



# Reflecting on my time as Chair of Taylor Wimpey

To quote a much more well-known Chair, Bill Gates: "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten." This is my final Annual Report as your Chair, having served since 2010, before standing down from the Board in February 2020. As I look back on my time with Taylor Wimpey, it has been an enormous privilege to be your Chair, and it is with great pride in all that our employees have achieved and how far we have come as a business over the past 10 years.

## 2019 in review

Turning first to 2019, the UK housing market remained resilient through the year, continuing to benefit from strong underlying demand, low interest rates, a competitive mortgage market and the Government's Help to Buy scheme. During the year, driven by our strategy, we achieved another sector-leading sales rate, importantly, while also increasing the quality of our homes. There can be no doubt that 2019 saw heightened political and economic uncertainty, and we saw some signs of increasing caution in the market in the second half of the year, particularly in London and the South East and at the higher price points. Your Board is constantly monitoring the implications that economic and political changes may have on our business and you can find more information about this on pages 18 to 21 and 45 to 53.

## Taylor Wimpey 2019 financial performance

During the year we completed 15,719 new homes across the UK (2018: 14,933) including joint ventures, an increase of 5.3%. Group operating profit\* reduced to £850.5 million (2018: £880.2 million), as we experienced some margin pressure as house price inflation remained flat and build cost inflation increased. Cost discipline has been a priority this year and this will be an ongoing major focus for our teams in 2020.

## Key milestones since 2010



**2010**  
Completed the early refinancing of existing debt facilities.



**2012**  
Founding partner with Centrepoin in the national movement End Youth Homelessness.



**2014**  
Maintenance / ordinary dividend pay-out doubled to 2% of net assets. Began additional special dividend payments (£50m in 2014 rising to £350m for the 2019 special dividend payment).



**2011**  
Launched first Group strategy. Sale of North American business to become a UK focused housebuilder.



**2013**  
Launched first Sustainability Strategy.

**“It is only possible to deliver our strategy with highly engaged, talented employees.”**

More information on our financial performance can be found in the Group financial review on pages 54 to 58. When assessing our performance, we also place importance on a wider number of operational measures (our key performance indicators) that reflect the priorities of our strategy, as outlined on pages 25 to 29. I would however, like to draw your attention to one of these here, which is our targeted investment in apprentices as a route to an increased direct labour workforce, in the midst of a wider industry shortage. I am pleased to say we now employ over 630 apprentices and whilst this is a net cost borne by the business in the short term, it is an important and meaningful investment in our future.

We remain a cash generative business and we were very pleased to be able to increase dividends paid to shareholders to £599.7 million in 2019, a new record for Taylor Wimpey. At the half year, we confirmed our intention to pay a 2020 special dividend of c.£360 million, in addition to the ordinary dividend of c.£250 million – paid equally as a final dividend (in May) and as an interim dividend (in November). Shareholders will therefore receive a total of c.£610 million in dividends in 2020, subject to shareholder approval. Details of our resolutions for the 2020 Annual General Meeting (AGM) can be found on pages 192 and 193.

**Customers at the forefront**

We continue to believe that by identifying and better responding to our customers’ needs, we will have a higher quality and more sustainable business. Our customers have told us that there are three key areas which are priorities for them (set out on page 34) and on which we are focused. We believe that the best way of measuring customer satisfaction is across a basket of measures (set out on pages 25 and 26), and we are delighted, as I mentioned previously, that the quality of our homes improved in 2019 and we lead the volume housebuilders, according to the independent National House-Building Council (NHBC) Construction Quality Review (CQR) measure. However, it is disappointing to us all that the 8-week ‘would you recommend’ score in the Home Builders Federation (HBF) survey dipped just below the 90% level to 89.4% in 2019. This is important and so we are pleased that recent performance is back above 90% and at a five-star level.

**Health and safety**

Health and safety continues to be our non-negotiable, number one priority and forms part of every single Board meeting throughout the business. This year’s Annual Injury Incidence Rate per 100,000 employees and contractors was 156 (2018: 228), which was well below the HBF Home Builder Average and the Health and Safety Executive Construction Industry Average. Although benchmarking is

important, we see no level of injury as acceptable on our sites, so whilst accidents occur, we will always continue to learn lessons and prioritise improvements in our operating practices.

**Environmental, Social and Governance (ESG)**

We are widely recognised as being a responsible company with strong governance which makes a substantial social contribution. However, we recognise that we can, and should, challenge ourselves to make further positive impacts on environmental issues which impact our stakeholders. 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 plan to develop a science-based carbon reduction target by the end of 2020. You can read more about our approach to sustainability throughout this report and in our 2019 Sustainability Report.

The Board is focused on delivering results in the right way and in the interest of all stakeholders and we remain committed to having the strongest possible governance. I am pleased that we received strong backing from our shareholders at last year’s AGM in respect of all resolutions. We continue to engage with our shareholders and other stakeholders on important ESG issues and with respect to the proposed new three-year Remuneration Policy to be put to shareholders at the 2020 AGM. More information can be found on pages 77 to 81.

In a wider governance sense, we were delighted that our 2018 Annual Report and Accounts and 2018 Sustainability Report were shortlisted for numerous awards and we were very pleased to win The Chartered Governance Institute’s (ICSA’s) Annual Report of the Year (FTSE 100).

**Taylor Wimpey employees and values**

It is only possible to deliver our strategic objectives with highly engaged, talented employees. We are a business that believes in doing the right thing and this is demonstrated daily by our teams. This year we ran an internal campaign to re-launch our Company values of ‘Do the right thing’, ‘Respectful and fair’, ‘Take responsibility’, ‘Be proud’ and ‘Better tomorrow’. These are values that already exist in abundance within Taylor Wimpey, but with a new simplified message we invited our employees to share what the values mean to them. We had a huge response from employees and have shared some of their comments at the start of our Annual Report and Accounts to show ‘the Taylor Wimpey difference’.



**2016**  
First time over 50% of our completions for the year were sourced from the strategic pipeline.



**2018**  
Set out new customer-focused strategy.  
Announced an enhanced Dividend Policy, paying an ordinary dividend of at least £250 million per annum (approximately 7.5% of net assets), supplemented by special dividends at appropriate times in the cycle.



**2015**  
Launched the roll out of a new customer approach across the business with a focus on three main areas: culture, structure and process.



**2017**  
Implemented a direct labour pilot involving six business units.



**2019**  
98% of employees believe Taylor Wimpey takes Health & Safety in the workplace seriously, as measured by the employee engagement survey.  
Now employ over 630 key trade apprentices.  
Increased UK completions excluding joint ventures by 56% since 2010.  
Named in the top 50 places to work in the UK for 2020, by Glassdoor, as voted by employees.

## Chair's statement continued

Diversity and inclusivity continues to be a major focus but there is of course lots still to do in this area (please see page 62). I am however pleased that our efforts in this regard have been recognised by the Financial Times which identified us as a Diversity Leader for 2020. At the point I stand down from the Board on 26 February 2020, I am pleased to report that female representation on our Board will become 56%. Furthermore, our senior executive Group Management Team (GMT) is 44% female.

### Board changes

In December we were delighted to appoint Irene Dorner as an Independent Non Executive Director and Chair-designate, assuming the position of Chair on 26 February 2020. Irene brings a wealth of financial and other commercial experience from both executive and independent non executive roles. In her capacity as the new Chair, I am confident that Irene will provide the strong leadership required to oversee the future success of Taylor Wimpey. In October we also welcomed Robert Noel as an Independent Non Executive Director. Rob has over 30 years experience in the property sector and brings a deep understanding of the fundamentals of the markets we operate in.

In November, we were also delighted to appoint Alice Marsden as Group General Counsel and Company Secretary. Alice brings with her substantial legal, commercial and regulatory experience and is a member of the GMT. James Jordan stood down from the Board on 31 December 2019 after 17 years of dedicated service. On behalf of the Board I would like to thank James for his outstanding contribution and exceptional commitment and dedication to the Company and for his wisdom and counsel to myself as Chair. We all wish him a very long and happy retirement.

### Taylor Wimpey in 2019 and beyond

I usually find it nearly impossible to keep this statement to a few short pages, never mind to attempt to encapsulate years in a few paragraphs. It strikes me that today we operate in a dramatically different industry, country and even world compared to that of 2010, the start of my tenure as your Chair.

In 2010, we were emerging from the worst recession since the Great Depression of the 1930s while reshaping and restructuring the business and balance sheet, post the 2007 George Wimpey / Taylor Woodrow merger, from significant year end net debt of over £1.5 billion in 2008, to the strong balance sheet we have now with over £545 million of net cash even after paying nearly £600 million in dividends to shareholders in 2019.

During my tenure, we have built 126,435 homes in the UK, increasing annual completions by 56% from 9,927 in 2010 to 15,520 in 2019, grown profitability to over 2.5 times 2010 levels and built an excellent short term landbank of c.76k plots with a further c.140k potential plots in the strategic pipeline, located in high quality locations. We also sold our businesses in North America in 2011 for almost \$1 billion to simplify the Group and become a UK-focused business. We continue to be a very significant local employer in the UK, employing, on average, 5,796 people in 2019, and providing opportunities for a further 14.6k operatives on our sites. Over the past six years we have paid a total of £2.3 billion in ordinary and special dividends to our shareholders.

However, as ever, the numbers only tell part of the story, they do not fully reflect the progress made, including the major shifts in improving the quality of our homes and landbank, and in our approach to customer service and the progressive and very special culture we have here at Taylor Wimpey.

I would like to end by thanking you, our shareholders, for your support over the years, and every single Taylor Wimpey employee, for your contribution this year, but also to add a very personal thank you from me for all of your support and hard work in my almost 10 years at Taylor Wimpey. As a business, we know we are not perfect, but as I said earlier it has been my pleasure and privilege to work for a company, and with colleagues, who have a reputation for doing the right thing. With Irene taking over as Chair, I know I leave you in very good and capable hands. I am confident that Taylor Wimpey will weather the challenges of the new decade and beyond and will continue to prosper, with a strong purpose and financial base, and excellent teams operating throughout the business.



Kevin Beeston  
Chair

“It has been my pleasure and privilege to work for a company, and with colleagues, who have a reputation for doing the right thing.”

### NEW CHAIR-DESIGNATE



Irene Dorner  
Chair-designate

Firstly, I know all will join me in congratulating Kevin on his great stewardship since 2010 as well as wishing him the very best in his future endeavours. Throughout my career in financial services, I have found that businesses function best when tone from the top is echoed throughout the business and there is a high degree of personal responsibility. I have only been with the business for a short time, but I am delighted to see that Taylor Wimpey management and employees go out of their way to take responsibility, which is extremely encouraging and reassuring for an incoming Chair.

Employee relations are increasingly important and something that I am passionate about and so it is encouraging to see that dialogue between employee representatives and the Board, and engagement levels across the business, are very healthy. I am very much looking forward to continuing my visits around the business in 2020 and meeting more of the team out on site as I learn about the business. I look forward to the opportunity to meet many of you, our shareholders, at our AGM in April.