1,237**



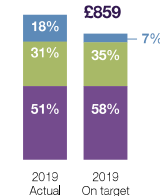
**James Jordan**  
Group Legal Director and  
Company Secretary

**£1,440**



**Jennie Daly**  
Group Operations Director

**£987**



## Remuneration across Taylor Wimpey

### Workforce remuneration

"Rewards available to the wider workforce are directly linked to the culture and strategy of Taylor Wimpey at all levels."

**Gwyn Burr**, Chair of the Remuneration Committee

Read more about wider workforce remuneration on page 118

### Gender pay reporting

"We are passionate about attracting, developing and retaining a diverse range of talent, and ensuring a culture where, regardless of background, each person thrives to meet their potential."

**Anne Billson-Ross**,  
Group HR Director

### 2% Mean Pay Gap

The mean pay for women is 2% lower than that of men (2018: 6%)

### -4% Median Pay Gap

The median pay for women is 4% higher than that of men (2018: 0%)

Read the Company's Gender Pay Report at [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

## Proposed remuneration policy summary (the New Policy)

### How will the New Policy align with the wider Company remuneration policy?

The Committee received an update on wider workforce remuneration and related policies and took this into account when determining the proposed changes to the current policy.

The Committee is satisfied that the incentives and rewards available to the wider workforce are directly linked to the culture and strategy at Taylor Wimpey at all levels.

In addition, the Committee Chair attended the Taylor Wimpey National Employee Forum (the NEF) and discussed the proposed changes to the remuneration policy. Further information can be found on page 118.

### How will the New Policy align with the 2018 UK Corporate Governance Code (the Code)?

It is proposed that the structure of the policy will be updated to bring it into line with the Code, which applied with effect from 1 January 2019, and investor requirements.

The Code sets out principles against which the Committee should determine the policy for executives, as follows:

Principle	Committee approach
<b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	<ul style="list-style-type: none"> <li>We have operated a consistent approach which is well understood internally by executives and externally with strong levels of shareholder support</li> <li>We have consulted the NEF (the Taylor Wimpey workforce advisory panel) on our proposed changes to the remuneration policy. Further information on the NEF can be found on page 78</li> </ul>
<b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	<ul style="list-style-type: none"> <li>There is, naturally, more complexity for Executive Director remuneration packages in order to ensure a robust link to performance and avoid reward for failure and to comply with investor and Code requirements, but this aside they have been designed to be as simple as possible</li> <li>Where possible we cascade the remuneration policy down throughout the remuneration practices in the business consistent with the shareholder approved policy</li> </ul>
<b>Risk</b> – remuneration arrangements should ensure that potential reputational and other risks arising from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	<ul style="list-style-type: none"> <li>We have mitigated these risks through careful plan design, including long term performance measurement, deferral and shareholding requirements (including post cessation of employment) and discretion and clawback provisions</li> </ul>
<b>Predictability</b> – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	<ul style="list-style-type: none"> <li>We look carefully at the range of likely performance outcomes when setting performance target ranges for threshold, target and maximum payouts and have used discretion where necessary</li> </ul>
<b>Proportionality</b> – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance	<ul style="list-style-type: none"> <li>Incentive plans are determined based on a proportion of base salary so there is a sensible balance between fixed pay and performance-linked elements</li> <li>Performance conditions are all linked to the business strategy. There is no personal performance element as we feel that the annual appraisal process is a better mechanism to review personal performance and development</li> <li>There are provisions to override the formula-driven outcome of incentive plans, as well as deferral and clawback mechanisms to ensure that poor performance is not rewarded</li> </ul>
<b>Alignment to culture</b> – incentive schemes should drive behaviours consistent with company purpose, values and strategy	<ul style="list-style-type: none"> <li>Bonus plans operate widely throughout the Company and are reviewed by the Committee to ensure consistency with Company purpose, values and strategy</li> </ul>

## Proposed changes to the current policy

	Summary of current policy	Proposed change and rationale
Variable Pay	<b>Executive Incentive Scheme (Annual bonus) (EIS)</b> <ul style="list-style-type: none"> <li>Maximum EIS opportunity is 150% of base salary and target is 75%</li> <li>Performance measures and targets are set at the beginning of each year and are based on a scorecard of designated objectives to meet annual and strategic goals</li> <li>One-third of any EIS payable is deferred into shares and held in trust on the Executive Director's behalf for three years</li> <li>Dividends will accrue during the three-year deferral period</li> <li>Malus and clawback mechanism applies for three years post the payment date</li> </ul>	<ul style="list-style-type: none"> <li>Specific provision to be incorporated for the Committee to be able to use discretion to override a formula-driven outcome in exceptional circumstances</li> </ul>
	<b>Long Term Incentive Plan (PSP)</b> <ul style="list-style-type: none"> <li>Annual PSP Award. Maximum award is 200% of base salary and threshold performance would pay out 40% of base salary</li> <li>Performance conditions and targets are set at the beginning of the three-year performance period and are stretching and appropriate for the medium term</li> <li>Dividends accrue during the performance period and holding period</li> <li>Malus and clawback mechanism applies for three years post vesting</li> <li>Two-year holding period post vesting</li> </ul>	<ul style="list-style-type: none"> <li>Specific provision to be incorporated for the Committee to be able to use discretion to override a formula-driven outcome in exceptional circumstances</li> <li>In line with best practice, the PSP has operated a compulsory two-year holding period since 2018, however this will now be specifically incorporated into the New Policy</li> </ul>
Fixed Pay	<b>Base salary</b> <ul style="list-style-type: none"> <li>Salaries are reviewed annually although there is no automatic entitlement to an increase</li> <li>The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce</li> </ul>	<ul style="list-style-type: none"> <li>No change proposed</li> </ul>
	<b>Benefits</b> <ul style="list-style-type: none"> <li>Benefits include: company-provided car or a cash allowance, provision of a fuel card, life assurance and private medical insurance</li> </ul>	<ul style="list-style-type: none"> <li>No change proposed</li> </ul>
	<b>Pension</b> <ul style="list-style-type: none"> <li>Pension benefits are provided through one or more of the following arrangements: defined contributions; defined benefit arrangements; or a cash allowance</li> <li>Pete Redfern, Chris Carney and Jennie Daly receive a pension contribution of 24.05%, 20% and 20% respectively</li> </ul>	<ul style="list-style-type: none"> <li>Incumbent Executive Directors pension contributions will be reduced in broadly equal increments over a period of five years to 10% which is the pension contribution available to the majority of the wider workforce</li> <li>The first reduction will take effect on 1 April 2020 and Pete Redfern, Chris Carney and Jennie Daly will receive a pension contribution of 21.24%, 18% and 18% respectively</li> <li>New Executive Directors' pension contributions will be in line with the usual contribution of the wider workforce</li> </ul>
	<b>Shareholding guidelines</b> <ul style="list-style-type: none"> <li>Executive Directors must build a holding of shares worth 100% of salary within five years and then the balance to 200% of salary at a timeframe agreed with the Chair</li> <li>Executives must retain no less than 50% of any vested PSP award or EIS deferred shares until these guideline thresholds are achieved</li> </ul>	<ul style="list-style-type: none"> <li>To increase transparency and reduce complexity, the guidelines will be simplified so that the time frame is removed and Directors must retain not less than 50% of any vested PSP award or EIS deferred shares until the 200% of salary shareholding level is achieved</li> <li>A post-employment shareholding requirement will require Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years. To help facilitate this, there will be no early vesting of deferred bonus shares, or PSP awards on leaving (either unvested or vested shares and the two-year holding period will continue to apply in respect of these), other than in exceptional circumstances</li> </ul>



## Introduction

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (Regulations), and has also been prepared in line with the recommendations of the 2018 UK Corporate Governance Code (the Code) and the UK Listing Authority Listing Rules.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

The 2019 Remuneration Report includes disclosures which reflect in full the Regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report: this sets out the new Remuneration Policy that will be proposed to shareholders at the 2020 AGM, describing the framework within which the Company remunerates its Directors. The Policy will apply, if approved by shareholders, for a period of three years from the date of the 2020 AGM or until a revised Policy is approved by shareholders if sooner. Any existing remuneration commitments or contractual arrangements, such as historical share awards, agreed prior to the approval and implementation of this Policy in accordance with any policy in place at the time, namely before 23 April 2020, will be honoured in accordance with their original terms.
- Annual Report on Remuneration: this sets out how the Company's existing Remuneration Policy was applied during 2019 and how it is proposed that the New Policy will be implemented during 2020. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 23 April 2020. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 198.

The Regulations require that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts have been properly prepared in accordance with the requirements. The Remuneration Policy Report, which describes the Committee's current Remuneration Policy for Executive Directors and which has applied since its approval by shareholders on 27 April 2017, contains unaudited information. Some elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2019, contain audited information.

## Remuneration Policy Report

### Unaudited information

The Company's current Remuneration Policy was subject to a binding shareholder vote at the 2017 AGM of the Company and was approved by 98% of shareholders who voted. The three-year life of that policy will expire at the 2020 AGM and we are required to seek binding shareholder approval for a new policy.

The New Policy is designed to ensure that the remuneration framework will support and drive the Taylor Wimpey strategy forward by both challenging and motivating the Executive Directors and the senior management team to deliver it, and this will drive value for our shareholders whilst having due regard to our other stakeholders. The New Policy is set out on pages 115 to 117 and is also available to view on the Company's website at [www.taylorwimpey.co.uk/corporate/our-company/governance](http://www.taylorwimpey.co.uk/corporate/our-company/governance).

The main changes proposed by the Committee in the New Policy are summarised and set out on page 113.

## Policy overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is, of course, key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Company's strategic objectives within a framework which is aligned with the long term interests of the Company's shareholders. This alignment is achieved through a combination of: deferral into shares of a percentage of the EIS; a two-year retention period for vested PSP awards; share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares, either directly or by retaining vested PSP share awards and deferred EIS amounts; and also now requiring shares to be retained by the Executive after they have ceased employment.

The above requirements ensure that a significant percentage of the overall remuneration package of Executive Directors and senior management is subject to performance. With all packages for Executive Directors substantially geared towards meeting challenging targets set under the EIS and PSP, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately balance reward and risk.

In line with best practice, the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, the Committee under its Terms of Reference may, where it considers appropriate, take ESG matters into account when considering the overall remuneration structure and as part of its overall discretion.

## Proposed New Policy

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>Salary</b>	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that they remain positioned appropriately. There is no automatic entitlement to an increase each year. Salary level and increases take into account the following: – The performance, role and responsibility of each individual Director. – The economic climate, general market conditions and the performance of the Company. – The level of pay awards across the rest of the business. – Salary levels in comparably-sized companies and other major housebuilders.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope or responsibilities of the role. – To apply salary progression for a newly / recently appointed Director. – Where the Director's salary has fallen below the market positioning.	Company and individual performance are factors considered when reviewing salaries.
<b>Chair of the Board and Non Executive Director fees</b>	The Chair's and Non Executive Directors' fees should be in line with recognised best practice and be sufficient to attract and retain high calibre non executives.	Fees consist of a single consolidated fee for the Chair, an annual fee for the other Non Executives and additional fees for roles such as the Chair of the Audit Committee, Chair of the Remuneration Committee and Senior Independent Director.  Set by reference to the responsibilities undertaken by the non executive, taking into account that each Non Executive Director is expected to be a member of the Nomination Committee and / or the Audit Committee and / or Remuneration Committee.  Reviewed periodically but generally annually and at least every other year. Takes into account levels in comparably-sized companies and other major housebuilders.  Non Executive Directors do not participate in any incentive, share scheme, benefits-in-kind or pension arrangements.	Aggregate annual limit of £1 million imposed by the Company's Articles of Association.	N/A
<b>Other benefits, including benefits-in-kind</b>	Provides a competitive package of benefits to assist with recruitment and retention of staff.	The main benefits offered: – Company-provided car or a cash allowance in lieu. – Provision of a fuel card. – Life assurance. – Private medical insurance. – A 5% discount on the price of a new home acquired from the Group.	The value of a company-provided car or a cash allowance in lieu is of a level appropriate to the individual's role and is subject to review from time to time. The fuel card covers the cost of all fuel, for both business and personal use.  Life assurance of up to four times basic salary.  For home purchases, the price discount is calculated at the plot release price less the average discount to third party buyers for that house type on that development, less a further 5% employee discount. No more than one home per annum can be acquired at a discount under the scheme; and no more than three homes can be acquired in a five-year period. The maximum discount over a five-year period is £100,000.	N/A

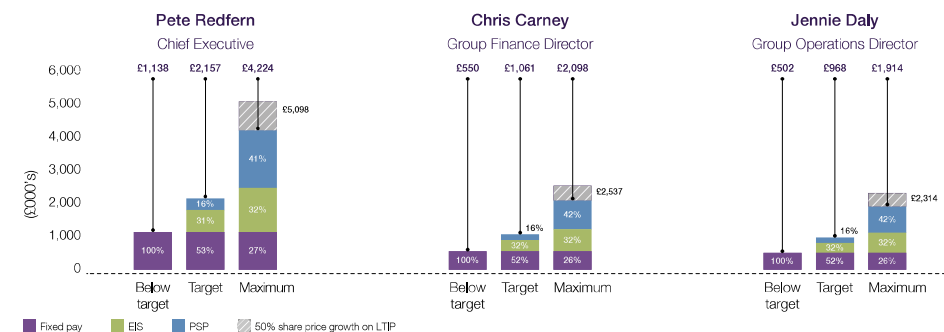
Element	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>Executive Incentive Scheme (EIS)</b>	Rewards the achievement of stretching financial performance targets and other objectives that support the Company's annual and strategic goals.  Compulsory deferral in shares further aligns the interests of Directors with shareholders.	EIS awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year.  One-third of any EIS is payable in shares which are held in trust for three years.  A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts, error, misconduct, reputational damage or corporate failure. The discovery period for the event that would give rise to the clawback is three years from the date of payment.	The maximum EIS opportunity for Executive Directors is set at 150% of salary. Target is set at 75% of salary and threshold at 0%.	The EIS measures are based on a scorecard of designated key annual financial, operational and environmental measures.
<b>Performance Share Plan (PSP)</b>	Annual grants of share-based long term incentives assist with retention, incentivisation and motivation of senior executives to achieve long term sustainable returns for shareholders. A post-vest holding period helps align the interests of senior executives with those of the Company's shareholders.	Executive Directors and other designated senior executives can receive annual PSP awards.  PSP awards provide alignment with shareholders as they deliver (subject to meeting performance conditions) the full value of the shares, which can increase and decrease in value over the three-year performance period.  The value of dividends or other distributions will accrue during the performance and holding periods and will be received with any shares that vest in favour of participants after the applicable performance period. Dividends will normally be accrued and paid in shares.  Performance measures are normally measured over three financial years.  A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts, error, misconduct, reputational damage or corporate failure. The discovery period for the event that would give rise to the clawback is three years from the date of payment.	The maximum award (currently in performance shares) is normally over shares with a face value of 200% of salary. In exceptional circumstances this can be increased up to 300% of salary.	The performance conditions are aligned to the long term business strategy.  The Committee may vary the measures that are included in the plan and the weightings between the measures from year to year.  Awards vest at 20% for threshold performance.
<b>Pension</b>	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders.  Over five years the pension contributions will reduce to the level of the workforce pension.	Pension benefits are provided through one or more of the following arrangements: – Personal Choice Plan; – Taylor Wimpey Pension Scheme; – or as a cash allowance.	Pete Redfern: cash allowance in 2020 of 21.24% of salary and then reducing annually thereafter by 2.81% of salary until the pension rate is the same as the majority of the workforce.  Chris Carney and Jennie Daly: cash allowance of 18% of salary in 2020 and then reducing annually thereafter by 2% of salary until the pension rate is the same as the majority of the workforce.  Company contributions to any pension scheme in respect of a new Executive Director will be in line with the pension contribution rate applying to the majority of the workforce, currently 10% of salary.	N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>All-employee share schemes</b>	All employees including Executive Directors are encouraged to become shareholders through the operation of all-employee share plans such as the HMRC tax-advantaged Sharesave plan and a Share Incentive Plan (SIP).	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months' service can participate.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum monthly saving set by legislation or by HMRC. Options can be exercised during the six months following the end of the contract.  SIP: Employees can elect to contribute an amount per month or per tax year by one or more lump sums.  The maximum saving or contribution level is set by legislation or Government from time to time and the Committee reserves the right to increase contribution levels to reflect any approved Government legislative changes.	N/A
<b>Shareholding guidelines</b>	Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors are expected to achieve and maintain a holding of the Company's shares at least equal to 200% of salary and until this level is achieved, are required to retain no less than 50% of the value of any vested EIS or PSP awards, after tax.  A post-employment shareholding requirement will require Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years. This requirement may be reduced by the Committee in exceptional circumstances, such as serious ill-health.	Executive Directors: 200% of salary	N/A

The Committee may amend this shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.

#### Illustration of the Remuneration Policy for 2020

The charts below illustrate the level and mix of remuneration based on the Remuneration Policy depending on the achievement of below target, target and maximum for the Executive Directors under the policy.



- Salary is £891,644, £447,372 and £408,000 for Pete Redfern, Chris Carney and Jennie Daly, respectively with effect from 1 April 2020 (see page 121 for further details).
- Benefits are £54,000, £20,000 and £18,000 for Pete Redfern, Chris Carney and Jennie Daly, respectively, being the 2019 value (see page 121 for further details).
- Pension is 21.24% for Pete Redfern and 18% for Chris Carney and Jennie Daly with effect from 1 April 2020.
- For the EIS the target and maximum award is 75% and 150% of base salary, respectively.
- For the PSP the target (assumed for these purposes to be at threshold performance) and maximum are 40% and 200% of base salary, respectively.

Committee discretion

The Committee recognises that the exercise of discretion must be undertaken in a careful and considered way as it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this Report and that the maximum levels available under any relevant plans would not be exceeded. There would be full disclosure in the following Directors' Remuneration Report and major investors would be consulted if necessary.

With regard to both the EIS and the PSP, the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans but in all cases within the applicable scheme rules.

How shareholder views are taken into account

The Remuneration Committee appreciates and considers very seriously all shareholder feedback received in relation to remuneration each year and guidance from shareholder representative bodies more generally. Shareholder views are key inputs when shaping the Remuneration Policy and the Committee welcomes any comment or feedback on any aspects of remuneration and will always consider and respond.

The Committee regularly engages with its largest shareholders and shareholder representative bodies regarding the ongoing Remuneration Policy and implementation, and will take into account any feedback when determining any changes that might apply. The last such consultation took place in January 2020 and included the proposed changes to the Remuneration Policy and the performance targets and weightings of both the EIS and PSP.

The Committee follows the principles of good governance relating to Directors' remuneration as set out in the Principles and Provisions of the Code. The Committee reviews and takes into account governance-related developments and guidance that arise, on an ongoing basis.

How our employees' voice is taken into account

The Committee supports and welcomes the introduction of the 'employee voice' initiative.

The Taylor Wimpey National Employee Forum (NEF) was established in 2017 and continues to work with members of the Group Management Team and build upon the existing business wide regional Employee Consultation Committee structure.

As part of the remuneration policy update, Gwyn Burr attended the NEF in her capacity as Chair of the Remuneration Committee. During the meeting Gwyn explained the corporate governance process more generally and the role of the Committee in setting pay and undertaking the remuneration policy review for Executive Directors. The meeting also discussed how executive remuneration aligns with the wider company pay practices and policies. The NEF were encouraged to hear that it was proposed that the Executive Directors pension entitlements would be reduced to be aligned with those available to the wider workforce.

The feedback received from the NEF was positive and they confirmed that the session was clear and extremely informative.

Remuneration Policy for the wider workforce

When setting the policy for Executive Directors, the Committee is made fully aware of pay structures across the workforce. In addition, the Committee will conduct a formal review of relevant elements of remuneration across the Group and for all levels of employee at least every three years as part of its Remuneration Policy review.

Virtually all of the Company's employees participate in incentive arrangements.

Many of our employees can elect to take their performance-related payment in Taylor Wimpey shares (and benefit from a 20% uplift) rather than in cash, further enhancing the link and alignment between shareholder value and employee reward throughout the Company, which both the Company and the Committee consider important. Alternatively, employees can elect to invest their performance-related payment into their pension and will therefore benefit from tax efficiencies.

The Company also offers both Sharesave and Share Incentive schemes to all eligible UK employees with more than three months' service and is delighted with the level of participation from across the business.

How performance measures were chosen

The performance metrics that are used for each of the short term and long term incentive plans have been selected to reflect the Group's key strategic goals and are designed to align the Executive Directors' and senior management's interests with those of the Company's shareholders. The Committee consults with major shareholders where any significant changes are proposed.

Directionally we propose to move to a broader scorecard approach including a more equal balance of financial and non-financial measures, including environmental ones. However, for 2021 our priorities are margin improvement and cashflow and so we propose that these measures should be incorporated into the plans for 2020 and therefore the use of cashflow as a measure will be included on both plans in the short to medium term.

The Committee will continue to review the choice of performance measures and the appropriateness of the performance targets each year. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company. Maximum rewards require substantial out-performance of our challenging plans approved at the start of each year, with a significantly lower level of rewards available for delivering threshold performance levels.

For further information on the 2020 performance measures for the EIS and PSP see page 122.

External non Executive Director positions

Subject to Board approval and provided that such appointments fall within the general requirements of the Code (and do not give rise to any conflict issues which cannot be managed by the Board and the Executive Director), Executive Directors are permitted to take on one non executive position with another company. Executive Directors are permitted to retain their fees in respect of such positions.

Details of any external positions held by the Executive Directors can be found in their biographies on pages 66 and 67.

Remuneration policy on recruitment or promotion

Base salary levels will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual. Where appropriate, the Company may offer a below market salary initially with a view to making above market and workforce increases over a number of years to reach the desired salary positioning, subject to individual and Company performance. Benefits will be provided in line with those offered to other Executive Directors and pension will be provided in line with the wider workforce, and relocation expenses will be provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company, if considered appropriate and reasonable to do so.

The variable pay elements that may be offered will be subject to the maximum levels described in the policy table on pages 115 to 117. The Company may also consider applying different performance measures if it feels these more appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointee.

In the case of an external hire, the Company may choose to buy-out any incentive pay or benefit arrangements which would be forfeited on leaving the previous employer. This will only occur where the Company feels that it is a necessary requirement to aid the recruitment. The replacement value would be provided for, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using Taylor Wimpey's existing share plans wherever and to the extent possible, although in exceptional circumstances awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new directors to acquire Company shares up to a pre-agreed level. Shareholders will be informed of any buy-out payments at the time of appointment.

In the case of an internal hire including a promotion, as previously reported, the Company will honour any commitments entered into prior to their appointment to the Board even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled.

Directors' contracts and policy on payments for loss of office

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice either way.

Name	Date of appointment	Notice period
Pete Redfern	12 July 2007	12-months
Chris Carney	20 April 2018	12-months
Jennie Daly	20 April 2018	12-months

Pete Redfern, Chris Carney and Jennie Daly are proposed for re-election at the 2020 AGM and each will have at that date an unexpired service contract term of one year. As has previously been noted, James Jordan stood down from the Board on 31 December 2019 and will not be seeking re-election.

Each of the Executive Directors' service contracts provides for:

- The payment of a base salary
- An expensed company car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance
- Employer's contribution to a pension
- A notice period by either side of 12 months
- A provision requiring a Director to mitigate losses on termination

Each service contract contains the following performance-related provisions:

- Participation in the EIS
- Participation in one or more long term incentive plan

The Company has the right to terminate contracts by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits in kind and pension entitlements. The Company will be mindful, on termination of an Executive Director's employment, of the need to mitigate costs and phase payments, which cease when the individual obtains an alternative role. There are no change of control provisions that apply in relation to the service contract of any Executive Director.

Other than in certain 'good leaver' circumstances (which could include redundancy, ill-health or retirement), no payment would usually be due under the EIS unless the individual remains employed at the payment date. Any payment to a good leaver under the EIS would be based on an assessment of their and the Company's performance over the applicable period and pro-rated for the proportion of the EIS year worked.

Where an Executive Director is considered by the Committee to be a good leaver, deferred EIS awards (shares) would vest. In other circumstances, awards would lapse.



With regard to long term incentive plan awards, the rules of the PSP provide that, other than in certain good leaver circumstances, awards lapse on cessation of employment. Where an individual is a good leaver, the Committee's normal policy is for the award to vest at the normal time following the application of performance targets and a pro-rata reduction to take account of the proportion of the applicable performance period outstanding post the cessation. The Committee also has discretion for both early vesting and reducing the impact of pro-rating. In doing so, it will take account of the reason for the departure and the performance of the individual through to the time of departure.

In situations where an Executive Director is dismissed, the Committee reserves the right to make additional exit 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);

- by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment; or
- to contribute towards the individual's legal fees and fees for outplacement services.

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment over a term of three years, which are reviewed annually. Both the Company and the aforementioned Directors have a notice period of six months and the Directors are not entitled to compensation on termination other than for the normal notice period if not worked out.

Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection at the Company's Registered Office during normal business hours and at the AGM.

Terms of engagement

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment as follows:

Name	Date of appointment as Director	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	3 years, reviewed annually	6	6
Irene Dörner	1 December 2019	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	3 years, reviewed annually	6	6
Gwyn Burr	1 February 2018	3 years, reviewed annually	6	6
Angela Knight	1 November 2016	3 years, reviewed annually	6	6
Robert Noel	1 October 2019	3 years, reviewed annually	6	6
Humphrey Singer	9 December 2015	3 years, reviewed annually	6	6

Legacy arrangements

Any commitment which is consistent with the approved Remuneration Policy in force at the time that the commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2020 AGM.

Remuneration Committee

The role of the Remuneration Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and senior management which will attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long term success of the Company.

The Committee's Terms of Reference are available on the Company's website at [www.taylorwimpey.co.uk/corporate/our-company/governance](http://www.taylorwimpey.co.uk/corporate/our-company/governance). The Committee's main responsibilities are to:

- Establish and maintain formal and transparent procedures for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and senior management, and to monitor and report on them.
- Determine the remuneration, including pension arrangements, of the Executive Directors and senior management.
- Approve annual and long term incentive arrangements together with their targets and levels of awards.
- Determine the level of fees for the Chair of the Board.
- Select and appoint the external advisers to the Committee.
- Review wider workforce remuneration and other policies.

For the majority of 2019, the Committee comprised three Independent Non Executive Directors and also the Chair of the Board. Gwyn Burr became Chair of the Committee on 25 April 2019. Although Kate Barker stood down as Chair of the Committee on 25 April 2019, she remains a member of the Committee alongside Angela Knight and Kevin Beeston. Irene Dörner became a member of the Committee when she was appointed to the Board as Chair-designate on 1 December 2019 and will remain on the Committee once she assumes the role of Chair of the Board on 26 February 2020.

Details of attendance at Committee meetings held during 2019 appear on page 106.

No Director or other executive is involved in any decisions about his or her own remuneration. Conflicts of interest are managed carefully. No Director is involved in any decisions about their own remuneration and a conflicts of interest register is maintained by the Company Secretary in accordance with the Company's Conflicts Policy.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and during the year it continued to retain the services of Korn Ferry.

Korn Ferry is a member of the Remuneration Consultants Group and signatory to its Code of Conduct. During 2019 Korn Ferry also provided other ad hoc remuneration services outside the scope of the Committee to the Company. The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice provided is objective and independent.

The Committee also receives legal advice from Slaughter and May, the Company's solicitors, as and when necessary. This generally relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements. The Committee is satisfied that the advice provided by Slaughter and May is objective and independent.

The fees paid to the Committee's advisers in 2019 were: Korn Ferry £112,722 on a time and materials basis (2018: £115,280). No significant amount of advice was sought from Slaughter and May during the year.

Pete Redfern (Chief Executive), James Jordan (former Group Legal Director and Company Secretary), and Anne Billson-Ross (the Group Human Resources Director) each attended the Committee meetings during 2019 by invitation only but were not present for any discussions that relate directly to their own remuneration. Alice Marsden (who was appointed as Group General Counsel and Company Secretary in November 2019) attended the December Committee meeting.

How the Remuneration Policy will be applied in 2020

Base salary

The Committee reviewed the Executive Directors' salaries in February 2020 and decided to award increases of 2% to each Executive Director with effect from 1 April 2020, in line with the general workforce increase.

The salaries of the Executive Directors effective from 1 April 2020 will be as follows:

Executive Director	Salary at 1 April 2019	Salary at 1 April 2020	Increase
Pete Redfern	£874,161	£891,644	2%
Chris Carney	£438,600	£447,372	2%
Jennie Daly	£400,000	£408,000	2%

Pension and benefits

As detailed on page 106, with effect from 1 April 2020 the Executive Directors' pension contributions will be reduced in broadly incremental amounts over a five year period to the level of pension arrangements enjoyed by the wider workforce. Therefore, during 2020 Pete Redfern, Chris Carney and Jennie Daly will receive a pension contribution of 21.24%, 18% and 18% of salary respectively.

Annual Bonus Scheme

The Executive Incentive Scheme (EIS) performance metrics and their weightings for 2020 are shown in the table below. The precise details of the targets themselves are deemed to be commercially sensitive as they relate to the current financial year. However, detailed retrospective disclosures of the targets and performance against them will be provided in next year's Remuneration Report in the usual way.

Measure	Weighting
Group Operating Profit	35%
Cash Conversion	15%
Operating Profit Margin	10%
Customer Service	20%
Build Quality	20%

The metrics and weightings have changed in light of the updated business strategy to ensure that the EIS continues to remain in line with our business priorities and market expectations, whilst maintaining a structure that has a weighting of 60% linked directly to financial targets.

Given the Company's increased strategic focus on placing customers at the heart of decision making, Customer Service and Build Quality remain the two non-financial measures operating within the EIS. The Committee has decided to increase the weighting for Build Quality as it continues to be used as a measure to underpin our goal to deliver high-quality homes and to reduce the number of instances requiring remediation.

The Customer Service measure will continue to be based on the independent NHBC scores at both eight-weeks and the longer term nine-month customer satisfaction surveys. At eight weeks, this specifically measures how likely our customers would be to recommend Taylor Wimpey.

Cash Conversion and Operating Profit Margin have been reintroduced as measures for 2020 as the Committee believes that these are both critical measures at an operational level and will ensure that our priority remains converting our profit into healthy cash returns and providing strong support for further dividend progression over the medium term.

The Committee may use discretion to adjust payments where necessary. One-third of any EIS payment will be payable in shares which must then be held for three years.

Clawback and malus provisions are in line with the Code requirements and the Committee is satisfied that they remain fully enforceable if ever needed.

Long Term Incentive Plan

In accordance with the Remuneration Policy, long term incentives take the form of the Taylor Wimpey Performance Share Plan (PSP) award with a maximum award of 200% of base salary (face value of shares at date of award). The annual awards granted to Executive Directors in 2019 will be subject to the following performance conditions:

Measure	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
		Below median	Median	Upper quartile
TSR v Peer Group	40%			
RONOA in (2020-2022)	20%	Below 26%	26%	33%
Cash Conversion (2020-2022)	20%	Below 70%	70%	80%
Customer Service (2020-2022)	20%	Below 83%	83%	87%

Awards vest on a straight-line basis between the above threshold and maximum vesting levels.

The Committee has made some modifications to the performance measures for 2020 to reflect the Company's long term strategic priorities.

As mentioned on page 109, customer service continues to be a key strategic priority for the Company and therefore has been included as a performance measure for 2020. The Customer Service element of the PSP will be based on a broader set of questions independently measured through the NHBC eight-week survey, therefore will be on a different measurement basis to the EIS customer service measure.

TSR will remain a performance condition. However, to simplify the TSR element, relative TSR measured against the FTSE 100 will no longer be used, instead 40% of the Award will focus solely on performance against a listed housebuilder peer group (the Peer Group). The Peer Group is an unweighted index comprised of Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group (now Vistry Group), Countryside Properties, Crest Nicholson, Persimmon and Redrow. Galliford Try has been removed from the Group following the acquisition of its housing division (Linden Homes) by Vistry Group. By retaining TSR as a measure it aligns the rewards received by executives with the returns received by shareholders.

There will continue to be a Cash Conversion and RONOA measure (which will both be assessed as aggregates across the full three-year period) to ensure that returns to shareholders and the generation of cash to fund them are the result of long term sustainable financial performance.

The Committee has reviewed all targets and believes they remain stretching and appropriate in the present market outlook for the medium term.

The Committee may use discretion to adjust payments where necessary to avoid formulaic driven outcomes in light of significant negative events.

Clawback and malus provisions are in line with the Code requirements and the Committee is satisfied that they remain fully enforceable if ever needed. PSP awards are subject to a two-year post-vesting holding period.

Dividend equivalents and other distributions will accrue on vested awards and continue to accrue to the extent awards remain unexercised post vesting. In line with best practice, from 2020 it is intended that all accrued dividends will be paid via shares rather than in cash and will be subject to the aforementioned two-year post-vesting holding period.

Retirement of James Jordan, Group Legal Director and Company Secretary

As announced on 28 March 2019, James Jordan stepped down from the Board as Group Legal Director on 31 December 2019 (having already relinquished his role as Company Secretary on 4 November 2019). James will continue to have an active role in the business until he formally retires on 31 March 2020. The following arrangements will be applied in respect of James Jordan's remuneration in line with the remuneration policy.

The amounts disclosed in the single figure table on page 124 relate to the entire 2019 period. As James had an active role in the business for the entirety of 2019 he is eligible to participate in the 2019 EIS arrangements for the full year and as the EIS outcome was 50.6% James will receive £308,048. One-third of this EIS award will be deferred into shares for three years and will vest at the normal time in March 2023.

Payments for loss of office to former Directors (audited)

There were no payments made to former Directors.

Fees

The current fees for the Chair of the Board and Non Executive Directors are set out below. As announced, Irene Dörner will become Chair of the Board on 26 February 2020 and will receive the same fee as Kevin Beeston, her predecessor.

	Annual fees as at 1 April 2020
Chair of the Board	£320,000
Basic Non Executive Director and Chair-designate	£60,000
Senior Independent Director	£17,500
Audit Committee Chair	£17,500
Remuneration Committee Chair	£17,500

As detailed on page 125, the Company partially achieved the 2017 PSP Award performance conditions and therefore the Award will vest at 62.8%. James will be entitled to exercise 258,946 shares on the normal vesting date and will also receive a dividend equivalent payment. The two-year holding period will apply.

No EIS award will be payable for 2020 and James will not receive a PSP award in 2020.

The Committee determined that James should receive good leaver treatment in respect of his unvested EIS deferred shares and unvested PSP Awards. James' unvested 2016, 2017 and 2018 Deferred Bonus Plan awards (over 78,148; 69,773 and 108,031 shares respectively) will vest at the normal time together with any dividend equivalent payments (in March 2020, March 2021 and March 2022). His outstanding PSP Awards (granted in March 2018 and March 2019) over 417,125 and 440,336 shares respectively will be scaled back pro-rata based on time employed subject to performance measured over the relevant three-year performance period and subject to the two-year post-vesting holding period.

Clawback and malus provisions will continue to apply after cessation of employment.

James will continue to have an active role in the business until he retires on 31 March 2020 therefore he will continue to receive salary, benefits and pension, in accordance with his contractual entitlements; which will total £139,383 for 1 January 2020 to 31 March 2020.

## Implementation of the Remuneration Policy during 2019

## Director emoluments (audited)

£'000	Year	Fees and salary	Benefits <sup>(a)</sup>	EIS	PSP <sup>(b)</sup>	Pension <sup>(c)</sup>	All-employee schemes <sup>(d)</sup>	Total
<b>Executive</b>								
Pete Redfern	2019	870	54	663	1,225	209	2	3,023
	2018	852	54	1,195	964	205	2	3,272
Chris Carney (appointed 20 April 2018)	2019	436	20	333	359	87	2	1,237
	2018	300	21	416	165	60	1	963
James Jordan (stood down 31 December 2019)	2019	404	51	308	569	100	8	1,440
	2018	395	51	555	448	98	2	1,549
Jennie Daly (appointed 20 April 2018)	2019	400	18	304	183	80	2	987
	2018	216	12	298	83	43	1	653
<b>Non Executive</b>								
Kevin Beeston	2019	320	1	–	–	–	–	321
	2018	308	1	–	–	–	–	309
Irene Dorner (appointed 1 December 2019)	2019	5	–	–	–	–	–	5
	2018	–	–	–	–	–	–	–
Kate Barker	2019	83	–	–	–	–	–	83
	2018	87	–	–	–	–	–	87
Gwyn Burr	2019	72	–	–	–	–	–	72
	2018	55	–	–	–	–	–	55
Angela Knight	2019	60	–	–	–	–	–	60
	2018	60	–	–	–	–	–	60
Robert Noel (appointed 1 October 2019)	2019	15	–	–	–	–	–	15
	2018	–	–	–	–	–	–	–
Humphrey Singer	2019	78	–	–	–	–	–	78
	2018	73	–	–	–	–	–	73
<b>Total</b>	2019	2,743	144	1,608	2,336	476	14	7,321
	2018	2,346	139	2,464	1,660	406	6	7,021

- (a) Benefits comprise non-cash payments to Pete Redfern, James Jordan, Chris Carney and Jennie Daly for private medical insurance, life assurance and company car provision (the value of the company car provided was £39,129, £38,594, £16,574 and £14,693 respectively). Kevin Beeston's benefit relates to the provision of private medical insurance.
- (b) This column shows the vesting during 2019 and 2018 of the PSP as set out in the tables at the top of page 125 and includes the value of dividends accrued during the performance period and payable on vesting. The 2018 totals have been restated to reflect the actual share price at vesting of 177.0 pence. The 2018 figures for Chris Carney and Jennie Daly have been pro-rated. None of the values received in 2018 and 2019 relate to a share price increase from the date of Award and date of Vesting.
- (c) For Pete Redfern and James Jordan these figures represent the cash allowances payable. For Chris Carney and Jennie Daly these figures represent pension contributions up to the amount permissible under HMRC rules and cash allowances beyond this level.
- (d) These figures represent the value of the 20% discount on the Sharesave option price, matching shares under the Share Incentive Plan and the payment of special dividends accrued on Sharesave options exercised by James Jordan during 2019 and grossed-up for income tax and national insurance.

## Performance Share Plan (audited)

## PSP awards included in the 2018 total remuneration figure – overall vesting 50.0%

Award	Performance target	Weighting	% of maximum	Date of and of performance period	Date of vesting	Share price at vesting
2016 PSP <sup>(a)</sup>	TSR FTSE	20%	0%	31/12/2018	27/02/2019	177.0 <sup>(a)</sup>
	TSR Peer Group	30%	0%	31/12/2018	27/02/2019	177.0 <sup>(a)</sup>
	RONOA	25%	25%	31/12/2018	27/02/2019	177.0 <sup>(a)</sup>
	Cash Conversion	25%	25%	31/12/2018	27/02/2019	177.0 <sup>(a)</sup>

(a) The share price shown is the closing middle market share price on the date of vesting – 27 February 2019.

## PSP awards included in the 2019 total remuneration figure – overall vesting 62.8%

Award	Performance target	Weighting	% of maximum	Date of and of performance period	Date of vesting	Share price at vesting
2017 PSP <sup>(a)(b)</sup>	TSR FTSE 100	20%	20%	31/12/2019	26/02/2020	172.2 <sup>(a)</sup>
	TSR Peer Group	30%	0%	31/12/2019	26/02/2020	172.2 <sup>(a)</sup>
	RONOA	20%	20%	31/12/2019	26/02/2020	172.2 <sup>(a)</sup>
	Cash Conversion	15%	15%	31/12/2019	26/02/2020	172.2 <sup>(a)</sup>
	Operating Profit Margin	15%	7.8%	31/12/2019	26/02/2020	172.2 <sup>(a)</sup>

(a) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2019) and will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 26 February 2020.

(b) On exercise, an equivalent proportion of cash accrued in lieu of dividends paid during the performance period, will also be paid net of income tax and national insurance.

## Vesting of PSP awards in 2019 (audited)

## 2017 PSP Award

The performance period for all elements of the 2017 PSP award ended on 31 December 2019 and the final measurement was undertaken based on this date, with the performance outcome being independently calculated by Korn Ferry and as part of the overall audit process.

The outcomes were as follows:

Measure	Weighting	Vesting scale			Performance achieved	% of maximum
		No vesting	20% vesting	100% vesting		
TSR FTSE 100	20%	Below median	Median	Upper quartile or above	Above upper quartile	20%
TSR Peer Group	30%	Below Index TSR	Index TSR	Index TSR +8% p.a. (multiplicative) or above	TW TSR: 51.3% Median TSR: 61.5%	0%
RONOA in 2019	20%	Below 26%	26%	30% or above	31.4%	20%
Cash Conversion (averaged over 2017-2019)	15%	Below 65%	65%	75% or above	87.6%	15%
Operating Profit Margin (averaged over 2017-2019)	15%	Below 20%	20%	Above 22%	20.8%	7.8%
<b>Total</b>	<b>100%</b>					<b>62.8%</b>

In deciding whether, and to what extent, any vesting of awards should take place under any PSP, the Committee also considers the overall financial performance of the Company during the period. The Committee has determined that the overall financial performance of the Company has been strong and therefore determined that the 2017 PSP awards should vest at 62.8% based on the achievement of three performance measures in full, as set out in the table above.



**Directors' PSP awards granted during 2019 (audited)**

Performance awards were made in March 2019 as summarised below:

	Award	Type	Number of shares	Face value (% of salary) <sup>(a)</sup>	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	PSP	Nil-cost options	947,769	£1,714,042 (200%)	30% on TSR v Peer Group Index 20% on TSR v FTSE 100 20% on RONOA 15% on Cash Conversion 15% on Operating Profit Margin	01/01/2019 – 31/12/2021	20%
Chris Carney	PSP	Nil-cost options	475,532	£860,000 (200%)	As above	As above	As above
James Jordan	PSP	Nil-cost options	440,036	£795,804 (200%)	As above	As above	As above
Jennie Daly	PSP	Nil-cost options	442,355	£800,000 (200%)	As above	As above	As above

(a) Calculated using the share price of 180.85 pence being the average of the closing prices for 28 February, 1 and 4 March 2019.

**EIS in respect of 2019 (audited)**

For 2019, the Committee measured performance against each individual performance target, which is directly linked to the achievement of the Company's strategy, as described in more detail on pages 24 and 108, as follows:

			Summary of targets				% of maximum	
Measure	Strategic goal / KPI	Weighting	Entry (10% vesting)	Target (50% vesting)	Stretch (100% vesting)	Result		
Operating Profit (£)	To increase aggregate profit	40%	£830m	£860m	£900m	£850.5m	14.9%	
RONOA (%)	Driving capital efficiency	20%	30%	31%	33%	31.4%	12.1%	
Order Book (£)	Provide greater emphasis on sales volume	10%	£1,848m	£2,189m	£2,324m	£2,252.2m	7.3%	
Build Quality	To deliver high-quality homes and to reduce remediation	10%	3.90	3.95	4.00	4.13	10%	
Customer Service	Improving and delivering customer service based on key National House-Building Council performance standards	8-week survey	10%	72%	86%	89%	80%	3.3%
		9-month survey	10%	70%	72%	74%	71%	3%
Total		100%					50.6%	

The amounts paid to the Executive Directors in respect of 2019 are set out in the Directors' emoluments table on page 124. One-third of the bonus paid will be deferred in shares for three years.

**Executive Directors' interests in the Company's share schemes (audited)**

Details of the options and conditional awards over shares held by Directors who served during the year are as follows:

	Maximum potential outstanding shares as at 1 January 2019	Additional maximum potential awarded during the year	Dividend re-investment shares added during the year	Delivered / exercised during the year	Lapsed during the year	Maximum potential receivable as at 31 December 2019	Maximum shares vesting in:		
							2020	2021	2022
<b>Pete Redfern</b>									
Deferred shares (EIS)	563,443	228,375	65,304	204,026	–	653,096	218,036	181,313	253,747
Performance Share Plan (PSP)	2,675,251	947,769	–	444,360	444,360	2,734,300	888,108	898,423	947,769
Sharesave Plan	18,863	–	–	–	–	18,863	–	–	18,863
<b>Total</b>	<b>3,257,557</b>	<b>1,176,144</b>	<b>65,304</b>	<b>648,386</b>	<b>444,360</b>	<b>3,406,259</b>	<b>1,106,144</b>	<b>1,079,736</b>	<b>1,220,379</b>

**Chris Carney**

Deferred shares (EIS)	–	108,810	12,088	–	–	120,898	–	–	120,898
Performance Share Plan (PSP)	771,087	475,532	–	108,458	108,459	1,029,702	260,021	294,149	475,532
Sharesave Plan	20,891	–	–	–	–	20,891	–	11,460	9,431
<b>Total</b>	<b>791,978</b>	<b>584,342</b>	<b>12,088</b>	<b>108,458</b>	<b>108,459</b>	<b>1,171,491</b>	<b>260,021</b>	<b>305,609</b>	<b>605,861</b>

**James Jordan**

Deferred shares (EIS)	261,595	106,031	30,318	94,726	–	303,218	101,229	84,180	117,809
Performance Share Plan (PSP)	1,242,079	440,036	–	206,309	567,279	908,527	412,335	312,844	183,348
Sharesave Plan	12,534	7,413	–	6,876	–	13,071	5,658	–	7,413
<b>Total</b>	<b>1,516,208</b>	<b>553,480</b>	<b>30,318</b>	<b>307,911</b>	<b>567,279</b>	<b>1,224,816</b>	<b>519,222</b>	<b>397,024</b>	<b>308,570</b>

**Jennie Daly**

Deferred shares (EIS)	–	76,315	8,480	–	–	84,795	–	–	84,795
Performance Share Plan (PSP)	467,244	442,355	–	54,438	54,439	800,722	132,719	225,648	442,355
Sharesave Plan	22,921	–	–	–	–	22,921	–	22,921	–
<b>Total</b>	<b>490,165</b>	<b>518,670</b>	<b>8,480</b>	<b>54,438</b>	<b>54,439</b>	<b>908,438</b>	<b>132,719</b>	<b>248,569</b>	<b>527,150</b>

Vesting of the deferred shares and Sharesave Plan options are not dependent on any performance conditions. The vesting of the PSP is subject to the achievement of performance conditions.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The market price of the ordinary shares on 31 December 2019 was 193.40 pence and the range during the year was 136.85 pence to 201.20 pence. Details of any share awards made to the Executive Directors during 2020 will be included in the 2020 Remuneration Report.

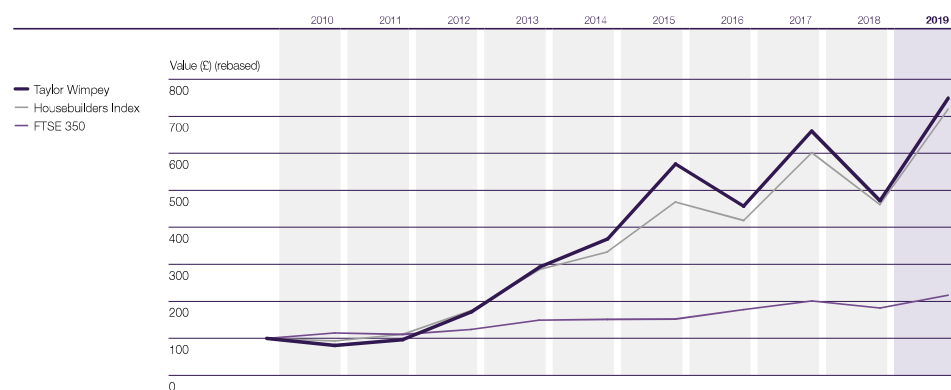
James Jordan stood down from the Board on 31 December 2019. His leaving arrangements are set out on page 123. His outstanding Performance Share Plan awards have been pro-rated to his leaving date of 31 March 2020. For transparency, these lapses are shown in the 'lapsed during the year' column.

The Directors do not hold any vested but unexercised share options.

## Performance graph (unaudited)

This graph shows the value of £100 invested in Taylor Wimpey plc on 31 December 2009 compared with the value of £100 invested in the FTSE 350 and in the average of the Housebuilders Index introduced for the 2012 Performance Share Plan awards onwards and as varied subsequently for the 2014 and 2016 awards. These benchmarks have been chosen as Taylor Wimpey is a constituent of both.

## Total shareholder return



Source: Thomson Reuters Datastream.

## Chief Executive historic remuneration (unaudited)

	Year ending 31 December									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration (£'000)	1,542	1,674	3,009	6,724	6,250	6,888	4,072	3,697	3,272	3,023
EIS (%)	85	82	95	90	90	78	80	66	93	50.6
PSP vesting (%)	0	0	40	85	94	100	81	78	50	62.8

The table above shows the total remuneration figure for the Chief Executive over the same 10-year period as is shown in the TSR graph above. The total remuneration figure includes the EIS and PSP awards which vested based on performance in those years. The EIS and PSP percentages show the payout for each year as a percentage of the maximum award that could have been paid or received.

## CEO pay ratios (unaudited)

Year	Method	CEO single figure	All UK employees	Lower quartile	Median	Upper quartile
2018 <sup>(a)</sup>	Option B	£3,151,748	Ratio	103:1	77:1	41:1
			Total pay	£30,375	£41,135	£76,575
			Salary	£26,412	£26,873	£52,458
			Ratio	93:1	73:1	48:1
2019 <sup>(b)</sup>	Option B	£3,023,654	Total pay	£32,342	£41,483	£62,418
			Salary	£27,500	£31,277	£45,621

(a) The 2018 CEO single figure disclosed has not been restated to reflect the share price on the date the 2016 PSP Award vested. We have chosen to do this for transparency purposes so that we are comparing the ratios disclosed in 2018.

(b) The three representative employees were determined on 31 December 2019.

Our CEO pay ratios have been calculated using 'option B' which is to use the 2019 gender pay gap data to identify the three employees that represent the lower quartile, the median and the upper quartile. We believe this provides us with a clear methodology involving less adjustments to calculate Full-Time Equivalent earnings and is more likely to produce more robust reporting year on year.

The Committee has reviewed the results of the calculations and is satisfied that they continue to be representative of the respective quartiles.

The lower quartile and median ratios have both reduced. This decrease is attributed to the CEO single figure being lower than in 2018; this is predominantly a result of the short term incentive bonus outturn for 2019 being significantly lower than the previous year (2019: 50.6%; 2018: 93%). Further details of the different elements of the CEO pay can be found on page 124.

The impact of the reduced bonus payment for 2019 has resulted in an increase in the upper quartile ratio. This increase is a result of the representative employee in the upper quartile having a relatively high maximum bonus potential in comparison to the lower quartile and median employees which, as is the case for the CEO, achieved a lower actual payment for 2019, and lower than last year's equivalent representative employee.

There has been no significant change to the Company's employee remuneration structure during the year; however there continues to be a focus on increasing our use of direct labour within the Company to mitigate the industry-wide skills shortage. The Company now employs 643 apprentices; trainees and apprentices are lower paid and impact on inter-quartile range.

As has been noted on page 118, the Committee has reviewed the remuneration policies and practices for the wider workforce in conjunction with the Directors' Remuneration Policy review during the year – this includes the maximum bonus potential for all new employees. The Committee is satisfied that there is a good level of consistency in relation to pay policies throughout Taylor Wimpey.

## Change in Chief Executive pay compared to that of Taylor Wimpey employees (unaudited)

The table below shows the percentage year on year change in salary, benefits and annual bonus earned between 2018 and 2019 for the Chief Executive and compared to the average percentage year on year change of Taylor Wimpey employees during the same year.

	Salary	Benefits	Annual bonus scheme
Pete Redfern	2%	0%	-45%
Average pay of Taylor Wimpey employees	3%	0%	-20%

## Change in Company performance relative to change in remuneration (unaudited)

	2018	2019	Change (%)
Profit before tax, interest and exceptional items	£880.2m	£850.5m	-3.4%
Dividends paid per ordinary share			
– interim 2019 / interim 2018 (3.84p / 2.44p)			
– final 2019 / final 2018 (3.80p / 3.80p)			
– special 2019 / special 2018 (10.7p / 10.4p)	16.64p	18.34p	10.2%
Employee pay in aggregate (See Note 7 to the financial statements)	£270.4m	£290.4m	7.4%
Employee pay average per employee (See Note 7 to the financial statements)	£49,688	£49,363	-0.7%

**Directors' interests in shares of the Company****Share ownership guidelines**

The Taylor Wimpey share ownership guidelines are designed to encourage shareholding in Taylor Wimpey plc by executives at various levels within the Company for the purpose of alignment with the Company's shareholders. The guidelines cover the Executive Directors and those executives who participate in long term incentive plans with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans.

The level of required shareholding for Executive Directors to attain is two times base salary. Subject to shareholder approval at the 2020 AGM the shareholding guidelines will be simplified by requiring Executive Directors to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired pursuant to the Company's Long Term Incentive Plans, until such time as the guidelines have been met. Beneficially owned shares count toward the guidelines, together with the portion of the annual bonus (EIS) deferred into shares (on a net of tax basis) and any vested but unexercised PSP awards. As mentioned earlier in this Report, any shares that are acquired through a PSP award vesting must, as a standard requirement, be retained by executives for at least 24 months.

The Chair and the Non Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders.

**Directors' interests in shares of the Company (audited)**

Director	Beneficially owned		Outstanding interests in share plans			Share interests expressed as a % of salary
	at 01/01/19 (ordinary shares) <sup>(a)</sup>	at 31/12/19 (ordinary shares)	EIS deferred shares (gross)	PSP <sup>(b)</sup>	Sharesave	
Kevin Beeston <sup>(d)</sup>	718,432	777,596	—	—	—	—
Pete Redfern	2,993,706	1,188,804	653,096	2,734,300	18,863	339%
Chris Carney	190,606	253,182	120,898	1,029,702	20,891	140%
James Jordan <sup>(e)</sup>	937,858	1,106,146	303,218	908,527	13,071	603%
Jennie Daly	67,477	98,484	84,795	800,722	22,921	69%
Kate Barker	60,000	60,000	—	—	—	—
Gwyn Burr	—	—	—	—	—	—
Irene Dörner	—	15,000	—	—	—	—
Angela Knight	10,000	10,000	—	—	—	—
Robert Noel	—	—	—	—	—	—
Humphrey Singer	25,000	25,000	—	—	—	—

(a) Or date of appointment.

(b) Vesting is subject to the achievement of performance conditions.

(c) This has been calculated on the basis of beneficially owned shares and the net amount of EIS shares.

(d) Some of Kevin Beeston's shares are held by a connected person.

(e) James Jordan stood down from the Board on 31 December 2019.

The only changes to the Directors' interests as set out above during the period between 31 December 2019 and 25 February 2020 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern, Chris Carney and Jennie Daly who acquired 292 shares each.

**Directors' pension entitlements (audited)****Defined benefit schemes****The Taylor Wimpey Pension Scheme**

Pete Redfern and James Jordan are members of the Taylor Wimpey Pension Scheme (TWPS). The following table sets out the transfer value of their accrued benefits under the TWPS calculated in a manner consistent with The Occupational Pension Schemes (Transfer Values) Regulations 2006.

Director	Normal retirement age	Accrued pension as at 31/12/18	Increase in accrued pension from 31/12/18 to 31/12/19	Accrued pension as at 31/12/19 <sup>(a)</sup>	Transfer value gross of Director's contributions at 31/12/19 <sup>(b)</sup>	Transfer value gross of Director's contributions at 31/12/18 <sup>(b)</sup>	Increase (decrease) in transfer value from 31/12/18 to 31/12/19 less Director's contributions <sup>(c)</sup>
Pete Redfern	62	15,255	370	15,625	389,163	313,150	76,013
James Jordan	62	28,220	684	28,904	848,009	712,473	135,536

(a) The pension benefits are based on service up to 31 August 2010 when the George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual. Members of the GWSPS were transferred into the Taylor Wimpey Pension Scheme (TWPS) on 1 October 2013 and there was no change to members' benefit entitlement. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2009 will revalue in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in line with inflation subject to an overall cap of 2.5% per annum. Once in payment, pensions accrued up to 5 April 2006 are guaranteed to increase in line with inflation limited each year to 5%. Pensions accrued after 5 April 2006 are guaranteed to increase in line with inflation limited each year to 2.5%. The Company has only taken into account defined benefits accrued over the period to 31 August 2010 and has not included any Defined Contribution pension benefits accrued after this date.

(b) Transfer values have been calculated in accordance with The Occupational Pension Schemes (Transfer Value) Regulations 1998 (as amended).

(c) The transfer value includes the effect of fluctuations due to factors beyond the control of the Company and Directors, such as financial market movements.

Note: Pete Redfern and James Jordan received cash allowances of £209,226 (2018: £204,991) and £99,896 (2018: £98,001) respectively in lieu of Company pension contributions.

There were no changes to benefits during the year and consequently no difference between the changes to any Director's pension benefits in comparison with those of other employees.

**Non-Group pension arrangements**

	2019 (£)	2018 (£)
Chris Carney	9,988	6,985
Jennie Daly	10,007	6,981

Notes: Chris Carney and Jennie Daly also received pension allowances of £77,290 (2018: £52,592) and £70,008 (2018: £36,114) respectively in lieu of Company pension contributions over the Tapered Annual Allowance limit introduced in April 2016. Allowances for 2018 are pro-rated to their appointment date.

**Statement of shareholder voting (unaudited)**

At the 2019 AGM, the result of the shareholders' vote on the Company's Remuneration Report for 2018 was:

	2019 (Votes)
For	2 billion (97%)
Against	71 million (3%)
Withheld	11,910,493

At the 2017 AGM, the result of the shareholders' vote on the Company Remuneration Policy was:

	2017 (Votes)
For	1.9 billion (98%)
Against	38 million (2%)
Withheld	1,502,137

**Approval**

This Remuneration Report was approved by the Board of Directors on 25 February 2020 and signed on its behalf by the Remuneration Committee Chair:



**Gwyn Burr**  
Chair of the Remuneration Committee

25 February 2020



# Statutory, regulatory and other information

## Introduction

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts, as detailed below:

Matter	Page(s) in this Annual Report
An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic Report	2 to 58
The Group's profit before taxation and the profit after taxation appear in the Consolidated income statement and in the Notes to the financial statements	148 and 153 to 182
The Company's Viability statement	52 and 53
The Remuneration Committee report	106 to 131
Details of the Company's long term incentive schemes as required by Listing Rule 9.4.3R are set out in the Remuneration Committee report	106 to 131
The reporting of the Company's carbon footprint	44 and 138
A list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year	189 and 190
Changes in asset values are set out in the Consolidated balance sheet and in the Notes to the financial statements	150 and 153 to 182
A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	169 to 172
Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	133 and 199
A statement that this Annual Report and Accounts meets the requirements of Section 4, Principle N, Provision 27 of the 2018 UK Corporate Governance Code (fair, balanced and understandable)	63
A statement outlining our engagement with employees and other stakeholders	32 to 43 and 76 to 81

All information required to be reported by Listing Rule 9.8.4R and applicable to the Company or Group for this reporting period is set out in the table above.

## Directors

The following Directors held office throughout the year:

- Kevin Beeston, Chair of the Board
- Pete Redfern, Chief Executive
- Chris Carney, Group Finance Director
- Jennie Daly, Group Operations Director
- Kate Barker DBE, Independent Non Executive Director
- Angela Knight CBE, Independent Non Executive Director
- Humphrey Singer, Independent Non Executive Director
- Gwyn Burr, Independent Non Executive Director

In addition to the above, James Jordan stood down from the Board as Group Legal Director and Company Secretary on 31 December 2019, Irene Dornier was elected to the Board as an Independent Non Executive Director and Chair-designate on 1 December 2019, and Robert Noel was appointed to the Board as an Independent Non Executive Director on 1 October 2019.

The Directors, together with their biographical information, are shown on pages 66 and 67.

## Retirement and re-election

The Company has determined that in accordance with the 2018 UK Corporate Governance Code (the Code), all Directors, with the exception of our Chair, Kevin Beeston, who will have stepped down from the Board by that time, should seek election or re-election, as appropriate, at this year's Annual General Meeting (AGM) as explained in the Notes to the Notice of Annual General Meeting on pages 196 and 197.

Each of the Directors proposed for election or re-election at the AGM is being unanimously recommended by all the other members of the Board. This recommendation follows the completion of the annual Board evaluation process, which was internally facilitated this year. This included a detailed appraisal of the Board, its Committees and also each Director individually, which in turn included a review of their respective time commitments.

Further information relating to the evaluation is set out on pages 92 and 93.

The Articles of Association of the Company regulate the appointment and removal of Directors, in addition to the provisions of the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by special resolution of the shareholders as necessary. The various powers and responsibilities of the Directors are described on pages 82 and 85.

## Qualifying third party indemnity

The Company has granted an indemnity in favour of its Directors and Officers and those of its Group companies, including the Trustee Directors of its Pension Trustee Company, against the financial exposure that they may incur in the course of their professional duties as Directors and Officers of the Company and / or its subsidiaries / affiliates. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 in respect of which the Company took advice from its corporate lawyers, Slaughter and May.

## Audit and auditor

Each Director has, at the date of approval of this Report, formally confirmed that:

- to the best of his or her knowledge there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps 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 Section 418 of the Companies Act 2006.

Deloitte LLP (Deloitte) has confirmed its willingness to continue in office as auditor of the Company. Following a review by the Audit Committee of its effectiveness, details of which are set out on page 102, a resolution to reappoint Deloitte will be proposed at the AGM.

It is the Company's general policy that its auditor will not carry out non-audit services except where it is appropriate to do so and in accordance with the Company's policy for the carrying out of such work. In addition, and in line with the Code, the Audit Committee takes into account the relevant ethical and auditing professional standards guidance regarding the provision of non-audit services to the Group during the year within the policy framework as described in Note 6 on page 161.

## Annual General Meeting

The AGM will be held at 11:00am on 23 April 2020 at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Formal notice of the AGM including details of the special business being proposed is set out in the Notice of Annual General Meeting on pages 192 to 198 and on the Company's website at: [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate). In line with recent practice and good governance, voting on all resolutions at this year's AGM will again be conducted by way of a poll. The Board believes that this method of voting gives as many shareholders as possible the opportunity to have their votes counted as part of the process, whether their votes are tendered by proxy in advance of, or in person at, the AGM.

## Web communications

With shareholders' consent, the Company has adopted web communication. The benefits of web communication are that it:

- Enables the Company to significantly reduce its printing and postage costs.
- Enables shareholders to access information faster, on the day documents are published on the Company's website.
- Reduces the amount of resources consumed, such as paper, and therefore helps to reduce the impact of printing, mailing and related activities on the environment.

Shareholder communications (including the 2019 Annual Report and Accounts) are available electronically through the Company's website.

90% of the Company's shareholders use either electronic or web communication.

The Company will, of course, continue to provide hard copy documentation to those shareholders who have requested this and is happy to do so.

## Registrar

The Company's Registrar is Link Asset Services. Their details, together with information on the services and facilities available to shareholders, are set out in the shareholder facilities section on pages 199 and 200.

## Capital structure

Details of the Company's issued share capital, together with information on the movements in the Company's issued share capital during the year, are shown in Note 23 on page 177.

The Company has two classes of shares: Ordinary Shares of 1p, each of which carries the right to one vote at general meetings of the Company and such other rights and obligations as are set out in the Company's Articles of Association, and Deferred Shares which carry no voting rights.

The authority to make market purchases pursuant to the resolution passed at the 2019 AGM was not exercised during 2019 or prior to the date of this Report. The Company has no current intention of exercising this authority but will nevertheless be seeking the usual renewal of this authority at the AGM, and the Board will continue to keep the position under regular review. The Company currently holds no shares in treasury.

There are no specific restrictions on the size of a holding, the exercise of voting rights, or on the transfer of shares, which are governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreement or agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in the Remuneration Committee report on pages 106 to 131. The Employee Share Ownership Trust (ESOT) which holds shares on trust for employees under various share schemes, generally abstains from voting at shareholder general meetings in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## Dividend

An interim ordinary dividend of 3.84 pence per ordinary share was paid on 8 November 2019 and the Directors recommended a final ordinary dividend of 3.80 pence per ordinary share which, together with the interim dividend, increases the total ordinary dividend for the year to 7.64 pence (2018: 6.24 pence). Information relating to the recommended 2019 final ordinary dividend is set out on page 58 and in the notes to resolution 2 in the Notes to the Notice of Annual General Meeting on page 196. The Directors have also recommended a special dividend for 2020 of 10.99 pence per ordinary share (2018: 10.7 pence). Information relating to the recommended 2020 special dividend is set out on page 58 and in the notes to resolution 3 in the Notes to the Notice of Annual General Meeting on page 196.

The Company will be operating a Dividend Re-Investment Plan (DRIP), further details of which are set out on page 199 of this Annual Report. The DRIP will operate automatically in respect of the 2019 final ordinary dividend for those shareholders who have previously registered a DRIP mandate (unless varied by shareholders beforehand) and also in respect of all future dividends, including special dividends, until such time as each participating shareholder elects to withdraw from the DRIP, or the DRIP is suspended or terminated in accordance with the terms and conditions of the plan. The Board will continue to keep the availability of the DRIP under regular review.

Shareholders are again reminded to check their position with regard to any dividend mandates that are in place, should they wish to either participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

The right to receive any dividend has been waived in part by the Trustees of the Company's ESOT over that Trust's combined holding of 10,743,775 shares. More details of the ESOT are contained in Note 26 on page 178.

Substantial interests

The persons set out in the table below have notified the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 25 February 2020, no change in these holdings had been notified nor, according to the Register of Members, did any other shareholder at that date have a disclosable holding of the Company's issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Committee report on page 130. The Board strongly believes in the alignment of interests between senior management and the Company's shareholders.

Substantial interests in the Company's shares were as follows:

Name	As at 31 December 2019		As at 25 February 2020	
	Number of shares held (millions)	Percentage of issued voting share capital	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock Inc	182.5	5.58	182.5	5.58
Legal & General Group plc	98.5	3.02	98.5	3.02
Standard Life Investments Limited	96.5	3.02	96.5	3.02

In addition to the substantial interests shown above, the Company held in its ESOT 10.7 million of its own shares at 31 December 2019, representing 0.33% of the shares in issue at that date (2018: 13.9 million; 0.42%). The Company currently holds no shares in treasury.

Research and development

Our research and development initiatives (Project 2020) continued throughout 2019 with a focus on quality improvements. This focus led to the introduction of quality managers to the majority of our regions and improved our Construction Quality Review (CQR) score to lead the industry in this measure. We have engaged with key suppliers and manufacturers to develop a focused training, competency and audit programme for site teams. The aim is to expand knowledge and update site teams about new installation regulations and guidance through e-learning and practical on site training, which is followed up by site based audits from the suppliers' technical training teams.

The vision for 2020 and beyond is to develop this platform in collaboration with suppliers and the Safety Management Advisory Service into an 'approved installer scheme' ultimately improving installer status across the UK. These initiatives are about getting it right first time, enabling us to provide a better quality customer experience and future proof our Company.

Following our 2016 architectural competition with the Royal Institute of British Architects, we have built nine prototypes of the winning entry, Openstudio Architects' Infinite House, on three sites in Glasgow, Manchester and Didcot. The Infinite House is designed to offer maximum flexibility, customisation, cost efficiency, enhanced daylight levels and the ability to use diverse construction techniques.

The Infinite House's external envelope can be adapted to suit different contexts without appearing to be a repeated house type, thus offering aesthetic variety while maintaining the efficiency and cost effectiveness of repetition and structural standardisation. Whilst building the prototypes, the regional teams have trialled different build methodologies in the innovative designs. In Didcot, we built five homes trialling cross laminated timber construction; in Manchester we built two homes using traditional masonry construction; and in Glasgow we built one home from standard timber frame and one from advanced timber frame.

Since completion, we have conducted customer focus groups in the houses to gauge the attractiveness of the modern layouts and elevations. The results were very favourable and we will be using the knowledge gained in the design of our new house type range. As well as customer feedback, we gathered detailed information on the construction, commercial and planning aspects of the houses. We also carried out post completion testing on the houses to assess the various build methodologies in relation to forthcoming improvement of energy measures in the building regulations.

The use of timber frame construction increased during 2019 in line with the developed strategy to diversify construction methods and we remain on course to achieve the strategy target of 20% of all plot completions being built in timber frame by the end of 2020.

During 2019 we continued to support the Horizon Group at the Supply Chain Sustainability School. The Horizon Group have a vision of a more sustainable built environment through the development and implementation of collaborative industrial and academic supply chain research. We worked with energy experts and portacabin manufacturers to design a highly efficient portacabin which we are now looking to pilot. We also set up a series of electricity sub-meters on two building sites to determine where most electricity is used. In 2019 we supported a Master's degree thesis at Aston University on supply chain carbon.

Throughout the year we also worked with universities and expert consultants to assess the design impacts of future regulatory requirements in relation to health and wellbeing in new homes.

Also in 2019, we continued to pursue a hybrid direct labour model in response to the predicted skills shortage in the housebuilding industry. Our hybrid labour model allows for the recruitment of both experienced tradespeople and the attraction and development of new talent into a shrinking workforce. We will continue to employ and develop key tradespeople such as bricklayers, carpenters, scaffolders, roofers and painters. All of our business units are actively recruiting apprentices and we are continuing to develop our apprentice training programme, which aims to train and develop apprentices at a faster rate and to a higher standard than the traditional route.

Additionally, we are driving a programme encouraging those seeking a change of career to join the housebuilding industry, for example by encouraging the recruitment of ex-Armed Forces personnel.

The widely publicised and continuing skills shortage coupled with shorter build timescales and a desire to improve quality for our customers have accelerated our efforts to explore several off site construction methods in order to build 'right first time'. We continue to explore new and alternative working practices, products and technologies to improve the operational efficiencies of our business. These alternatives can offer improved build speeds, better health and safety and improved quality. This may also alleviate the demand for specific skilled tradespeople and could offer a solution in geographical locations where certain tradespeople are difficult to source.

Our internal Placemaking Design competition is another way in which we continue to improve the quality of the neighbourhoods and communities we deliver. One of the objectives of this competition is to stimulate thought processes and critical thinking with regard to placemaking, whilst following the framework of 'Building for Life'. The winners and shortlisted schemes displayed the key attributes of a scheme that has placemaking at the heart of its design proposal. Key attributes include achieving character and identity, visual interest, effective use of parks and green open spaces, the provision of community infrastructure and a great sense of place. This competition promotes and celebrates the stand out schemes across the country and shares knowledge and best practice around the business.

Employee involvement and communication

Employee engagement

We are proud of how committed our employees are to the long term success of the Company and we strive to listen and engage with all employees. The results from our 2019 employee engagement 'Talkback' survey were extremely positive with over 3,700 (67%) employees choosing to respond and overall employee engagement remaining strong at 93%. Additionally, 98% of respondents said they were 'willing to go the extra mile' and 95% were 'proud to work for Taylor Wimpey'.

It was also pleasing to see strong results in key areas such as health and wellbeing, customer experience and employees' belief in our commitment to becoming an inclusive employer. In addition, we have continued to enhance our work environment by increasing collaboration through moving to open-plan offices, improving site technology, promoting a flexible working mindset and supporting our employees with our focus on health and wellbeing.

We plan to run another 'Talkback' survey in 2021 and again will respond to our employees' feedback. We undertake this engagement survey periodically and it forms an important part of how we involve, gain feedback from and communicate with our employees.

In our regional business units, we have active Employee Consultation Committees, which involve elected representatives meeting with management to consult on appropriate issues. As we continue to develop our strategy, senior leaders including the Chief Executive, Group Operations Director and Group Human Resources Director have chaired strategy focus groups. These have provided valuable feedback and insight on how we can continue to improve our employee experience, which then helps to inform our people strategies.

Furthermore, our National Employee Forum (NEF) continues to meet regularly, with four meetings held in 2019. Chaired by a Divisional Managing Director, the NEF ensures the employee voice continues to build. The Chief Executive has attended meetings as have other members of senior management, including the Group Finance Director and the Group Human Resources Director.

Topics of discussion may be proposed by any employee, but generally consist of key areas on which the Company seeks the views of and feedback from employees, including:

- Receiving an overview of the Company benefits, including a detailed review of target setting for the Company bonus scheme.
- Discussion of the Company's new vision, mission, values and cultural principles, including further developing how this meshes with the Company's strategic aim of becoming a truly customer-focused business.
- Roll out of defibrillators throughout all Company offices and sites, including the location of the equipment and training prior to the roll out being actioned.
- An overview of how the Board operates, including the role of the Chief Executive.

- A review of the use of technology in the business and updates on progress with IT projects, including the roll out of new hardware and how we as a business can ensure that employees receive training to maximise this.
- The new Company induction process both at the initial stages and also when it was being finalised.
- An introduction to the Diversity and Inclusion Committee and discussion as to how the NEF can support and drive its vision.
- Review and feedback on the national results of the 2019 employee survey.
- Agile working, how it is being received within the business units and any actions required to support it.

Furthermore, the Chair of the Remuneration Committee attended the NEF in January 2020 to discuss the wider workforce remuneration policies and practices.

We also communicate with our employees via our half-yearly TeamTalk magazine and regular TeamTalk email newsletter. Our intranet is continually updated with a wide range of employee information from Human Resources policies, to advice on sustainable living. Information is also regularly cascaded throughout the Company via email, including regular communications from the Chief Executive and via verbal briefings and management presentations. Furthermore, employees are able to contact the Chief Executive directly via email, should they wish to do so.

The Company has participated in the 2019 Workforce Disclosure Initiative which aims to provide greater disclosure on workplace practices, including in the areas of supply chain, employee contracts, and Board oversight of the Company's workforce. The initiative is aimed at focusing companies' attention on workforce practices in areas where there is risk of harmful workplace practices.

Social media platforms have been utilised to inform our employees of developments around the Company and to invite their feedback on them. Our employees have enthusiastically engaged with this internal communication channel and we have seen an increase in the sharing of examples of best practice. Also, the ability of employees to interact and share across the Company is leading to the spread of knowledge and success throughout the Company.

## Recruitment

Externally, we have continued to focus on improving our careers site and our presence on digital channels such as LinkedIn and Glassdoor. We have refined content on our careers site to drive further interest and focus on future talent and have done more with content to represent the diversity of available careers and the diversity of our workforce. We have also redesigned our whole search and apply interface making it easier for candidates to find roles based on location and functional area. We have continued to develop our external channels to market to increase our reach and visibility to a wider candidate audience. Carefully selected updates to our social recruitment channels over the course of the year have resulted in our new follower audience on Glassdoor and LinkedIn increasing significantly by 36% and 72% respectively.

In Glassdoor's list of Best Places to Work 2020, the Company was voted within the top 50 for the third year running. This ranking is based on reviews and ratings from past and present employees on topics such as culture and values, work / life balance, salaries and career opportunities.

In the next year, the careers site's functionality and technology will continue to be improved with a view to creating a better applicant experience. An overhaul of the look and feel will bring a more modern design to the careers pages. If we want to become an employer of choice, then a strong first impression is key. New video and photo content will also be published in line with this change. Prospective candidates can now fully complete an application for any vacancy via a mobile device for the first time, upload their CV from a wider variety of sources and proactively register their interest in future vacancies so they are notified if a new role is posted that fits their interest. All this functionality is critical to attract talent in what we already know is a very competitive labour market.

## Induction

Taylor Wimpey aspires to be an employer of choice, meaning we want to bring new talent into the industry, specifically to work for Taylor Wimpey. The way we onboard and induct our employees plays a big part in the efforts to support this initiative. With this in mind, a Company-wide induction experience has been created. The new induction experience is called 'Laying the Foundations' and comprises two parts, a pre-start and post-start experience.

The pre-start content is delivered via a text or email link to the new employee, two weeks prior to their start date. The content comprises a blend of videos, articles and downloads which aim to excite and engage the new employee, and help them believe that they have made a great decision to join the business.

The post-start content delivers a three month experience that supports their local orientation, educates them about the business, provides introductions to key people, and builds their connections to housebuilding and their sense of working for a FTSE 100 company. The post-start content delivers experiences and information at key times, without overwhelming new employees.

The benefits of the Laying the Foundations programme include the attraction of talent to the business, a reduction in attrition and an increase in retention, improved manager satisfaction with new employees, and speeds up the time taken for new employees to become effective in their role.

Alongside the development of Laying the Foundations, our Line Manager and Leadership programmes have been through a redesign process based on business need. The introduction of the new Company values and required leadership behaviours for the future have driven this exercise and we now have a series of development modules that support our new and existing managers from the start of their management career right through to their development as senior leaders across the business. These programmes will be under constant review throughout 2020 and beyond to ensure they remain relevant, are updated at relevant times and continue delivering the skills and behaviours in the business that will help us to achieve our Company goals.

## Health and wellbeing

During 2019, we continued to communicate our support for the health and wellbeing of our employees through the introduction of a health and wellbeing project. This has focused on supporting our employees through improved support and awareness across four main areas: mental, financial, social and physical health.

We continued our mental health commitment by providing awareness sessions and training for employees and line managers focusing on the importance of mental health in the workplace. Our mental health first aiders are able to provide early intervention help and support to those who may be developing a mental health issue. This project is helping to reduce the stigma associated with mental health in the workplace and signals to our employees that we value their health and wellbeing. This project is further supported by the Employee Assistance Programme which is accessible to all employees and provides counselling and support to help individuals with issues that may be affecting their health and wellbeing.

## Employee share ownership

The Company promotes employee share ownership as widely as possible across the business. In addition to the various share related reward plans described in the Remuneration Committee report on pages 106 to 131 and referred to below, the Company also offers a scheme whereby employees who do not participate in the Executive Incentive Scheme (cash bonus scheme) are offered the opportunity each year to exchange any cash bonus awarded for exceptional performance for shares in the Company, offering a 20% enhancement to the value if taken entirely in shares and retained for a designated period. The scheme has operated since 2012 and in 2019 resulted in 423,839 shares (2018: 377,277) being acquired by 302 employees (2018: 289).

In addition, the Company also has two all-employee share plans, the Save As You Earn share option plan and the Share Incentive Plan, which are offered to all UK based employees once they have worked for the Company for three months. The percentage of our eligible employees who either participate in one or both plans or who are already shareholders in the Company is over 57% (2018: 59%).

## Equal opportunities

We strive to treat our employees fairly and with respect at all times. We have policies and processes in place to ensure that we act in accordance with our vision, mission and values which include equal opportunities, anti-harassment and bullying, anti-corruption and whistleblowing. We encourage our employees and subcontractors to speak up about concerns over any wrongdoing at work and provide access to an independent third party whistleblowing hotline.

We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the local communities in which we operate and will strive to reflect their richness and character, including such aspects as gender, race and religion but also diversity of thought, background and experience.

As set out in our Diversity Policy, we remain committed to equality of opportunity in all of our employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate.

No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non-membership of a trade union, or disability. We are committed to making reasonable adjustments wherever possible. In exceptional circumstances, for example due to health and safety considerations on construction sites, some adjustments are not possible. Our induction content highlights the importance of equal opportunities and we share this information within our recruitment and selection training to ensure all are identifying talent in the right way.

Our Diversity Policy can be found on the Company's website at: [www.taylorwimpey.co.uk/corporate/our-company/governance](http://www.taylorwimpey.co.uk/corporate/our-company/governance)

## Employment of people with disabilities

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group.

The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will receive an equal opportunity to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating reasonable adjustments to the job, workplace or equipment.

We have increased the number of employees with disabilities recruited. Working with key partners, we hope to increase permanent and secondment opportunities for people with disabilities.

For example, we continue to engage with the Leonard Cheshire Disability Change 100 Programme, a charity that provides talented disabled students with the opportunity to participate in a 100-day summer internship and professional development programme. Feedback from the students who participated in the programme in 2019 has been very positive and we intend to engage with the programme further during 2020.

## Modern Slavery Act

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and continues to take its responsibilities under the Act with the seriousness required and deserved. A dedicated multidisciplinary team is responsible for ensuring that objectives continue to be met. The Company will shortly be publishing its fourth statement under the Modern Slavery Act 2015 which will be available on our website at: [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

## Charitable donations

We recognise the important work done by charities around the UK and we aim to make a positive impact through donations of time, money and materials, as well as through encouraging our employees to get involved. Our volunteering policy allows employees to take up to four half days, or two full days, of paid leave per year to participate in volunteering.

Our focus is on charities which promote aspiration and education in disadvantaged areas, intervening and improving homeless situations for seriously economically disadvantaged groups in the UK and local projects that have a direct link with our regional businesses and developments. Our six national charity partners are:

- Youth Adventure Trust, which helps young people fulfil their potential.
- End Youth Homelessness, a Centrepoint led partnership.
- Crisis, a homelessness charity.
- St Mungo's, a homelessness charity.
- CRASH, a construction and property industry charity for the homeless.
- Foundations Independent Living Trust, which helps older and vulnerable people live with dignity in their own homes.

The Charity Committee oversees and prioritises our national charity donations. The Committee includes senior leaders such as the Group Human Resources Director and Group General Counsel and Company Secretary, among a variety of other employees including Directors, managers, personal assistants and graduate trainees.

In addition to the national charities we support, our regional businesses have a discretionary charity budget to support local charities and initiatives in communities close to our sites.

During 2019, Group companies donated £945,000 (2018: £927,000) to various charities and local community causes, the majority of which were in the UK. In addition to giving their time in line with our volunteering policy, many employees at all levels of the business and all around the country gave up their work and free time to participate in fundraising events for charitable causes, which raised a further £364,000 (2018: £357,000).

We want to understand the difference that we are making to our charity partners and how we can increase our impact. During the year, we carried out visits to our charity partners and used their feedback to direct our donations even more effectively.



Further information on the Group's donations, activities and initiatives can be found in the Charities section on pages 38 to 39 and in the Sustainability Report 2019 which is available on the Company's website at: [www.taylorwimpey.co.uk/corporate/sustainability](http://www.taylorwimpey.co.uk/corporate/sustainability)

### Political donations

The Company has a policy of not making donations to political parties, and has not made any this year and neither does it intend to make any going forward. The Company does support certain industry-wide and trade organisations which directly assist the housebuilding industry such as the Home Builders Federation and the Confederation of British Industry. Whilst we do not regard this support as political in nature in any way, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation, subscription or membership fee paid to such organisations or to a charity could retrospectively be categorised as a political donation from a strict legal perspective.

Accordingly, as a matter of prudent corporate governance, the Company will therefore be seeking the usual annual dispensation from its shareholders at the 2019 AGM, so as to be able to continue with the above memberships and make charitable donations up to defined levels, without inadvertently breaching the applicable legislation.

Further information can be found in the Notice of the AGM on pages 192 to 198.

### Agreements

The Company's borrowing and bank facilities contain the usual change of control provisions which could potentially lead to prepayment and cancellation by the other party upon a change of control of the Company. There are no other significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

### Branches

A subsidiary, Taylor Wimpey Developments Limited, has a branch in Spain, the former activities of which were taken over some years ago by our Spanish subsidiary Taylor Wimpey de España S.A.U., whose details appear on page 200.

### Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2019.

### Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Accordingly, Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standard ('IAS') Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (United Kingdom Accounting Standards and applicable law). In accordance with company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in the IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 4, Principle N, Provision 27 of the Code as set out in the Corporate Governance Report on page 63, the Directors are required, inter alia, to ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Details of how this was addressed are set out in the Audit Committee report on page 104.

### Responsibility statement

The Directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, 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.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face.
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Report of the Directors was approved by the Board of Directors on 25 February 2020.



**Alice Marsden**  
Group General Counsel and Company Secretary,  
Taylor Wimpey plc

25 February 2020

### Greenhouse gas emissions (scope 1 and 2) and energy use for the period 1 January 2019 – 31 December 2019

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.

		2019	2018	2017	2016	2015
Scope 1 GHG emissions – combustion of fuel	tonnes CO <sub>2</sub> e	21,018	20,328	18,889	17,983	17,768
Scope 2 GHG emissions – market based	tonnes CO <sub>2</sub> e	3,563	4,509	4,794	10,827	12,947
Total scopes 1 and 2 – market based	tonnes CO <sub>2</sub> e	24,581	24,837	23,683	28,809	30,716
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO <sub>2</sub> e/100 sqm	1.62	1.73	1.73	2.13	2.40
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	101,352	95,170	89,550	92,236	90,524
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	6.8	6.8	6.5	6.8	7.1

Data is provided as tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) 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](http://www.taylorwimpey.co.uk/corporate/sustainability) for more detail on our calculations.

The energy consumption figure in the table relates to UK sites and offices only. If energy use from our fleet and our Spanish sites and offices is included the figure is 116,207 MWh. 98.6% of this total energy consumption is from the UK and 1.4% from offshore areas (Spain) and 97.7% of total emissions are from the UK and 2.3% from offshore areas (Spain). During the last year, we have reduced energy and emissions through our purchase of green tariff electricity for our sites during construction, and through the efforts of our Sustainability Champions including working with Site Managers to increase the use of natural ventilation methods for drying out homes and checking thermostats in show homes to ensure heating is only used when necessary. This reporting meets the SECR (Streamlined Energy and Carbon Reporting) requirements which commenced for financial years that started on or after 1 April 2019.