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- Key performance indicators
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- Link to our Sustainability Report

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www.taylorwimpey.co.uk/corporate
www.twitter.com/taylorwimpeyplc
www.linkedin.com/company/taylor-wimpey

Taylor Wimpey plc is a customer-focused residential developer building and delivering homes and communities across the UK and in Spain.

Our equity raise

See pages 12 and 13

Our response in 2020

See pages 10 and 11

Our purpose

See pages 18 and 19

Emerging stronger for our stakeholders

See pages 28 to 41

Strengthening engagement with our employees

See pages 76 and 77

Our business model

See pages 20 and 21

We participate in various benchmarks and have been awarded a number of industry accreditations

We are a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices. We are also included in the S&P Global Sustainability Yearbook. We participated in CDP Climate, scoring B; CDP Water, scoring B; CDP Forests, in relation to timber sourcing, scoring B; and Supplier Engagement where we scored A-.

Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators to assess underlying performance of the Group. Definitions and reconciliations of our APMs to the equivalent statutory measures are included in Note 32 of the financial statements.

Our purpose is to build great homes and create thriving communities.

This is what our teams come to work to do each and every day and is where the core drivers of value for all our stakeholders ultimately lie.

2020 has not been a normal year. We have taken a careful approach to the pandemic, putting the health and safety of our employees, customers, subcontractors and partners first, while setting the business up in a responsible and sustainable way to emerge stronger from this crisis. Key to this is renewing our focus on driving further operational and financial improvement by aligning our actions and priorities even more closely to our purpose, which will benefit all our stakeholders.

Chairman's statement

Committed to our purpose

Irene Dorner
Chairman

98%
Employees felt positive about how the Company supported them whilst on furlough

£2.7bn
Order book as at 31 December 2020

During 2020, many extreme words were used to define the global pandemic but in the end the pandemic defined 2020. In my first year as your Chairman I have been impressed with the dedication, commitment and resilience shown by employees throughout our business in what have been highly challenging and uncertain times.

At Taylor Wimpey, health and safety is our non-negotiable number one priority, and COVID-19 has added a new challenge to finding ways for keeping our employees, customers and partners safe. Strong leadership has been demonstrated by our management team and our employees at all levels throughout the business.

Acting decisively for our stakeholders

I am proud to say that we were the first major housebuilder to close sites, and the first to reopen when we had implemented the Taylor Wimpey COVID-19 Code of Conduct and adapted our working practices to be COVID-secure. We were able to offer support, not just to our own employees but to our customers, communities, subcontractors and suppliers.

Coming into the pandemic, it was key that Taylor Wimpey had a strong balance sheet and cash position. Without a map or compass to know how things would develop, it was important for the Board to ensure that every step was taken to conserve cash and to protect the Company. Challenging decisions were made which affected all of our stakeholders including the cancellation of all dividends. We are very aware of the impact this has had on our loyal shareholders who rely upon dividend income.

As you would expect, the Board met virtually and more frequently this year, dealing with the implications of the crisis as they unfolded, protecting and enhancing the long term sustainability of the business. I am particularly pleased that Taylor Wimpey raised equity in June in order to pursue opportunities in the land market. This demonstrates that Taylor Wimpey is a Company looking confidently to the future, backed by an investor base that believes in the strength of the business, the robustness of the market we operate in and future opportunities. We received strong support from existing and new shareholders and, together with the whole of our Board, I am grateful for your support.

2020 financial performance

During the year, we completed 9,799 new homes across the Group (2019: 16,042) including joint ventures, a reduction of 39% due to the impact of our shutdown in the second quarter of 2020, followed by the steady build up of our operations to ensure the effective adoption of COVID-secure ways of working. Group operating profit* reduced to £300.3 million (2019: £850.5 million), reflecting the reduction in completions. However, demand for our homes remained encouraging and we entered 2021 with a strong UK order book amounting to 10,685 homes (31 December 2019: 9,725 homes) excluding joint ventures, valued at £2,684 million (31 December 2019: £2,176 million) and were more than 50% forward sold for private completions for 2021.

Notwithstanding the challenges associated with COVID-19, underlying cost discipline continued to be a priority in the year. In the Group financial review, our Group Finance Director Chris Carney, outlines the measures we have successfully put in place to optimise our efficiency and maximise stakeholder value, together with further information on our financial performance. We also place importance on a wider number of operational measures (our KPIs) that reflect the priorities of our strategy, as outlined on pages 22 to 25.

Ordinary dividend

We are pleased to announce the resumption of dividends starting with the 2020 final dividend of 4.14 pence per share which will be paid in May. Details of our resolutions for the 2021 Annual General Meeting (AGM) can be found on pages 175 and 177.

Stakeholder engagement

I was pleased to get out and about in the regional businesses before the first lockdown occurred. It would have been difficult to get a feel for the business without the benefit of these visits. Subsequently, I was able to keep in touch with the business remotely, as well as attend our National Employee Forum. I am looking forward to getting out again when circumstances permit in 2021. Our Annual General Meeting (AGM) was held remotely as was our half year results presentation, but I hope that by making these as interactive as we could that our shareholders felt able to participate.

In the autumn, I conducted a virtual Chairman's roadshow and met a number of our key investors to discuss strategy and markets. Investors were keen to understand how the Board had conducted itself in the pandemic with regard to risk management and key strategic decisions such as the equity raise.

I was able to reaffirm the Board's strong commercial rationale in approving the raise and it is clear that land acquisition since the equity raise bears out that commercial rationale. I was also able to confirm that throughout the year we had continued rigorous evaluation and challenge over our decision making, as necessary, in order to maintain strong governance and risk management. The meetings with investors also served to highlight the growing interest around the subject of environmental, social and governance (ESG). It may be that one good consequence of the pandemic is the expansion and acceleration of thinking in this area.

We continue to align our climate reporting to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, this year, have gone further in undertaking a climate scenario analysis, the findings of which are summarised in our 2020 Sustainability Report. Responding to direct investor feedback, we have engaged with the Sustainability Accounting Standards Board (SASB) and are now reporting against the majority of its disclosure criteria for our sector in our 2020 Sustainability Report and will work to further improve our alignment over time.

Our purpose

ESG is about sustainability in its broadest sense. It is the Board's responsibility to ensure that Taylor Wimpey is a sustainable business respecting and taking account of the needs and views of all our stakeholders in our decision making. Our role in society must be defined by our purpose which is to build great homes and create thriving communities. This may be a simple statement but it is one which is easy to understand and we can all get behind.

Our purpose will lead us to define the areas where we believe we can make a measurable difference and will help us define our strategy in the context of our ESG commitments. As a responsible business, we want to play our part in creating a sustainable future for everyone. We will be refining and simplifying our thinking; creating KPIs to which we can all sign up and setting measurable objectives which support our purpose. In recognition of the importance and breadth of this subject, ESG is currently the responsibility of the Nomination and Governance Committee which is charged with the responsibility of helping management define our ambitions. I am looking forward to developing our ideas in conjunction with our stakeholders.

Board changes

It has been a year of transition for the Board. I would like to thank Kevin Beeston who stepped down as Chairman at the end of February. Under his stewardship, the business made great progress in terms of culture, quality and customer service, as well as undergoing significant growth to become the strong sustainable business we see today. Kate Barker also left us having commendably served on the Board since 2010. In December, we announced that two new Non Executive Directors will join our Board from 1 March 2021. Scilla Grimble and Jitesh Gadhia are experienced executives who will add valuable skills, perspectives and diversity to the Board. Scilla has over 15 years executive experience in corporate finance and retail sectors and brings knowledge on risk and technology in a customer-facing environment. Jitesh has over 20 years executive experience principally in banking and private equity and brings an understanding of a broad range of sectors as well as public affairs.

Annual General Meeting

The safety and security of our shareholders and colleagues remains our priority. As a result of the measures announced by the UK Government on 22 February 2021, unfortunately shareholders will not be permitted to attend the AGM in person. Each year the Board looks forward to engaging with shareholders at the AGM, therefore we are pleased to offer shareholders the opportunity to follow the AGM remotely and submit questions. Further details can be found on page 182 and on our website.

Looking forward

Taylor Wimpey believes in doing the right thing for our customers and, in this context, the Board determined that it was right to support leaseholders and building owners with fire safety investment to ensure their Taylor Wimpey apartment buildings constructed over the last 20 years are safe and meet current EWS1 (External Wall Fire Review) requirements. More information on this can be found in Pete Redfern's letter on page 5 and on page 30.

We expect to emerge from this crisis stronger, not just in terms of financial metrics, but with strong focus on performance, forward momentum and growth potential into the medium term. The pandemic has opened up new ways of working and thinking and we start 2021 with renewed focus on our purpose. Your business has continued to deliver in a responsible manner and together we have set the business up to maximise value for our shareholders and other stakeholders in the years ahead. I would like to thank everyone for their support; our employees, our customers, our suppliers, subcontractors and shareholders. It is greatly appreciated.

Irene Dorner
Chairman

Developing our purpose

Our purpose is to build great homes and create thriving communities.

Over the course of 2020, the Board and I have developed this purpose, with consideration for all of our stakeholders.

See page 74

Chief Executive's statement

Emerging stronger

Pete Redfern
Chief Executive

2020 has been an eventful year, to say the least… At the time of writing last year's Annual Report letter, we could not have known how the year would turn out or how quickly the, then relatively unknown COVID-19 would escalate, with increasing impact on lives and businesses.

We entered the COVID-19 pandemic with a well capitalised balance sheet, strong landbank and net cash position which gave us increased levels of resilience and confidence. This, together with the benefit of a strong culture and a shared core value of doing the right thing, meant we had two very clear priorities. The first was to do all we reasonably could to support and protect our employees, customers, subcontractors, suppliers and communities. This included a focus on those financially vulnerable and on health and wellbeing. Our second priority was on ensuring that we positioned the business to emerge stronger from this crisis. On pages 10 and 11, you can read more information on the steps we took during the year.

We were the first major homebuilder to stop construction on sites and close sales centres in the wake of the pandemic and the lockdown restrictions in March 2020, as we implemented new working practices to adhere to strict social distancing requirements and developed the Taylor Wimpey COVID-19 Code of Conduct. This meant a seven week shutdown of construction sites and nine week shutdown of our sales centres as we put in place our enhanced safety measures and processes and adjusted to COVID-secure ways of working. You can see more information on the impact on our financial performance in Chris Carney's section on pages 54 to 59.

Given it was clear that we were entering a period of uncertainty, with no finite end, we took steps to conserve cash and increase our flexibility, by controlling working capital very tightly. Whilst our Ordinary Dividend Policy has been stress tested and is payable through a 'normal' downturn, the global COVID-19 pandemic goes beyond normal and even severe cyclical swings and represents an exceptional case. Accordingly, the Board took the decision to cancel the 2019 final dividend of 3.80 pence per share (c.£125 million) that was due to be paid on 15 May 2020 and the planned special dividend payment of 10.99 pence per share (c.£360 million) that was due to be paid on 10 July 2020.

2020 has posed a number of challenges, and opportunities, for our business and the wider industry. Within this section, I will highlight how we are emerging stronger through...

Our market environment	Our response in 2020	Our equity raise	Our management	Our robust investment case
See pages 6 and 7	See pages 10 and 11	See pages 12 and 13	See pages 14 and 15	See pages 16 and 17

Whilst 2020 was a very challenging year, we were able to drive positives including benefiting from prior investments in IT, training and development which allowed us to continue to support customers through this time and protect and grow our order book, at a time of great uncertainty. During each week of 2020, including through the various levels of restrictions, we continued to sell homes and progress purchases. We also continued to progress sites through the planning process and open new sales outlets, which provides a strong platform for 2021. We have been able to adapt our ways of working including digitising our whole sales process from reservation through to completion, with only the signing of contracts required to be done by hand, and expanding and extending our approach to flexible working to benefit our employees and customers.

Our Pay It Forward Scheme, as well as weekly updates to suppliers and subcontractors, helped the process of returning to work on Taylor Wimpey sites and further strengthened those relationships. Our approach to health and safety and our COVID-secure site protocols enabled us to accommodate subsequent restrictions, both local and national, with the support of our employee, subcontractor and supplier base. We are particularly pleased that customer feedback and scores during and after the lockdown period continued to be very positive and we have been recognised by our employees via Glassdoor for our leadership during the pandemic, including being named in the Glassdoor top 50 places to work in the UK for 2021, as voted for by employees, for the fourth consecutive year and rated in its top ten UK firms for work-life balance during COVID-19.

We have been very grateful for the support from our shareholders during this period. It continues to be our aim to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn'.

Ordinary Dividend Policy

Our Ordinary Dividend Policy is to pay out to shareholders approximately 7.5% of net assets, which will be at least £250 million per annum, paid in two equal instalments in May and November.

We propose to resume ordinary dividend payments in May 2021, starting with the 2020 final dividend payment of 4.14 pence per share equating to c.£151 million, subject to shareholder approval at the AGM.

This means that, in the 2021 calendar year, we intend to return c.£301 million in cash (c.8.28 pence per share) via the payment of the 2020 final dividend in May subject to shareholder approval and the 2021 interim dividend in November.

Approach to return of excess capital

As we look forward, our intention remains to return cash generated by the business in excess of that needed by the Group to fund land investment, all working capital, taxation and other cash requirements of the business, and once the ordinary dividend has been met.

We are not proposing to return excess capital in 2021. We will review the level of excess capital and potential return in respect of 2021 at the time of the 2021 full year results in February 2022, for payment in 2022.

This represents a shorter period between proposing and distributing excess capital returns and we expect to continue with this timing going forward.

The method of returning excess capital, either by way of special dividend or share buyback, will be considered at the appropriate time.

Taking the opportunities to emerge stronger

The key objective of our actions throughout the pandemic has been to protect the business in the short term while ensuring we position ourselves to take advantage of opportunities that will strengthen the business for the future and increase shareholder returns.

With a strong balance sheet and cashflow, coupled with resilient underlying demand and confidence in the long term outlook, we were able to be proactive and opportunistic.
The pandemic materially reduced the level of competition for land and created a disconnect in the land market, resulting in significant short term opportunities to acquire land from a broad range of sources at attractive returns. On 17 June 2020, we announced an equity raise where we raised net proceeds of £510 million to take advantage of these near term opportunities.
Between re-entering the land market and 31 December 2020, we had agreed terms on and authorised c.£1.3 billion of gross land purchases, comprising 93 sites and c.22,600 plots, significantly ahead of our normal rate of acquisition. These sites have been secured at attractive returns in line with our medium term operating profit margin target of c.21-22% and with an average return on capital employed‡‡* of c.34%. We expect the land spend already committed will lead to outlet growth from late 2022 and completions from 2023. Having approved significant incremental new land in the past nine months we expect new land approvals to revert to a more normal replacement level. You can read more about this on pages 12 and 13.

Sustainability in the widest sense

We run our business for the long term and so sustainability in the widest sense has always been a key element of our culture and way of doing business. In 2021, we will implement our new environmental strategy, which strengthens our environmental, social and governance framework which is well integrated into the business. The environmental strategy focuses on both our macro impact on issues like climate change and carbon footprint, and also aims to enhance our local engagement on issues like biodiversity and customer environmental engagement. In the social sphere, building on the lessons learnt through the pandemic, we are also aiming to strengthen our engagement and relationship with the local communities in which we operate.

Doing the right thing for customers and communities

Doing the right thing for our customers is a key priority for the Group.

Fire safety provision

At the time of our 2020 full year results, we announced our intention to support building owners and leaseholders with fire safety investment to ensure their apartment buildings are safe and meet current EWS1 (External Wall Fire Review) requirements. This applies to Taylor Wimpey apartment buildings constructed over the last 20 years, including apartment buildings below 18 metres. We announced an additional £125 million provision, to be booked in 2021, to cover this cost.

This is a complex and exceptional situation, but Taylor Wimpey is focused on doing the right thing for its customers. The Board has determined that we will fund and oversee the improvement works of apartment buildings in our ownership, regardless of eligibility for the UK Government Building Safety Fund, to make them safe and mortgageable by achieving EWS1 certification. If Taylor Wimpey no longer owns the building and it is not eligible for the Building Safety Fund, or similar support that may be announced in the future, where a freeholder produces a fair and proportionate plan for fire safety improvement works following EWS1 assessment, we will contribute funding to bring those buildings up to the standards required by current RICS EWS1 guidance. Whilst the legal responsibility continues to rest with the building owner, we will also provide advice and other assistance where appropriate.

CMA investigation

The CMA's investigation into leasehold remains open and we understand that the CMA will continue to proceed with its investigation. We will continue to cooperate with the CMA and will formally respond to the CMA at the appropriate point in its process. More information can be found on pages 30 and 31.

Chief Executive's statement
continued

A very resilient UK housing market

After an unusual and volatile year, our 2020 results were in line with market expectations. Our teams and partners responded with dedication and professionalism to the pandemic and their resolve to continue to deliver high-quality homes and exceptional service for our customers was outstanding. The UK housing market has remained resilient, despite the shutdown period in the second quarter. The market recovered strongly in the second half, ahead of expectations, and demonstrated the underlying strength of demand in the UK and the importance of low interest rates and stable mortgage lending.

We are pleased to note the Government's ongoing support for the housing market, home ownership and, specifically, first time buyers, and the recognition that housebuilding is a key part of the economy.

In 2020, total home completions (including joint ventures) decreased by 39% to 9,609 (2019: 15,719), due primarily to the impact on production capacity during the second quarter shutdown and we delivered 1,904 affordable homes including joint ventures (2019: 3,548), equating to 20% of total completions (2019: 23%). Our net private reservation rate for 2020 was 0.76 homes per outlet per week (2019: 0.96). Cancellation rates for the full year were above normal levels at 20% (2019: 15%), but normalised in the final quarter, at 16% (2019: 16%). Average selling prices on private completions increased by 6% to £323k (2019: £305k), with the overall average selling price increasing to £288k (2019: £269k), driven mostly by change in mix.

375k

items of personal protective equipment (PPE) delivered to care homes, GP surgeries and local care organisations during the pandemic

Our market environment

This section looks at our industry context, how supply and demand underpin our market and how other external factors have influenced our year as well as their potential impact on the short and longer term.

Industry context

- Demand and supply imbalance with undersupply of new housing in the UK
- Just over 200k new homes built in a normal year
- Estimated requirement to build c.300k homes per year
- 2020 volume materially impacted by COVID-19 delays

Part of a larger market

There are generally in excess of one million housing transactions per year in the UK, with new homes accounting for between 15-20% of total completions in a normal year.

This means we are part of a larger market and prices of new homes are closely aligned to second hand homes of a similar size and location. One important point of difference is in the Government's Help to Buy scheme that is only available for new builds, making our homes more desirable for many first time buyers.

Industry key drivers

The key drivers for the housing market are affordability and consumer confidence. Affordability is determined by interest rates and mortgage availability and consumer confidence is closely aligned to the employment outlook.

A number of external factors determine our ability to operate successfully. For example, the availability of land with planning and ease of the planning process, the regulatory backdrop and the availability of skilled labour and materials.

The COVID-19 pandemic led to industry-wide site closures and our sites closed for a seven week period with our sales centres closed for nine weeks. Unsurprisingly, overall second quarter market completions reduced significantly but they recovered strongly in the third quarter of 2020. According to the Ministry of Housing Communities and Local Government (MHCLG) completions in England from October 2019 to September 2020 were 145k, around 18% lower than the comparable period a year earlier.

Whilst output fell, customer demand remained strong and transactions rebounded strongly after the second quarter lockdown, underpinned by pent up demand, continued low interest rates, a wide choice of mortgage products and the Government's Help to Buy scheme, as well as the Stamp Duty Land Tax Holiday.

Supply demand imbalance

In October 2020, the UK Government reiterated its intention to target the building of c.300k new homes per year. With the new build industry delivering just over 200k new dwellings in a normal year, there remains a significant gap between current output and the Government target.

The UK Government plans to introduce further reforms to the planning system that it hopes will help encourage more building. As a homebuilder we have an important part to play in providing much needed high-quality new homes and expect continued strong demand for our homes in the years ahead and are supportive of any improvements in the planning system.

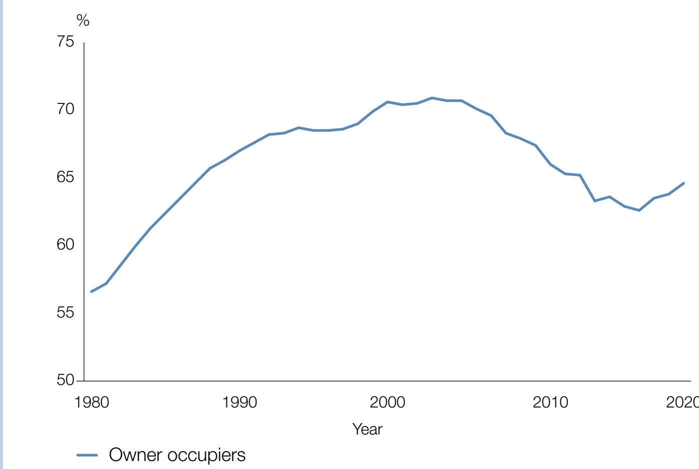
Labour and materials

Build cost inflation in 2020 was lower than in recent years where we have tended to experience inflation of c.3-4%. We believe the fall in output across the industry has resulted in spare capacity for our subcontractors reducing inflationary pressure on labour and materials.

As demand for build materials and labour returns, we anticipate a more normal inflationary environment. The extent of build cost inflation is dependent on industry-wide production levels as well as the strength of the housing market.

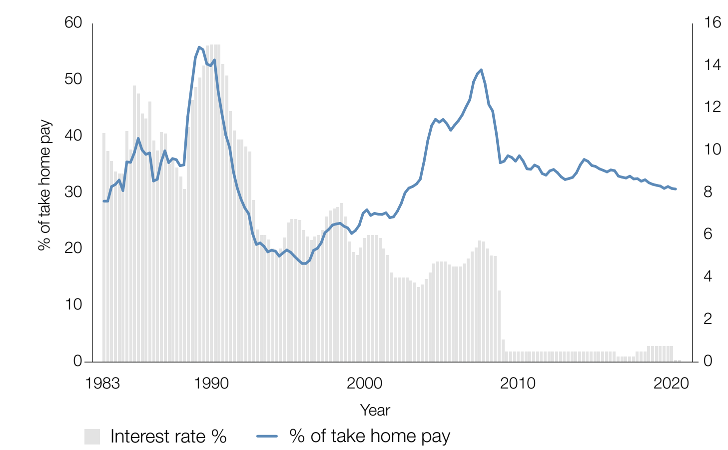
Key market data

The home ownership rate in England
At just under 65%, home ownership rates in England are much lower than the mid 2000s peak of c.71%.



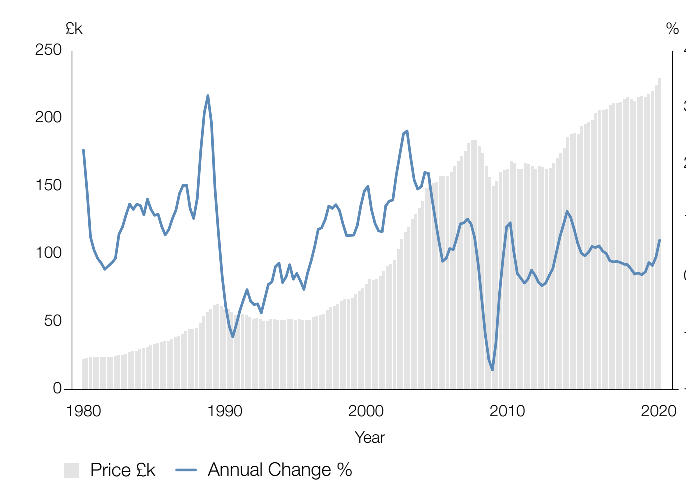
Source: MHCLG.

UK first time buyers mortgage payments as a percentage of take home pay / interest rates
Low interest rates mean that for many the monthly servicing of mortgage payments is cheaper than renting a comparable property.



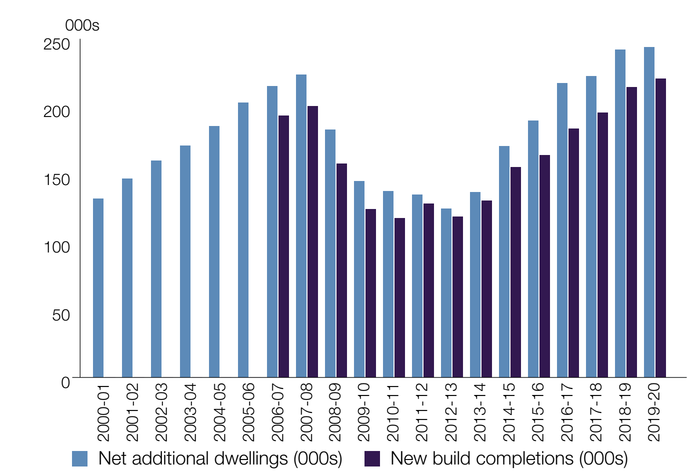
Sources: Nationwide, Bank of England.

UK house price development
House price inflation has been more modest in recent years than in previous cycles.



Source: Nationwide.

England net additional dwellings and new build completions
While the data below covers England only, it demonstrates overall supply was much lower than the Government's national target of 300k new homes per year, prior to COVID-19 related reductions in output.



Source: MHCLG.

Chief Executive's statement
continued

Our market environment continued

Key drivers	2020 backdrop	Short term implications	Long term implications	Links to Principal Risks
Interest rates and mortgage availability Interest rates and mortgage availability determine housing affordability and accessibility for our customers. Interest rates are at an historic low and for customers able to access the housing market currently, servicing mortgage payments is, on average, cheaper than renting (source: Bank of England, Nationwide). At 7.7 times median income for England and Wales in 2019 (source: ONS), the house prices to earnings multiple remains high. Stricter rules on mortgage lending were introduced in 2014, aimed at ensuring customers will be able to meet their mortgage payments if interest rates increase. The average age of a first time buyer is 34 (source: Money.co.uk), suggesting there remains considerable unmet demand.	– The bank rate was reduced to an historic low of 0.1% on the 19 March – Initially as the pandemic hit, some mortgage products were withdrawn, particularly high loan to value (LTV) – Whilst widespread lending has returned, there is still a reduction in the higher LTV products	– Expect interest rates to remain low and mortgage payments to continue to be affordable and generally lower than rental payments – May take time for high LTV mortgage products to return, which could foster increased demand for new homes where Help to Buy is available for first time buyers	– Interest rates expected to remain low and mortgage payments to remain affordable – We expect to see higher LTV mortgage products return to market	Impact of the market environment on mortgage availability and housing demand **Key stakeholder concerns**
Employment The UK employment rate has implications on the number of customers able and willing to buy new houses. A healthy employment outlook is important for general consumer confidence in the housing market and the wider economy. In previous cycles, higher unemployment has been a contributory factor to a weaker housing market.	– UK unemployment rose to 5.0% in November 2020 (1.2% higher than the prior year (source: ONS)), with the Coronavirus Job Retention Scheme (CJRS) preventing a larger rise – The CJRS is due to end in April 2021, which may lead to a further rise in unemployment	– The Office of Budgetary Responsibility estimates that UK unemployment will increase to 7.75% in mid 2021 – High unemployment can impact housing market sentiment – Unlike other periods of high unemployment, this is most concentrated amongst specific sectors such as leisure	– A long term healthy employment outlook is important for housing as well as the rest of the economy – If unemployment rebounds quickly and remains concentrated in certain industries, it seems likely that the housing market will remain robust, but if this results in longer term unemployment of a more structural nature this could pose a threat to our sector and the wider economy	Impact of the market environment on mortgage availability and housing demand **Key stakeholder concerns**
Help to Buy Help to Buy has been popular with our customers, supporting them to get onto the housing ladder and in moving up the housing ladder. Under the current scheme the Government will lend up to 20% of the value of a new build home (40% within Greater London) via an equity loan (interest free for five years) to homebuyers able to meet certain criteria, including raising a 5% deposit. From April 2021, the scheme moves into its next phase, limited to first time buyers and has introduced regional maximum price caps with the scheme due to end 31 March 2023. We believe that the changes announced are appropriate and are in the best long term interests of the housing market and homebuyers.	– In 2020, a technical build extension of two months for the first scheme of Help to Buy was granted to compensate for delays caused by COVID-19	– Scheme changes from April 2021 which will restrict Help to Buy to first time buyers and there will be maximum regional price caps – Changes have been well flagged giving us the opportunity to prepare for the change	– The Government has made housing a continued priority, and expressed the desire for some form of private sector mechanism to support first time buyers after Help to Buy ends in 2023	Government policy and planning regulations **Key stakeholder concerns**
Climate change / regulation The Future Homes Standard outlines new regulations aimed at making new homes more energy-efficient. Part L relates to the conservation of fuel and power, and Part F covers ventilation. These measures were originally planned for 2020 but were delayed due to the COVID-19 pandemic and will now come into force in June 2022 and will allow for a one year transitional period. The new rules have cost implications for our sector. Where possible we are factoring the potential costs into our land purchases. We are also awaiting the outcome of the Government's EV (electric vehicle) charging regulations consultation expected in April 2021, which could have important implications in relation to charging points on developments, which may raise potential issues regarding the overall capacity of the grid to serve future developments.	– In 2020, there were delays to the implementation of new regulation including the Future Homes Standard – This has given us additional time to prepare and to purchase land that factors in these new costs	– Adjustment in implementing the Future Homes Standard – Opportunity to produce more energy-efficient homes – We plan to increase natural habitats on new sites from 2023 – Introduction of red diesel and plastic taxes	– The pending Environment Act will accelerate the environmental agenda nationally – The Government has committed to net zero UK emissions by 2050. This will ultimately necessitate an overhaul of the UK's energy infrastructure to move away from our reliance on gas – Housing remains high on the political agenda, with the shortage of housing recognised as a priority by the Government and we expect there to remain strong political support	Government policy and planning regulations **Key stakeholder concerns**
Land and planning COVID-19 has also led to some delays in the planning system this year, impacting the timing of our outlet openings and the level of conversions from the long term landbank. We also await the final outcomes of consultations on the Government's land and planning proposals. The Government is assessing the planning system, with the aim of streamlining processes and ensuring each area has a local plan.	– White Paper on wide ranging planning reform – Revisions to the Standard Housing Methodology	– Building our land position increases our range of options moving into a planning environment undergoing change	– Improved speed in planning could lead to further efficiencies in our process and speed of build once land is acquired – More readily available land could, in some instances, lead to greater competition	Government policy and planning regulations **Key stakeholder concerns**

Read more about key issues for our stakeholders on pages 26 to 41
Read more about our Principal Risks and material issues on pages 26 to 27 and 49 to 53

"The quick recovery of the housing market in the second half of this year, ahead of expectations, is evidence of the underlying strength of demand."

We estimate that market-led house price growth for our regional mix was c.1.9% in the 12 months to 31 December 2020 (2019: c.1%).

During 2020, approximately 46% of total sales used the Help to Buy scheme and we worked with 4,800 households to take the first step to home ownership or to move up the housing ladder (2019: 34% and 5,693). Approximately 80% of sales through Help to Buy in 2020 were to first time buyers (2019: 76%) at an average price of £286k (2019: £277k). From 16 December, we began taking reservations under the new phase of the Help to Buy scheme and, up to 31 December, took 650 reservations under the new scheme for completions from the second quarter of 2021.

With demand for our homes remaining strong, we ended the year with a total order book valued at £2,684 million (31 December 2019: £2,176 million), excluding joint ventures, which represents 10,685 homes (31 December 2019: 9,725 homes). We traded from an average of 240 outlets in 2020 (2019: 250) and entered 2021 with 239 outlets (31 December 2019: 240). As previously guided, we expect to end 2021 with outlet numbers broadly similar to the end of 2020.

Underlying build cost inflation in 2020 was c.3.0% (2019: c.4.5%). Since the final quarter of 2020, we have seen a softening in the cost pressures experienced earlier in 2020.

A renewed focus on margin and cost discipline
We came into 2020 with a renewed focus on reducing costs and increasing efficiency, after a period of margin pressure and increased investment in the long term future of the business which is now substantially complete. Operating through the challenges of the pandemic has further sharpened that focus and highlighted opportunities for ongoing efficiency and operational and financial performance improvement to benefit shareholders. Our clear primary performance focus is on returning the business to c.21-22% operating profit margin in the medium term.

Chief Executive's statement
continued

Our response in 2020

Closure of show homes, sales centres and construction sites

Following the start of the first nationwide lockdown, we took the decision to close all of our show homes and sales centres on 23 March, and construction sites on 24 March, while we put in place the safety measures necessary to operate in a COVID-secure manner.

Employee wellbeing

A small challenge was set each day for employees, with the aim of providing a focus for all and encouraging colleagues to stay connected and engaged. A total of 44 challenges were set between March and May and almost 1,000 entries were shared using the Group's internal social network, Yammer.

Reopening of construction sites and sales centres

The phased reopening of Taylor Wimpey construction sites in England and Wales began on 4 May and in Scotland from 28 May.

Following Government guidance which removed restrictions on non-essential home moves and supported the return of activities related to the sale and purchase of homes, Taylor Wimpey's sales centres reopened by appointment only in England from 22 May.

NHS and care worker discount

Discount scheme for NHS and care worker employees launched, offering 5% discount of the purchase price of a new home, as a thank you for their heroic efforts during the COVID-19 pandemic.

New national restrictions

The Government confirmed that the housing market should remain open for business during the period of new restrictions in England announced in November, and construction was encouraged to continue.

Construction sites also remained open in Scotland and Wales.

Cost and organisational review

A detailed review of organisational and cost structures resulted in management changes, a rationalisation of the London operating structure and a series of reductions in central and business unit overhead levels.

2020

February | March | April | May | June | July | October | November | December

Irene Dorner adopts position of Chairman

After joining the plc Board as Chair-designate in December 2019, Irene Dorner adopted the position of Chairman on 26 February, bringing a wealth of financial and commercial experience.

Pay It Forward Scheme

Taylor Wimpey Pay It Forward Scheme launched offering interest-free loans to support self-employed subcontractors.

PPE donations

Following the closure of our construction sites, surplus PPE was donated to local care organisations which highlighted a widespread need. TW Logistics was able to procure face masks, gloves and aprons which were distributed by employees to care homes across the country.

Isolation Challenge

As the annual TW Challenge was unable to take place, employees instead took part in an Isolation Charity Challenge to complete as many miles as possible during their daily exercise, raising over £70k for charity.

Board changes

Kate Barker stepped down from the Board after just over nine years with Taylor Wimpey. Robert Noel took up the position of Senior Independent Director on 21 April.

Equity raise

Successfully completed an equity raise, raising net proceeds of £510 million in order to take advantage of attractive opportunities in the land market.

Scotland and Wales sales centres reopen

Sales centres in Wales reopened by appointment only for customers from 22 June, and in Scotland from 29 June.

Educational masterclasses

Between April and June, a series of masterclass sessions were held for employees, covering a range of topics with over 2,500 attendees.

Diversity and Inclusion

Taylor Wimpey's second diversity and inclusion conference was held virtually on 6 July, with over 110 attendees including our D&I Champions, Managing Directors and Divisional Chairs.

Furlough subsidies returned

All employees returned to work from furlough and all furlough subsidies returned to Government.

Work-life balance during COVID-19

Taylor Wimpey was named in Glassdoor's top 10 companies for work-life balance, based on employee reviews left between March and September 2020.

Housebuilder Award for care home initiative

Taylor Wimpey received the Housebuilder Star Award at the Housebuilder Awards 2020, for the Company's care home initiative, which supplied over 50 care organisations with much needed PPE and other supplies.

New Non Executive Directors

The Board announced that Scilla Grimble and Jitesh Gadhia will be appointed as Independent Non Executive Directors with effect from 1 March 2021.

As previously announced, in 2020 we undertook a detailed organisational review and made changes to our cost structure to ensure that we continue to operate efficiently in a changing market. This resulted in annualised cost reductions that will deliver savings in the region of £16 million in 2021, with the costs to achieve these of £12.1 million incurred in 2020.

These changes included the removal of one tier of operational management, the rationalisation of our London operating structure to focus on affordable price points that meet the affordability needs of Londoners, and a series of reductions in central and business unit overhead levels. As part of these changes, we have reorganised our divisional structure into Scotland; North West, North East and Yorkshire; Midlands and Wales; Central, South West and Spain; and London and South East. Each region is headed by a Divisional Chair, who is also a member of the Group Management Team. As a result, each business unit will now report directly to a member of the Group Management Team.

Our focus will remain on reducing cost, process simplification and enhancing the core drivers of value for our business to achieve this. We will continue to ensure our overheads are appropriate to the operating environment and we are focused on extracting the benefits of workstreams already in place.

A long term, sustainable business

Our purpose must guide us in all that we do: we build great homes and create thriving communities. Whilst short term performance is very important, we run the business for the long term to enhance and generate more value and mitigate risk. We will deliver on our priorities in a responsible and sustainable way, which makes a positive contribution to all stakeholders. This approach is integrated into our business decision making, including our commitment to health and safety and prior investments in build quality and in developing our people.

Environmental, social and governance (ESG) has always been an important part of working for Taylor Wimpey. Our teams see the social and governance aspects as 'business as usual', including our contributions to, and involvement in, local communities and our strong culture. In 2020, we identified that in the area of the environment we could and should be doing more, and in February 2021 we launched a new environmental strategy, as we play our part in tackling climate change and respond positively to changes in our regulatory environment. We delayed the timing of the launch of our environmental strategy to ensure our targets reflected the requirements of the new Future Homes Standard.

Chief Executive's statement
continued

"As a result of the equity raise in June, we were able to confidently and assertively re-enter the land market."

Our strategy includes ambitious science-based targets approved by the Science Based Target Initiative to reduce our operational carbon emissions intensity by 36% by 2025 from a 2019 baseline, and to reduce the carbon emissions intensity from our supply chain and customer homes by 24% by 2030 from a 2019 baseline. We will also make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 electric vehicle (EV) charging points and 3,000 additional bike stands by the mid 2020s. Biodiversity is another key focus area and, in 2020, we adopted a biodiversity net gain approach in a number of our planning applications and from 2021 we will also integrate our priority nature enhancements on all suitable new sites. A full outline of our targets can be found in our Sustainability Report and on our website. We are also disclosing our performance against the criteria identified for our sector by the Sustainability Accounting Standards Board in our Sustainability Report for the first time this year.

Our equity raise

In June 2020, we raised net proceeds of £510 million through issuing new shares in order to take advantage of attractive opportunities in the land market. This was a front footed raise aimed at building the long term sustainability of our business and the response from our investors and employees was positive.

Where are we buying?
New land acquisitions span all our regions. Between re-entering the land market and 31 December 2020, we had agreed terms on and authorised gross land purchases of c.£1.3 billion comprising 93 sites. Though this includes sites we would have progressed without the capital raise, it is significantly more than what we would have normally transacted to replace land built on during the year. Overall, the timing of land spend is 'opportunity-led' as we seek to maximise value. Having invested in recent years to improve site teams, quality and customer service, we are well placed to deliver these additional outlets without adding meaningfully to our existing structure of 23 regional businesses, generating long term value and helping us emerge in a strong competitive position. We have continued to progress land buying this year, as land market conditions have begun to normalise and competition has returned in most areas.

What are we buying?
At the beginning of 2020, we flagged our intention to increase the proportion of smaller sites in our portfolio to help us raise outlet numbers and increase our optionality. Over recent years, we have faced greater competition for smaller sites which generally attract a larger number of bidders, such as smaller housebuilders. This has made it more challenging to acquire smaller sites at our high margin and return hurdle rates. Since the equity raise, we have been able to increase our number of smaller sites with less competition and at expected returns, in line with our hurdle rates. We remain good at developing large sites where we often have a competitive advantage and these remain an important part of our mix.

Adding to our strong landbank
As at 31 December 2020, our short term landbank stood at c.77k plots (2019: c.76k plots). 50% of this short term landbank has been strategically sourced (2019: 54%) since 2009. During 2020 we acquired 7,644 plots (2019: 7,268 plots). The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 15.2% (2019: 14.9%). The average selling price in the short term owned landbank in 2020 increased by 1.1% to £288k (2019: £285k). A key strength of Taylor Wimpey is our strategic land pipeline. This is an important input to the short term landbank and provides an enhanced supply of land with greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at c.139k potential plots as at 31 December 2020 (31 December 2019: c.140k potential plots). During 2020, we converted a further c.4k plots from the strategic pipeline to the short term landbank (2019: c.8k plots). We continue to seek new opportunities and added a net 2.4k new potential plots to the strategic pipeline in 2020 (2019: 21.2k). In the year, 55% of our completions were sourced from the strategic pipeline (2019: 56%).

Behind our equity raise

Last year, we set out our ability to grow at the right time in the cycle, without compromising on quality or adding meaningful market risk. We have added to our excellent land position whilst maintaining a strong balance sheet and tightly controlling cash.

The equity raise was completed in three ways:

1. An equity placing to existing and new institutional shareholders
2. A subscription, to allow Taylor Wimpey Directors to participate
3. A retail offer for employees and retail shareholders

March
At the beginning of the crisis, when the extent of the UK lockdown was unknown, we placed discretionary land spending on hold to conserve our cash resources.

April to May
As we prepared to remobilise sites and began assessing land deals in late April 2020, we saw a marked increase in the number and the attractiveness of opportunities with much reduced competition.

June
We recognised this period as a time limited opportunity in the land market.

At all times maintaining a strong balance sheet was a priority. The Board signed off the equity raise and we raised net funds of £510 million. The equity raised allowed us to increase our investment in land over and above the land we would normally purchase whilst maintaining a very strong balance sheet, a key differentiator.

June to December
Our teams progressed deals in the pipeline which were assessed by management and those that met our target returns were approved. We agreed terms and authorised gross land purchases of c.£1.3 billion by 31 December, significantly more than our usual rate.

We expect our short term landbank to grow by over 10k plots over the next 12-18 months. We expect the land spend already committed will lead to outlet growth from late 2022 and completions from 2023.

c.£1.3bn
of agreed terms and authorised gross land purchases

Chief Executive's statement
continued

> "Operating through the challenges of the pandemic has also highlighted opportunities for ongoing efficiency and performance improvement."

We continue to develop our interactions with our communities. Our Community Communications Plan launched in 2019 is ensuring a consistent approach to relationships with new and existing communities and we have signed the Social Mobility Pledge to boost opportunity and social mobility.

UK current trading and outlook
The 2021 selling season has started well, following on from the stronger than expected recovery of the housing market in the second half of 2020 and reflecting the underlying strength of demand, underpinned by low interest rates and stable mortgage lending. The net private sales rate for the year to date (w/e 21 February 2021) was 0.89 (2020: 0.94).

We started the year over 50% sold for 2021 private completions and have continued to grow our order book. As at 21 February 2021, our total order book excluding joint ventures was £2,793 million (2020 equivalent period: £2,584 million), comprising 11,013 homes (2020 equivalent period: 10,880). Our order book includes a healthy profile of sales extending into the second quarter and beyond when the Stamp Duty Land Tax holiday is due to end and into the next phase of Help to Buy. With the benefit of a strong order book, we have tested sales pricing across our developments, and have achieved selling price growth in the first two months of the year.

We are mindful of the changing regulatory environment for the sector in the short to medium term and have put the steps in place to enable us to respond appropriately. While Brexit related friction and the ongoing implications of COVID-19 may cause some disruption in housing market sentiment in the near term, with the process now agreed, we expect the clearer political outlook to provide a longer period of stability for our customers.

Our management

The Group Management Team (GMT) is our most senior management group, below the Board, comprising the three Executive Directors and eight other senior management roles across regional and central leadership.

Q How was the GMT involved in decision making in 2020?

A The GMT is key to enacting the decisions of the Board, and GMT feedback and input is key to aiding the Board's decision making processes. The GMT meets formally on a monthly basis and met very frequently via video conference during the early stages of the pandemic to assist the Board in its decision making processes, take key operational decisions and to enact necessary changes quickly and effectively.
For example, the GMT were charged with creating, implementing and overseeing the detailed procedural changes necessary to satisfy the Board that it would be safe to return to site in a COVID-secure way; this programme of work was led by Group Operations Director, Jennie Daly.

Q What are the recent changes to the GMT?

A We have removed one layer of operational management that was in place between the GMT and the regional business units. This streamlines our operational structure, giving more ownership and accountability to the Managing Directors of our 23 business units.
We have expanded the GMT to include two new Divisional Chairs: Ian Drummond, Divisional Chair Scotland and Shaun White, Divisional Chair Midlands and Wales. This means our regional business units report directly into a member of the GMT.

Our Group Management Team

1. Pete Redfern
Chief Executive

2. Chris Carney
Group Finance Director

3. Jennie Daly
Group Operations Director

4. Alice Marsden
Group General Counsel and Company Secretary

5. Anne Billson-Ross
Group Human Resources Director

6. Lee Bishop
Managing Director, Group Strategic Land

7. Ingrid Osborne
Divisional Chair, London and South East

8. Nigel Holland
Divisional Chair, Central, South West and Spain

9. Ian Drummond
Divisional Chair, Scotland

10. Shaun White
Divisional Chair, Midlands and Wales

Daniel McGowan left his role as Divisional Chair, North East, North West and Yorkshire at the end of January 2021. Whilst a comprehensive recruitment process is conducted to appoint a new Divisional Chair, this role is held by Jennie Daly, on an interim basis, with some of her other responsibilities temporarily shared with Chris Carney.

Chief Executive's statement
continued

Our robust investment case

Our culture and values have shone through in 2020

– First major homebuilder to announce the closure of sites to ensure safety
– Our employees played an important role supporting the NHS and care homes
– Supported vulnerable subcontractors through our Pay It Forward Scheme

Our culture and values have been put to the test in this challenging year and our dedicated employees have risen to the challenge. We have acted decisively and responsibly in the interests of our stakeholders and the wider society, including going above and beyond to support the NHS and care homes. We closed our sites early to put in place COVID-secure ways of working and supported our colleagues and partners financially and through added support, communication and online training. We were rated by Glassdoor in the top 10 UK firms for work-life balance during COVID-19.

Not only is this the right thing to do, which is our core value, but protecting and supporting our customers, employees and subcontractors is in the long term interest of our business and the industry, reputationally and operationally. Acting responsibly has been key to keeping construction open.

Read more on pages 30 to 41

We maintained our focus on sustainability

– Continued to open new outlets and progress build, not just run the business for short term
– Progressed our ESG goals, particularly in relation to environmental targets and diversity
– New environmental strategy in February 2021 with ambitious carbon reduction targets

Whilst it is important to adjust to near term market considerations, we make our decisions in the interests of the long term sustainability of the business. Ensuring our business is sustainable is in the interests of all our stakeholders and is at the heart of the Board's decision making process.

This was demonstrated this year as we progressed our ESG goals including environmental targets and diversity, our rigorous approach to health and safety as well as our decision to invest in the future by increasing our investment in land.

We have captured opportunities to maintain our well-invested, quality landbank and strong balance sheet. We also made some difficult decisions to streamline our operational structure and refocus our London business on more affordable and sustainable pricing points.

SR Read more in our Sustainability Report

Added to our high-quality landbank and maintained strong balance sheet

– Between re-entering the land market and 31 December 2020, agreed terms on and authorised c.£1.3 billion of gross land
– Ended year with strong balance sheet with net cash‡ of £719.4 million as at 31 December 2020

We began the year with one of the strongest land positions in the sector, with high-quality land in our core areas. The equity raise allowed us to grow our land position whilst maintaining a strong balance sheet. We agreed terms on and authorised gross land spend of c.£1.3 billion by 31 December comprising 93 sites and c.22,600 plots.

We believe that our decision to take opportunities to progress land investment will provide us with strong momentum going into the medium term.

We have a strong short term landbank of c.77k, as at 31 December 2020. Our strategic land pipeline is an important input to the short term landbank and provides an enhanced supply of land with greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at c.139k potential plots as at 31 December 2020.

c.£1.3bn

Agreed terms on and authorised gross land purchases

Read more on pages 12 to 13

Driving growth at the right time in the cycle

– Expect growth in our outlets in late 2022 and 2023 as a result of additional land buying
– Expect to add over 10,000 plots to our landbank as a result of the equity raise
– Assertive land buying providing strongest momentum in the sector

We see potential for some medium term volume growth, assuming a supportive market. We continue to view timing as key to our investment decisions. In June 2020, we were able to take advantage of a disconnect in the land market with much reduced competition. We raised additional equity which enabled us to confidently and assertively re-enter the land market, adding plots that meet our strict criteria in terms of location, value and margin hurdle rates.

This additional investment has helped us to re-balance our landbank by adding a slightly higher proportion of smaller sites into the mix. In normal years, stepping up land buying at such a rate would not be possible without impacting the market and causing land prices to rise. The quality of the pipeline we have coming through means we feel we will emerge stronger from this crisis, with the best momentum in the sector heading into the medium term. The additional investments made in land in 2020 and in 2021 are expected to result in outlet openings from late 2022 and increased volume from 2023, generating additional value and investor returns.

Read more on pages 6 to 7

On track to generate significant and reliable shareholder returns

– We have paid £2.3 billion in total dividends over the last seven years
– Cancelled 2019 final and planned 2020 special dividend due to COVID-19
– We have resumed the payment of ordinary dividends with the 2020 final dividend

In order to conserve cash and increase our flexibility, we took proactive measures to protect the balance sheet in the short term, including cancelling the 2019 final dividend and the planned special dividend payment.

It continues to be our aim to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn'. With a strong balance sheet and performance, we propose to resume ordinary dividend payments in May 2021, starting with the 2020 final dividend payment of 4.14 pence per share equating to c.£151 million, subject to shareholder approval at the AGM.

As we look forward, our intention remains to return cash generated by the business in excess of that needed by the Group to fund land investment, all working capital, taxation and other cash requirements of the business, and once the ordinary dividend has been met.

We are not proposing to return excess capital in 2021. We will review the level of excess capital and potential return in respect of 2021 at the time of the 2021 full year results in February 2022, for payment in 2022.

£2.3bn

Total dividends paid over the last seven years

Read more on page 5

We are focused on the performance objectives of reducing underlying costs, process simplification and driving value across the business, with operating profit margin the primary financial measure for the Group. We continued to prioritise opening new outlets throughout 2020 and remain focused on developing our new land acquisitions through the planning system and opening new outlets efficiently. In 2021, assuming the market remains broadly stable, we expect to deliver 85-90% of 2019 volumes and make further progress towards our medium term operating profit margin target of c.21-22%.

We expect to record a smaller proportion of affordable homes than usual in 2021, (c.17%), influenced by site mix and a revision to the way we contract land sold to Housing Associations, with revenue and profit realised slightly later. The private / affordable mix will return to more normal historic levels from 2022. At this stage, we anticipate overall build cost inflation in 2021 to be marginally lower than in 2020, (c.2-3%), though this is dependent on industry-wide production levels as well as the strength of the housing market.

As our completion volumes recover, we expect 2021 operating profit margin to increase to between 18.5% and 19%. At this stage we anticipate 2021 year end net cash of broadly £500 million, subject to timing of land acquisitions and payments.

Having approved significant incremental new land in the past nine months, we expect new land approvals to revert to a more normal replacement level. Between re-entering the land market in 2020 and up to 26 February 2021, we agreed terms on and authorised gross land purchases comprising 30,956 plots and expect our short term landbank to grow by over 10k plots over the next 12-18 months.

The Group has a robust balance sheet and a growing high-quality landbank, which will enable us to grow the business whilst generating compelling returns. The actions we have taken in 2020, and the strong embedded margin in the landbank, underpin our confidence in achieving our medium term target to deliver operating profit margins of c.21-22%. Our focus on retaining momentum in outlet openings and our incremental land acquisitions leave us well positioned to deliver strong volume growth in the medium term. With a continued focus on costs and efficiency, the Board believes the Group is well positioned for strong progress and to deliver enhanced shareholder value in the years ahead.

Pete Redfern
Chief Executive

Our purpose

A purpose-led homebuilder

Achieving our purpose takes an integrated approach…

Our purpose is to build great homes and create thriving communities

Our values are key to how we do business:

Respectful and fair

Take responsibility

Do the right thing

Better tomorrow

Be proud

…where an ESG mindset is embedded in the business and decision-making…

Environmental

- New environment strategy to reduce our environmental impact and improve efficiency
- Ambitious science-based target for carbon reduction approved by the Science Based Targets initiative
- Enhancing nature on our sites, reducing waste, and using fewer and more sustainable resources

Social

- Our Community Communications Plan ensures a consistent approach to working with communities and we aim to improve this engagement
- Creating connected, sustainable communities through placemaking, benefiting customers and existing residents
- Significant contributors to local communities through our planning obligations

Governance

- Strong culture of doing the right thing with health and safety as our number one priority
- Refined our purpose following consultations with our stakeholders
- Strive to improve diversity and, in 2021, we will be launching our new Equality, Diversity and Inclusion Policy

Achieved through our optimised business model
BM See pages 20 to 21

Key performance indicators
See pages 22 to 25

Environmental targets
See page 42

Read more about our strategy and targets in our Sustainability Report
SR www.taylorwimpey.co.uk/corporate/sustainability

…which enables us to deliver on our long term strategy and achieve our medium term goals (2018-2023) and short term priorities…

Priorities in 2021:

- Margin delivery – optimisation of selling price and an enhanced cost mindset
- Bringing through new land acquisitions for volume growth in 2023/24
- Delivering customer service and consistently great build quality
- Building on our strengths in Social and Governance areas and new Environmental strategy

Medium term goals (2018-2023):

Return on net operating assets**

35%

9.9% in 2020

(2019: 31.4%)

Operating profit* margin

c.21-22%

10.8% in 2020

(2019: 19.6%)

Cash conversion‡‡

70-100%

(54.9)% in 2020

(2019 : 82.6%)

Short term landbank

4-4.5 years

c.8.1 years in 2020

(2019: c.4.8 years)

Due to the impact of COVID-19 on the 2020 financial results, none of our medium term strategic objectives were met in the year.

Remuneration report
£ See pages 112 to 115

…whilst delivering long term value for our stakeholders.

Our customers

Our employees

Our partners

Our investors

Our communities

Our business model

Principal Risks key:
- **A:** Government policy and planning regulations
- **B:** Impact of the market environment on mortgage availability and housing demand
- **C:** Material costs and availability of subcontractors
- **D:** Ability to attract and retain high-calibre employees
- **E:** Land purchasing
- **F:** Quality and reputation
- **G:** Site and product safety

How our business model delivers on our purpose...

What we do

1. Investment
Selecting land

2. Development
Managing the community and planning process

3. Realising value
Optimising the housebuilding process

Reinvesting

1. Investment

Why we do it

Shareholder capital management
Ensuring long term sustainability of the business model through securing a quality land pipeline, located in places people want to live, with good planning prospects.

Our strong land position comprises both short term land (land with some form of planning permission) and strategic land pipeline (land with no residential planning at the time we take a commercial interest).

How we do it

We continue to look for opportunities in the right locations that optimise our value and meet our returns criteria. We continue to focus on being responsive to land market conditions. In 2020, we completed an opportunity-led equity raise.

At this stage in the business model we seek to manage the following Principal Risks:

A, E

The value we created in 2020

c.77k
Plots in our UK short term landbank
(2019: 76k)

c.£2.9bn
Land on the balance sheet
(2019: c.£2.7bn)

2. Development

Why we do it

Protecting capital and adding value
Progressing land through the planning system is the key way we add value to the land we acquire. Securing good quality planning permissions benefits both our land portfolio and the communities in which we build, providing much needed new homes, affordable housing, infrastructure and community facilities through planning obligations. We engage extensively with communities, before and during the lifetime of each development.

How we do it

We do this through factoring in stakeholders' needs, addressing environmental and other local issues and building community facilities to create developments that meet their wider needs.

At this stage of the business model we seek to manage the following Principal Risks:

A, B, F, G

The value we created in 2020

68
Planning applications granted
(2019: 81)

97
Community events and meetings
(2019: 187)

3. Realising value

Why we do it

Optimising stakeholder returns
Key to this is building quality homes which are attractive to customers. Health and safety is our first priority and is not an area we will compromise. We seek to do the right thing, and deliver our strategy in a way that benefits all our stakeholders. As a national housebuilder we benefit from our scale and look to maximise and optimise the efficiency of our operations.

How we do it

We work with our subcontractors to make improvements to our processes and operations. We have implemented additional checks and driven higher standards of build quality across our business. We have taken further tangible measures to remove unnecessary costs and ensure we are operating efficiently to maximise stakeholder returns.

At this stage of the business model we seek to manage the following Principal Risks:

C, D, F, G

The value we created in 2020

c.9.8k
New homes completed for our customers
(2019:16.0k)

6.0k
Directly employed on average during 2020
(2019: 5.9k)

Worked with
12.3k
subcontractors on average during 2020
(2019: 14.6k)

Read more about our risk management on pages 46 to 53

S Read more on how we create value for all stakeholder groups on pages 28 to 41

Our strategy and key performance indicators

Measuring our progress

Principal Risks key:
A: Government policy and planning regulations
B: Impact of the market environment on mortgage availability and housing demand
C: Material costs and availability of subcontractors
D: Ability to attract and retain high-calibre employees
E: Land purchasing
F: Quality and reputation
G: Site and product safety

Strategic priority | **Performance in 2020** | **Priorities going forward** | **KPI**

Customers and communities

Principal Risks
A, B, C, D, E, F, G

PR Read more on pages 49 to 53
£ Read more on pages 112 to 115
S Read more on pages 30 to 33 and 40 to 41

Performance in 2020

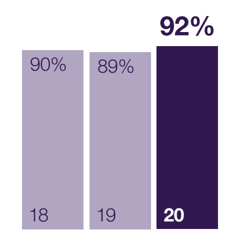
- We are pleased that our 8-week 'would you recommend' score is back up to a five-star level after narrowly missing this last year.
- We maintained a high level of customer satisfaction, despite the challenges of managing customer expectations in the face of build delays caused by COVID-19.
- We retained a sales presence even while sales centres and show homes were closed during the national lockdown and leveraged our IT systems to support our customers digitally and on the phone.
- Our focus on longer term customer satisfaction is beginning to be reflected in an improved 9-month 'would you recommend' score.
- We launched our new, user friendly customer-facing website which is smart phone friendly.

Priorities going forward

- During 2020, we learnt many valuable lessons on how our customers interact with us via technology and the benefits of holding appointments outside of traditional opening hours. Taking on board these learnings will enable us to continue to improve the ease of doing business with us.
- Our focus in 2021 will be to continue to deliver good quality homes. Quality is key to a customer's first impressions, minimises the need for future remediation and improves long term customer satisfaction.
- We continue to prioritise strong customer service and aim to maintain a five-star rating.
- Providing reliable move in dates continues to be a priority for us.

KPI

Customer satisfaction 8-week score 'would you recommend?'



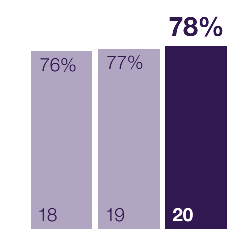
Objective: We strive to achieve 90% or above in this question, which equates to a five-star rating.

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC on behalf of the Home Builders Federation (HBF) eight weeks after legal completion.

Why it is key to our strategy: Identifying and serving the needs of our customers by delivering a high-quality product is key to our ambition to become a customer-focused homebuilder.

£ Read more on pages 112 to 115

Customer satisfaction 9-month score 'would you recommend?'



Objective: We strive to improve this score and understand the reasons behind and underlying drivers of this customer feedback.

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC nine months after legal completion.

Why it is key to our strategy: We think about how customers live in the homes and places we build for longer than the first few months after they move in. Ensuring our customer satisfaction remains high in the months following completion is important.

£ Read more on pages 112 to 115

Note: The 8-week 'would you recommend' score for 2020 relates to customers who legally completed between October 2019 and September 2020, with the comparators relating to the same period in the prior years. The 9-month 'would you recommend' score for 2020 relates to customers who legally completed between October 2018 and September 2019, with the comparator relating to the same period in the prior years.

Build quality

Principal Risks
A, C, D, F, G

PR Read more on pages 49 to 53

Performance in 2020

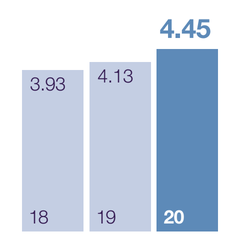
- Over the last few years, we have focused on enhancing build quality and are pleased with our National House-Building Council (NHBC) Construction Quality Review (CQR) score of 4.45 out of 6.
- Average reportable items per inspection have fallen in the year as we continue to improve processes and systems.
- Published a customer version of our Consistent Quality Approach guidelines so it is clearer for customers what they expect from us.

Priorities going forward

- We continue to consider build quality as key and aim to maintain the level and consistency of quality throughout the business.
- We aim to continue to ensure our quality assurance processes are embedded at every stage of build.
- Improving quality reduces the need for remediation, reduces costs and waste, and drives additional value for our stakeholders.

KPI

Construction Quality Review



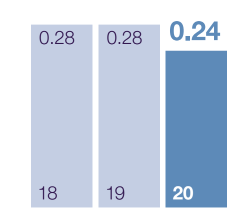
Objective: To achieve an average score of four out of six across Taylor Wimpey by 2020.

Definition: The average score, out of six, achieved during an in-depth annual review of construction quality on a site-specific basis.

Why it is key to our strategy: Right first time continues to be a key priority within our customer-focused approach. CQRs focus on construction quality and understanding 'why or how' given levels of quality have resulted.

£ Read more on pages 112 to 115

Average reportable items per inspection



Objective: Reduce defects found during build stages.

Definition: The average number of defects found per plot during NHBC inspections at key stages of the build.

Why it is key to our strategy: Reducing the number of defects per plot is crucial to ensuring we deliver consistently high-quality homes for our customers, whilst also minimising the cost of rectifications.

Optimising our strong landbank

Principal Risks
A, D, E

PR Read more on pages 49 to 53

Performance in 2020

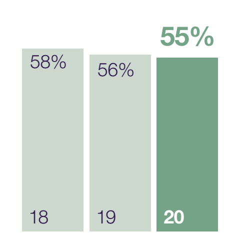
- We continue to exceed our target of sourcing more than 40% of completions from the strategic pipeline.
- We saw opportunities in 2020 to invest in the land market for the medium term. This, together with the reduction in completions in the year, as a result of COVID-19, has resulted in our landbank years exceeding the medium term target.
- In the year, land cost as a percentage of average selling price on approvals has increased against a low comparator, but still remains strong. The increase is partly due to the mix of sites with an increased proportion in the South East as well as a higher proportion of smaller sites.

Priorities going forward

- Continue to convert land from the strategic pipeline into the short term landbank to provide visibility, optionality and aid long term planning.
- We continue to invest in land to support future growth and returns with a pipeline of future quality outlets.
- We remain focused on progressing our new land acquisitions through the planning system and opening new outlets efficiently.
- We will continue to drive value from acquiring land at high contribution margins in places where customers want to live both now and in the future.

KPI

Strategically sourced completions

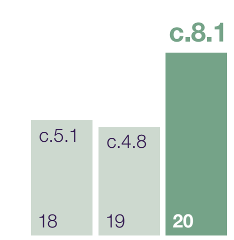


Objective: We aim to source more than 40% of our completions from the strategic pipeline per annum in the medium term.

Definition: Number of completions on land which originally did not have a residential planning permission when we acquired a commercial interest in it, expressed as a percentage of total completions.

Why it is key to our strategy: The strategic pipeline enhances our ability to increase the contribution per legal completion because of the inherent margin uplift from strategic plots. It also allows us to take a long term view of sites.

Landbank years



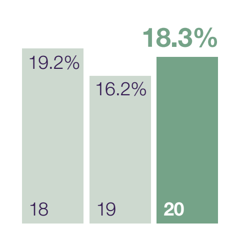
Objective: Increase landbank efficiency – reduce length of short term owned and controlled landbank years by c.1 year to 4-4.5 years.

Definition: The years of land supply in our short term landbank based at current completion levels.

Why it is key to our strategy: We seek to use our high-quality landbank more efficiently to deliver growth, both in the number and quality of homes built for a wider range of customers.

% Read more on page 19

Land cost as % of average selling price on approvals



Objective: To maintain at current levels or reduce our average land cost.

Definition: Cost of land as a percentage of average selling price on approvals.

Why it is key to our strategy: Maintaining a sustainable land cost percentage increases value for our shareholders.

Our strategy and key performance indicators continued

Strategic priority	Performance in 2020	Priorities going forward

Be the employer of choice in our industry

Principal Risks
D, F, G

PR Read more on pages 49 to 53
S Read more on pages 34 to 35

Performance in 2020

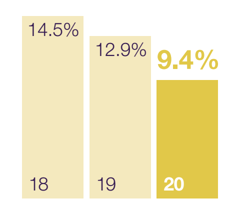
- We are pleased that our Annual Injury Incidence Rate (AIIR) reduced again to 151 in 2020 (2019: 156). Our AIIR for reportable injuries per 100,000 employees and contractors remains well below both the HBF and Health and Safety Executive Construction Industry averages.
- Our dedicated teams have demonstrated the ability to quickly adapt to new working practices through the pandemic.
- To gain feedback we ran three 'pulse' surveys in 2020 which were designed to provide a 'temperature check' on employee engagement. These showed our employees to be highly engaged as well as aligned to the Group's actions during the COVID-19 crisis.
- We continue to have one of the lowest rates of voluntary employee turnover in the industry.
- With a well known shortage of skills, we have taken a proactive approach to our early talent programmes and direct labour model. In 2020, we reviewed the structure of the business and engaged with employees throughout the process.

Priorities going forward

- We continue to use research and development to test and implement measures on site in order to make our sites as safe as possible.
- We continue to value a stable workforce using surveys and feedback to understand our employees' views and continue to develop our employee offering.
- In 2021, we plan to run a 'Talkback' survey, as we did in 2019. We undertake an engagement survey periodically and it forms an important part of how we involve, gain feedback from and communicate with our employees.
- We continue to improve our recruitment strategy and diversity road map with supportive training and working practices. We aim to reach a wider talent pool through different attraction channels to increase BAME representation in our workforce and establish a more gender balanced workforce which is more representative of the communities we serve.

KPI

Voluntary employee turnover

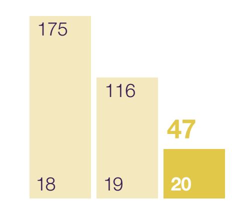


Objective: We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential. We aim to keep this within a range of 5-15%.

Definition: Voluntary resignations divided by number of total employees.

Why it is key to our strategy: Our employees are one of our greatest competitive advantages and they are crucial to executing our strategy. Low employee turnover supports greater depth of experience, continuity and development of skills within our teams.

Number recruited into early talent programmes

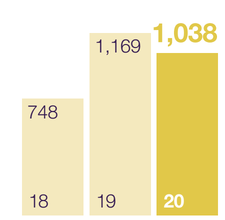


Objective: To reduce the impact of the industry skills shortage and future-proof our business.

Definition: The amount of people recruited onto one of our early talent programmes including graduates, management trainees and site management trainees.

Why it is key to our strategy: Creating a more consistent framework and development path for early and ongoing talent management will underpin our future growth and customer-focused approach. We establish bespoke development programmes to ensure we develop the skills we need when we need them, ensuring we have the experience required to support our strategy.

Directly employed key tradespeople, including trade apprentices

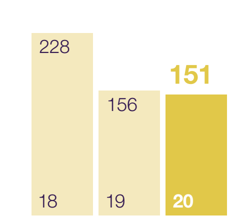


Objective: To improve quality, reduce bottlenecks in key trade supply, reduce the impact of the industry skills shortage and future-proof the business.

Definition: The number of key tradespeople directly employed by Taylor Wimpey including bricklayers, joiners, carpenters, painters, scaffolders and trade apprentices.

Why it is key to our strategy: Against industry-wide skills shortages and uncertainty we aim to future-proof our workforce. We do this by developing skills to build quality homes and behaviours which align our business to our customer-focused approach.

Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)



Objective: We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live.

Definition: Reportable (all reportable) injury frequency rate per 100,000 employees and contractors (Annual Injury Incidence Rate).

Why it is key to our strategy: Health and safety is our non-negotiable top priority. As well as having a moral duty to maintain safety on site, accidents and injuries can have a detrimental impact on the business through additional costs, delays and / or reputational damage.

Best in class efficient engine room

Principal Risks
A, B, C, D, E, F, G

PR Read more on pages 49 to 53
S Read more on pages 36 to 37

Performance in 2020

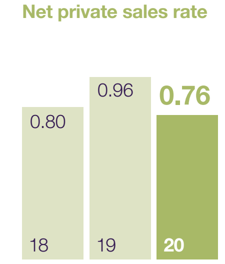
- In the year, sales rates have been constrained by the impact of COVID-19, and in particular our second quarter shutdown when COVID-secure practices and socially distanced operations were implemented. By the end of 2020 we had returned to near normal capacity whilst operating in a COVID-secure way.
- Sales recovered strongly in the second half and our net private sales rate remains strong in the context of historic rates. We have been able to adapt our ways of working including digitising our whole sales process from reservation through to completion, with only the signing of contracts required to be done by hand, and expanding and extending our approach to flexible working to benefit our employees and customers.
- Our order book both by value and volume is at an historic high, this is partly due to build delays extending the order book but also reflects strong underlying demand.
- In 2020, we undertook a detailed organisational review and made changes to our cost structure to ensure that we continue to operate efficiently in a changing market including the removal of one tier of operational management, the rationalisation of our London operating structure and a series of reductions in central and business unit overhead levels. We are now operating from 23 regional businesses.

Priorities going forward

- Through 2021, we aim to optimise our operations under COVID-secure conditions.
- We aim to work efficiently through our strong order book and continue to meet sales demand.
- We worked with architects to update our standard house types which we will start using in 2021. We have reduced our number of different house types which provides a number of operational and procurement benefits that will help ensure quality and consistency. However, we have not reduced the specification of our homes.
- We continue to focus on cost and efficiency, process simplification, and extracting the benefits of workstreams already in place.

KPI

Net private sales rate

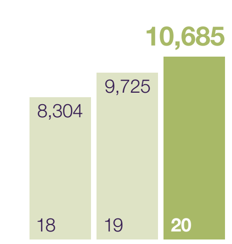


Objective: We want to break our historic sales rate barrier by thinking differently about how we deliver a home and to better capture demand.

Definition: The average number of private sales made per outlet per week.

Why it is key to our strategy: We want to become a more efficient and agile business that can respond quickly to opportunities in the market, creating increased value for our shareholders.

Order book volume

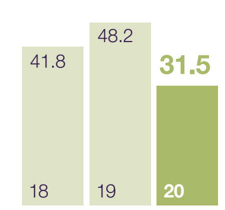


Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

Definition: The total number of homes in our year end order book.

Why it is key to our strategy: A strong order book provides our customers with good visibility and provides greater stability for business planning and enhances our ability to deliver the best experience for customers whilst driving the most value for our shareholders.

Private legal completions per outlet

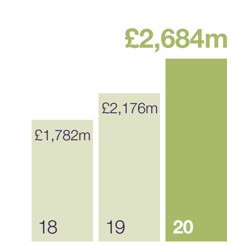


Objective: To improve efficiency on our sites and increase the number of legal completions per outlet.

Definition: The number of private legal completions per outlet.

Why it is key to our strategy: We are working to increase new home supply for a wider range of customers by improving efficiency across our sites.

Order book value



Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

Definition: The total value of homes in our year end order book.

Why it is key to our strategy: A strong order book provides our customers with good visibility and provides greater stability for business planning and enhances our ability to deliver the best experience for customers whilst driving the most value for shareholders.

Materiality assessment

Key issues for our stakeholders

Our materiality assessment helps us to identify and focus on the sustainability (environmental, social and economic) issues and impacts that matter most to our business and our stakeholders, including customers, communities, investors, our employees and partners.

The assessment takes into account a range of factors including our business priorities, stakeholder views, the UN Sustainable Development Goals, long term and market trends and government policy.

We updated our materiality assessment in 2019 and early 2020 to ensure we remain focused on the key issues for our business and stakeholders.

We use the results of our materiality assessment to inform our approach to managing ESG risks and opportunities including the development of our environmental strategy.

SR Read more in our Sustainability Report

S Read more in emerging stronger for our stakeholders on pages 28 to 41

United Nations Sustainable Development Goals

We support the United Nations Sustainable Development Goals (SDGs), which aim to unite governments, businesses and the third sector to end poverty, fight inequality and address climate change. Our Legacy, Engagement and Action for the Future (LEAF) committee has reviewed the Goals and their relevance to our business.
This process identified 12 goals and 32 targets where we can make a contribution towards a more sustainable future.
We use the Goals to inform our materiality process and in the development of our sustainability strategy and targets.
An index is included on our website, showing how we can support the goals.

Read more about how we support the SDGs at www.taylorwimpey.co.uk/corporate/sustainability

SUSTAINABLE DEVELOPMENT GOALS

Identifying our material issues

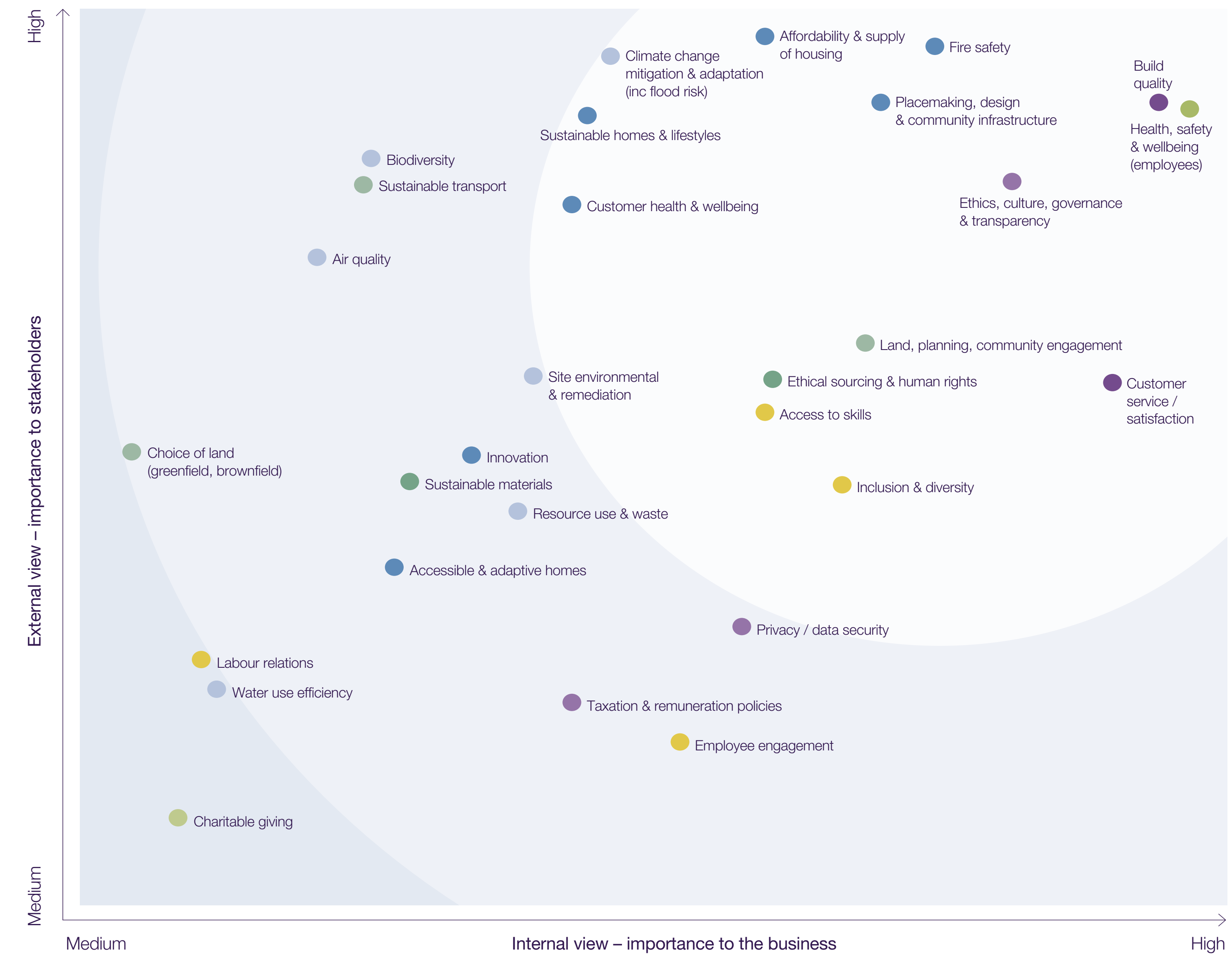
1. Issue identification
A long list of issues was identified based on our current priorities, our previous materiality assessment, business strategy, our main impacts and risks, long term and market trends, the UN Sustainable Development Goals and other external frameworks.

2. Stakeholder research
We sought the views of investors, local government, non-governmental organisations (NGOs), academics, registered social landlords and sustainable business organisations. We also drew on consumer research, a government policy review and a media scan.

3. Internal interviews and research
We carried out internal interviews and research with senior leaders, functional leads, and graduates.

4. Review
Our materiality matrix was reviewed by our Chief Executive and members of our Group Management Team.

Our materiality matrix



Our material issues

- Sustainable homes and communities
- Health, safety and wellbeing
- People and skills
- Land, planning and community engagement
- Environment
- Charitable giving
- Customer service and quality
- Responsible sourcing
- Governance and management

The issues identified in our materiality matrix have been grouped to create a list of nine material issues. Corresponding colours have been used to show how the issues have been grouped.

Our stakeholders

Emerging stronger for our stakeholders

Section 172(1) Directors' Duty

The Directors continue to have regard to the interests of the Company's wider stakeholders, in accordance with s172 of the Companies Act. Details of how the Directors have fulfilled their duties can be found throughout the Strategic and Governance reports. The content below on stakeholder engagement and on pages 30 to 41 highlight key actions in this area. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 72-77.

Stakeholders | **Key issues from our materiality matrix** | **How we engage** | **Actions and outcomes** | **Value created**

Our customers

Key issues from our materiality matrix

- Affordability and supply of housing
- Air quality
- Biodiversity
- Build quality
- Climate change mitigation and adaptation (inc flood risk)
- Customer service / satisfaction
- Placemaking, design and community infrastructure
- Sustainable homes and lifestyles
- Sustainable transport
- Fire safety

How we engage

We engage directly with customers at our developments, via our customer portal (Touchpoint) and through social media.

We monitor customer views through focus groups, satisfaction surveys, Trustpilot reviews and post-occupancy research.

In 2020, we surveyed customers on their attitudes to the environment.

Our CEO wrote to all customers upon closing and reopening of sites as well as to update them on subsequent changes throughout the pandemic.

Actions and outcomes

- Moved efficiently to online appointments through the pandemic to support our customers
- 8-week 'would you recommend' score back up to a five-star level
- In response to customer insights, updated standard house types to be rolled out in 2021
- Provided an NHS and care worker discount scheme

Value created

92%

(2019: 89%)

8-week 'would you recommend' score

Our employees

Key issues from our materiality matrix

- Access to skills
- Employee engagement
- Ethics, culture, governance and transparency
- Health, safety and wellbeing
- Inclusion and diversity
- Labour relations

How we engage

We engage with our employees and gather feedback through meetings, appraisals, focus groups, employee surveys, our internal magazine and newsletter, Company wide emails, and our national and regional employee forums. We encourage employees to share feedback and this can be sent directly to the Chief Executive via email.

Our updated induction now includes both pre- and post-start content to help new employees quickly become familiar with how we work.

In 2020, we completed a detailed review of the business which resulted in some areas of restructure. Throughout, we engaged with employees, encouraged them to feedback to senior management, including our CEO and, where appropriate, entered formal consultation and ensured that Employee Representatives were briefed.

Actions and outcomes

- Based on feedback, named in Glassdoor's top 10 companies for work life balance during COVID-19 and, for the fourth year running, in Glassdoor's top 50 UK employers for 2021
- Ran three pulse surveys to keep up to date with our employee views and input with 98% of furloughed employees feeling positive about the support they received during the pandemic
- Provided health and wellbeing support, information and educational resources with over 2,000 employees attending health and wellbeing masterclasses and 'wellbeing in lockdown' sessions

Value created

9.4%

(2019: 12.9%)

voluntary employee turnover

Our partners

Key issues from our materiality matrix

- Charitable giving
- Climate change mitigation and adaptation
- Ethical sourcing and human rights
- Health, safety and wellbeing
- Land, planning, community engagement
- Innovation
- Sustainable materials

How we engage

We engage with our subcontractors and suppliers on a wide range of matters and initiatives through meetings, workshops, working groups, engagement sessions and our membership of the Supply Chain Sustainability School.

Our engagement with our local and national charity partners is overseen by our Charity Committee.

We engage with local authorities and parish councils and councillors and participate in the development of strategic frameworks, Local Plans and Neighbourhood Plans. We also interact with central Government including the MHCLG, Homes England, and the Department for the Environment, Food & Rural Affairs, the Scottish and Welsh Governments, to understand their priorities and share our views. We engage directly and through trade associations such as the HBF.

Actions and outcomes

- Through the first national lockdown, we supported our subcontractors through our Pay It Forward scheme, as well as weekly updates to suppliers and subcontractors
- We continued to progress planning through the shutdown period and were pleased to achieve the UK's first significant planning permission remotely
- Employees supported local communities by donating, packing and delivering PPE to local NHS and care organisations

Value created

12.3k

(2019: 14.6k)

operatives that we provided work for

Our investors

Key issues from our materiality matrix

- Climate change mitigation and adaptation
- Customer service / satisfaction
- Employee engagement
- Ethics, culture, governance and transparency
- Health, safety and wellbeing
- Inclusion and diversity
- Innovation
- Taxation and remuneration policies

How we engage

We engage with investors throughout the year through results presentations, meetings, roadshows, conferences, telephone and video calls. We engage via our regulatory reporting including the Annual Report and Accounts, our full year results, half year results, trading updates and our Annual General Meeting.

When possible, we conduct visits to our sites and we participate in benchmarks and disclosure initiatives.

Actions and outcomes

- Investors welcomed our structured communications programme to keep investors updated on steps to manage and protect the business, and consideration for the health and safety of customers, employees and partners through the pandemic
- Our Chairman conducted a virtual investor roadshow which received positive feedback

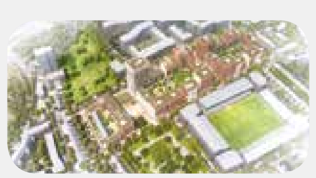
Value created

c.£151m

(2019: nil)

final dividend

Our communities



Key issues from our materiality matrix

- Affordability and supply of housing
- Air quality
- Biodiversity
- Charitable giving
- Choice of land (greenfield, brownfield)
- Climate change mitigation and adaptation (inc flood risk)
- Health, safety and wellbeing
- Land, planning, community engagement
- Placemaking, design and community infrastructure
- Site environmental and remediation
- Sustainable homes and lifestyles
- Sustainable transport

How we engage

We engage with local communities at every site, from planning and throughout construction, including through meetings, exhibitions, workshops, newsletters, information boards, social media and our website.

We collaborate with non-governmental organisations (NGOs), academia and expert organisations to learn from their insights.

Actions and outcomes

- Continued to run community meetings virtually during the pandemic
- Ran third internal placemaking competition
- We have signed up to the Construction Logistics and Community Safety initiative and committed to developing our traffic management systems

Value created

£287m

(2019: £447m)

contributions to local communities, via planning obligations

Emerging stronger for our stakeholders

Our customers

We want every customer to receive a great service and for every new home to meet our quality standards.

Material issues

Progress for 2020

- Achieved an average quality score of 4.45 compared with an industry benchmark group average score of 4.32
- Achieved a recommend score of 92% in the HBF 8-week survey which equates to a five-star rating
- Enhanced our digital offering to customers to complete their homebuying journey remotely, from registering their interest through to completion of purchase
- Published a customer version of our Customer Quality Assurance document, so it is clearer for customers what they can expect from us
- Customer research carried out into environmental issues, with over 1,000 people taking part

Priorities for 2021

- Improve our 9-month customer satisfaction survey score
- Roll out the new house type range across our regional businesses
- Maintain our five-star customer satisfaction rating
- £125 million in funding to support fire safety improvement works for leaseholders in Taylor Wimpey apartment buildings, including those below 18 metres, built over the last 20 years, to ensure they meet current RICS EWS1 guidance

BM Read more on pages 20 and 21

Read more on pages 22 and 23

Our customer proposition is closely tied to our purpose and centres on delivering great homes and thriving communities consistently. Our customers can trust us to do the right thing.

Fire safety provision

Background

The safety of our customers is of paramount importance and we have always been guided by this principle. Following the tragic fire at Grenfell Tower, Taylor Wimpey moved quickly to identify where action was needed to remove ACM cladding on legacy high rise apartment buildings, even though the buildings concerned met the requirements of building regulations at the time construction was approved. We announced a £40 million provision to cover the cost of removing and replacing ACM cladding on those buildings, and to date we have completed work on 12 out of 19 of the apartment buildings identified in this review.

Over the past three years there have been multiple updates to regulation and advice on implementation, and the number of buildings and scope of issues under review has widened materially, to include apartment buildings below 18 metres and those with other forms of cladding. Many leaseholders have been left with unreasonably large bills to ensure their properties are safe and in line with post-Grenfell fire safety standards.

Latest RICS EWS1 Guidance

In January 2021, the Royal Institution of Chartered Surveyors (RICS) issued proposed guidance for public consultation to improve consistency in EWS1 (External Wall Fire Review) requests. This consultation clarified the circumstances in which an EWS1 form is required.

The UK Government announcement on 10 February 2021 endorsed this updated guidance, which has made fire safety improvement requirements clearer and enabled us to focus on resolving issues for leaseholders using EWS1 forms as an independent framework. Whilst we await a further update from RICS, we believe that it is right to provide as much clarity as possible for customers at this point.

Provision scope

As a result of this clarified guidance, we have announced an additional £125 million provision, to be booked in 2021, to fund fire safety improvement works for leaseholders in Taylor Wimpey apartment buildings constructed over the last 20 years. We will provide funding to make apartment buildings safe and mortgageable in line with the latest RICS EWS1 guidance.

For buildings we own, Taylor Wimpey will both fund and oversee the improvement of apartment buildings, regardless of eligibility for the UK Government Building Safety Fund, including apartment buildings below 18 metres. If Taylor Wimpey no longer owns the building and it is not eligible for the Building Safety Fund, or similar support that may be announced in the future, where a freeholder produces a fair and proportionate plan for fire safety improvement works following EWS1 assessment, we will contribute funding to assist freeholders in bringing those buildings up to the standards required by EWS1 assessment.

We have identified 232 apartment buildings that may require fire safety works under EWS1 requirements.

We expect building owners to contact Taylor Wimpey following completion of the required EWS1 assessment on the relevant buildings they own. If the apartment building is eligible for the UK Government's Building Safety Fund, we would expect building owners to apply for this funding, which is expected to be partly funded by an Industry levy.

This provision will be reflected as a non-adjusting post balance sheet event, disclosed as such in the 2020 accounts, and the provision will be booked in the 2021 accounts as an exceptional charge.

Ground Rent Review Assistance Scheme

During 2007-2011, ten-year doubling ground rent clauses were generally included in customer leases on some of our developments. We ceased using such clauses on new developments from January 2012 onwards. In April 2017, following a detailed review, we launched a voluntary Ground Rent Review Assistance Scheme (GRRAS) to help affected customers. Under GRRAS, Taylor Wimpey covers the cost of converting our customers' lease terms into an industry standard RPI-based lease, comparable to that used in the majority of residential leases in the UK.

GRRAS is available to all of our customers and also to subsequent purchasers on those developments where we still own the freehold.

We have reached agreement with freeholders representing 99% of the leases concerned, with the other 1% in negotiations. All of our customers that currently have the option of converting their ten-year doubling lease to an RPI-based structure have been contacted in connection with this matter.

The CMA's investigation into leasehold remains open and we understand that the CMA will continue to proceed with its investigation. We will continue to cooperate with the CMA and will formally respond to the CMA at the appropriate point in its process.

May

Supporting NHS and care workers

In May we announced a discount scheme for NHS and care workers, as a thank you for their heroic efforts during the COVID-19 pandemic. The scheme, which ran between May and December, offered care workers a special 5% discount off the purchase price of a new home. We are pleased that over 3,000 NHS and care workers used the scheme, saving a combined c.£46 million on reservations made in the year.

"We were fortunate enough to qualify for Taylor Wimpey's Care Worker Discount, which has taken some of the pressure off saving money to pay for the optional extras that we wanted in our new home."

Taylor Wimpey customer

March	April	July	August
Communicating with our customers Increased communications with our customers throughout the pandemic ensured they were kept updated, starting with the closure of sales centres and construction sites.	**Moving our sales online** An enhanced digital offering, including remote appointments and video tours allowed customers to complete their entire homebuying journey remotely while our sales centres were closed.	**Safe customer service** Created a video for customers to clearly show the safety protocols we have in place for when our teams visit customers' homes.	**Dynamics** Launched trials of our new customer relationship management system, Dynamics, in two regional businesses.

Emerging stronger for our stakeholders continued

NHS and care workers discount scheme
In May we announced a discount scheme for NHS and care workers, as a thank you for their heroic efforts during the COVID-19 pandemic. The scheme, which ran between May and December offered NHS and care workers a special 5% discount off the purchase price of a new home. We are pleased that over 3,000 NHS and care workers used the scheme, saving a combined c.£46 million on reservations made in the year.

New house type range
We worked with architects to update our standard house types which we will start using in 2021. These have been designed to reflect four years of customer insights. The standard designs with fewer house types also provide a number of operational and procurement benefits that will help ensure quality and consistency. However, we have not reduced the specification of our homes.

The new range incorporates more open plan living, more natural light and improved storage, reflecting customer feedback and the results of our research and development. Our new house types include more flexible living with adaptable work study spaces, with at least one study area per home that will make it easier for customers to work and study from home and help reduce their travel footprint.

Build quality
Since the introduction of the measure, we have led the volume housebuilders in build quality as measured by the NHBC CQR score, which measures build quality at key build stages. In 2020, we scored an average of 4.45 (2019: 4.13) from a possible score of six, once again the highest score for a volume housebuilder. This compares with an industry benchmark group average score of 4.32. We are fifth nationally when ranked against all housebuilders that have more than 100 build stages (which excludes self build and very small housebuilders).

We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build.

Our Consistent Quality Approach (CQA) guidelines ensure our Site Managers, subcontractors, production and customer service teams all have a consistent understanding of the finishing standards we expect on all Taylor Wimpey homes. We are developing specific guidance within the CQA for the different trades working on our sites that will form part of our framework agreements with contractors in the future. In 2020, we published a customer version, so it is clearer for customers what they can expect from us.

Build quality on site is overseen by our UK Head of Production who works closely with our Customer Director. Progress is reviewed monthly by our Group Management Team. We agree a quality improvement plan for any sites not meeting our standards and work with commercial and production teams to implement improvements.

Getting things right first time also reduces costs and is important from an environmental perspective as fewer mistakes mean less waste, fewer deliveries to site and homes perform to the energy-efficiency standards we expect.

Customer insight and communication
In 2020 we designed and piloted a new customer relationship management system using Microsoft Dynamics software. This will be rolled out across our business in 2021 and will build on the progress we have made in digital communications with our customers over the past few years. As well as the customer service and efficiency benefits of better, more targeted communication, we expect the system to provide better insight led decision making, enhancing revenue and margin. The system will bring customer service benefits such as real time online issue resolution, delivering greater visibility and faster responses. Operationally, there are a number of benefits, for example, the system will enable end to end workflows for legal processes, with online notifications and approvals ensuring customers, solicitors and our legal teams are aligned, helping to reduce time to completion.

We want customers to receive clear information and prompt service throughout the homebuying process. During the year, and mindful of the uncertainty and impact on our customers and their house moves, we increased the level of communication, with our CEO writing to all customers upon closing and reopening of sites and throughout the subsequent changes. We also ensured that throughout the lockdown, we retained a core sales presence to communicate with customers and who were on hand, digitally, to answer any questions.

Customer satisfaction
We are pleased to have achieved a 5-star rating in the year and a score of 92% for the year ending September 2020, as measured by the Home Builders Federation survey reflecting customer satisfaction becoming embedded into the way we work. We are particularly pleased to have improved customer service during the lockdown. We acknowledge that we do not always get it right for our customers and sometimes fall short of our targeted standards. Where this is the case, we remain committed to working closely with our customers to put this right and learn from our mistakes. We encourage customers to leave reviews on Trustpilot. At the end of 2020, with over 4,500 reviews, we had a 4 out of 5 star rating (end of 2019: 4 out of 5) with a trust score of 4 out of 5 (2019: 3.9 out of 5).

We are supportive of Government plans to introduce an independent ombudsman service for the new build sector. We expect this to be introduced in 2021 and we will sign up to its code of conduct. We have been working with the HBF and others in our industry to align to the expected new requirements in areas such as complaints handling and customer rights to pre-inspection of new properties.

Greener living
We conducted research with over 1,000 consumers around the UK in 2020 to explore attitudes to the environment and sustainable living. Our research shows that environmental issues are becoming increasingly important.

New house type range

Our new standard house types have been designed to reflect four years of customer insights. The range includes a reduced number of house types which will provide operational and procurement benefits and help improve quality and consistency for our customers.

The new range incorporates more open plan living, more natural light and improved storage, reflecting customer feedback and the results of our R&D. The house types also offer more flexible living with adaptable work study spaces and at least one study area per home, which will make it easier for our customers to work and study from home and reduce their travel footprint.

Emerging stronger for our stakeholders continued

Our employees

We want to be known as the employer of choice in our sector and beyond, recruiting a diverse workforce and offering industry-leading development opportunities.

Material issues

Progress for 2020

- Named in the Glassdoor top 50 places to work for the fourth year running
- Many of our employees have stepped forward to volunteer for the NHS and support local communities and charities
- Launched our new Code of Conduct
- Once again recognised in the NHBC Pride in the Job Awards, achieving a total of 53 Quality Awards (2019: 66), 19 Seal of Excellence Awards (2019: 16) and two Regional Awards in 2020 (2019: two)
- Launched our updated two part induction process 'Laying the Foundations' including content on our commitment to customers, and diversity and inclusion
- Introduced new measures to support our colleagues' health and wellbeing throughout the pandemic
- Retained commitment to equality of opportunity in all employment practices
- 92% of employees agreed that their Line Manager values different perspectives, beliefs, values and abilities

Priorities for 2021

- Launch our updated Equality, Diversity and Inclusion policy, Maternity, Paternity and Adoption Leave policy, and first Menopause policy
- Remain committed to equality of opportunity in all of our employment practices, policies and procedures across the business
- Introduce reverse mentoring with LGBTQ+ colleagues

BM Read more on pages 20 and 21

Read more on pages 24 and 25

Link to SDGs

During 2020 we have continued to implement our people strategy while adapting how we work in response to the pandemic.

Health and safety

Health and safety is a shared responsibility and always comes first at Taylor Wimpey. Whilst cost and process simplification is a key priority for our business in 2021, health and safety is not an area that we are prepared to compromise on. Building sites are, by their very nature, dangerous and so we do everything we possibly can to minimise those risks. We embed a safety culture through training, awareness and visible health and safety leadership. We are pleased that our Annual Injury Incidence Rate (AIIR) has reduced further to 151 in 2020 (2019: 156) and our AIIR for reportable injuries per 100,000 employees and contractors remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, but we will continue to seek to improve this. Our AIIR for major injuries per 100,000 employees and contractors was 58 in 2020 (2019: 44). There were no health and safety prosecutions or improvement notices in 2020.

Our Health, Safety and Environmental (HSE) Management System covers all business activities, and we have specific HSE plans for every site.

Our culture and people

We aim to create a strong, positive work culture at Taylor Wimpey, guided by our purpose and values. Our updated Code of Conduct was launched in 2020, setting out the high standards of integrity and conduct we expect. Our culture makes us stand out and we aspire to be the employer of choice in our sector, offering a unique and valued employee experience, and something different to the rest of the industry. We were pleased to have been named in the top 50 places to work in the UK for 2021, by Glassdoor, as voted for by employees, for the fourth consecutive year and in the top 10 companies for work-life balance during the pandemic.

We are very proud of the efforts of our teams through this testing time. Many of our employees have stepped forward to volunteer for the NHS and support local communities and charities.

During 2020, we directly employed, on average, 5,948 people across the UK (2019: 5,796) and provided opportunities for, on average, a further 12.3k operatives on our sites (2019: 14.6k). Our voluntary employee turnover rate remained low at 9.4% (2019: 12.9%).

In 2020, we undertook a detailed review of our organisational and cost structure to ensure that we continue to operate efficiently in a changing market. More information can be found on pages 9 to 11. Throughout this time we continued to engage with employees and remained committed to ensuring everyone was treated fairly and with respect.

Skills and development

With a well known shortage of skills, we have taken a proactive approach to our early talent programmes and direct labour model. We have reviewed this in line with our cost and efficiency approach. We have a strong talent pipeline balanced with an efficient engine room. We currently directly employ 1,038 key trades including apprentices (2019: 1,169). Entry level positions make up around 14% of our total workforce (2019: 16%).

We provide a wide range of training focusing on three areas: management and leadership; personal development skills and technical knowledge; and capabilities. The pandemic provided an opportunity to change how we deliver training, using technology and new formats to reach more people and introducing more bite size content. Over 2,500 employees attended online masterclasses and over 4,000 viewed our how-to videos during 2020.

Our technical academies cover production, sales and customer service providing structured career and skills development, and enable employees to gain a formal qualification. Over 1,500 employees have enrolled on or completed academy courses.

Building a diverse workforce

Diversity and inclusion (D&I) is a key area we want to actively improve. This will enable us to better understand our customer base, widen our potential talent pool and makes for productive and effective teams.

Our D&I Steering Committee is chaired by a member of our GMT. Each regional business has a Diversity Champion who works with the Managing Director to develop and deliver a local D&I action plan. All new employees are required to complete our online Diversity & Inclusion e-learning and it is mandatory for senior leaders to complete Open Minds unconscious bias training.

The Company is committed to ensuring that people with disabilities are treated fairly, supported and encouraged to apply for employment and to progress and receive training once employed. Working with key partners, we hope to increase permanent and secondment opportunities for people with disabilities.

We released our 2021 Gender Pay Gap Report which showed a negative gender pay gap of -6%, meaning that females received more pay than males at our snapshot date of 5 April 2020, though the data was impacted by employees on furlough.

Overall we have a gender mix of 70% male and 30% female across the Company. As at 31 December 2020, the Board is 50% female and GMT is 40%. We are making some progress increasing diversity in recruitment. For example, for our management trainee programme we reached 36% women and 14% black, Asian and minority ethnic (BAME) among new recruits. Among graduate recruits 55% were women and 9% were BAME.

We ran our second D&I conference virtually in 2020 with over 110 attendees including our D&I Champions, Managing Directors and Divisional Chairs. This reviewed our progress to date, our plans for the year ahead and included a panel discussion on Black Lives Matter and how Taylor Wimpey can be a consciously anti-racist organisation. We began a Reverse Mentoring pilot for eight senior leaders who were partnered with BAME employees.

We retained our commitment in 2020 to equality of opportunity in all of our employment practices, policies and procedures across the business. In 2021, we will be launching our new Equality, Diversity and Inclusion policy and remain committed to equality.

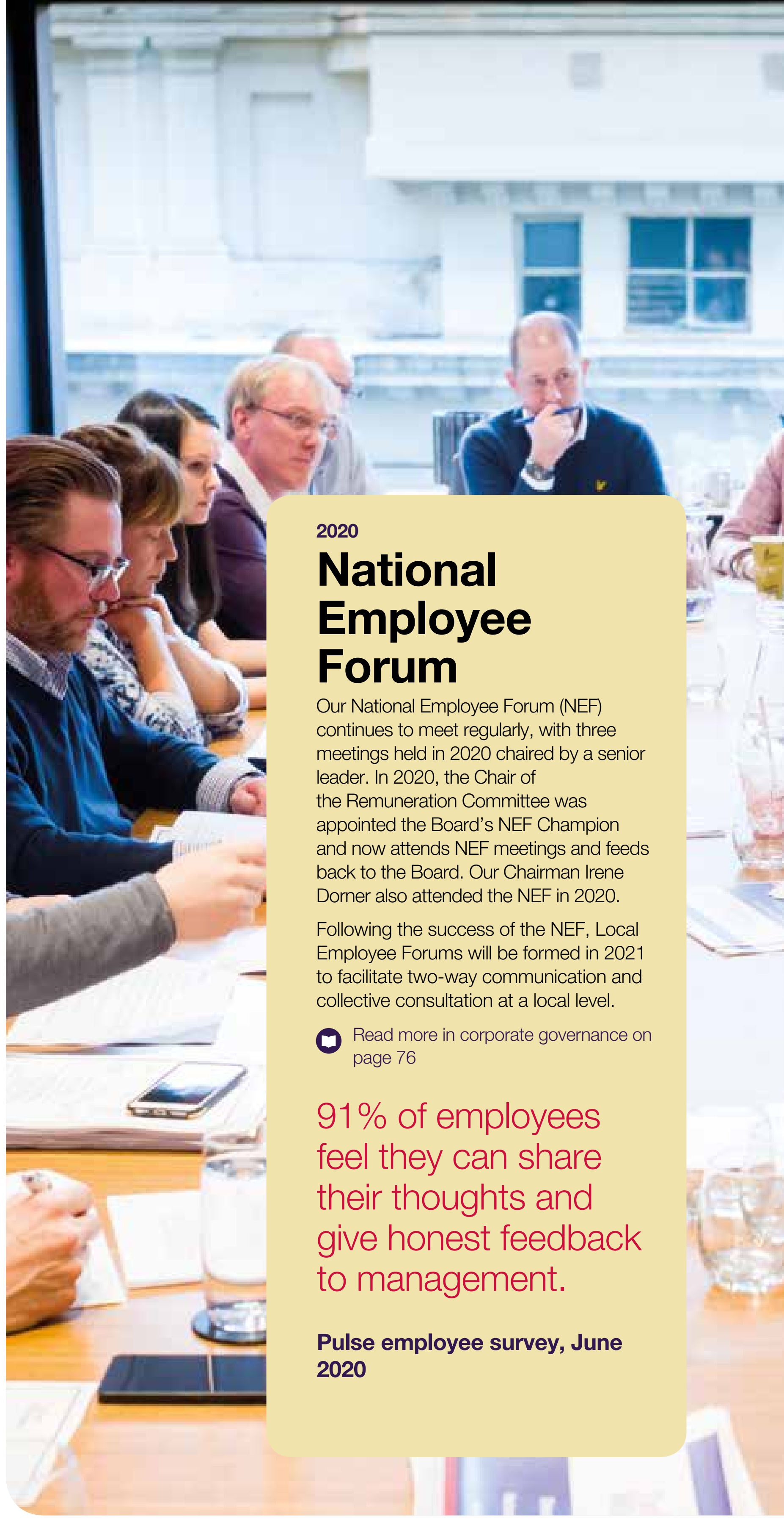
Supporting employees during the pandemic

During the pandemic, we introduced new measures to support colleagues to look after themselves whether they remained at work, were on furlough or working from home. This included a free digital GP service for all employees. We also provided wellbeing training for line managers to help them support staff working remotely and launched wellbeing coaching sessions covering topics such as work-life balance, healthy lifestyles and goal setting.

We supported our colleagues on furlough with their full base pay and implemented revised remuneration arrangements for colleagues who usually receive high levels of variable pay, such as sales staff. Colleagues who were not furloughed through the lockdown were given extra time off in-lieu to make up for their work during the crisis. We also extended emergency leave and introduced special leave for those unable to work their full hours, for example due to family commitments. We were able to emerge from the shutdown in a strong financial position and paid back all of the funds we received through the Government's Job Retention Scheme.

The Board took a voluntary 30% cut in salary and pension during the early stages of the COVID-19 pandemic in April until the end of July, when our sites, which reopened in May, returned to more normal levels of production.

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. During 2020 we ran three 'pulse' surveys which were designed to provide a temperature check on employees' engagement on key topics.



2020

National Employee Forum

Our National Employee Forum (NEF) continues to meet regularly, with three meetings held in 2020 chaired by a senior leader. In 2020, the Chair of the Remuneration Committee was appointed the Board's NEF Champion and now attends NEF meetings and feeds back to the Board. Our Chairman Irene Dorner also attended the NEF in 2020.

Following the success of the NEF, Local Employee Forums will be formed in 2021 to facilitate two-way communication and collective consultation at a local level.

Read more in corporate governance on page 76

91% of employees feel they can share their thoughts and give honest feedback to management.

Pulse employee survey, June 2020

March

Regular and open communication

Employees received regular communications from the outset of the pandemic, including updates from our CEO on key business decisions, Q&A sessions and a dedicated email address for employees to share their views and ideas with management.

April

Learning and development

A series of masterclasses which took place between April and June covered a range of topics and proved popular with employees across the business, with over 2,500 attendees.

May

New careers site

As part of the redevelopment of the Company's website, we re-launched the careers section, making it easier for candidates to learn about the culture and explore career opportunities at Taylor Wimpey.

July

Diversity and inclusion

Our second D&I conference was held virtually with over 110 attendees and covered a range of topics including remote and flexible working and the Company's Reverse Mentoring scheme.

Emerging stronger for our stakeholders continued

Our partners

Our partnerships are very important to us and we take that responsibility seriously. We strongly believe that the best partnerships are fair and mutually beneficial.

Material issues

Progress for 2020

- Launched the Taylor Wimpey Pay It Forward Scheme for subcontractors
- Provided clear and regular communications for our suppliers and subcontractors during the pandemic
- Our colleagues raised over £70k for charity by taking part in the Taylor Wimpey Isolation Charity Challenge
- Introduced a COVID-19 Code of Conduct to keep our partners safe on site

Priorities for 2021

- Continue to develop on site training, competency and site-based audit programme in collaboration with our supply chain to have full nationwide coverage by spring 2021
- Integrate sustainability compliance into the tender process for central suppliers
- Hold our Taylor Wimpey Challenge and participate in the Housebuilders Challenge event, COVID-19 restrictions permitting

BM Read more on page 21

Link to SDGs

1 NO POVERTY · 8 DECENT WORK AND ECONOMIC GROWTH · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Supporting subcontractors in the pandemic
During the first stages of the COVID-19 pandemic we introduced our 'Taylor Wimpey Pay It Forward Scheme', providing advance payments for future work done by subcontractors where we have a long-term relationship. This was aimed at self-employed individuals who either did not benefit from the Government's Self-employment Income Support Scheme or may have experienced significant hardship before that scheme started to make payments. This helped us to maintain strong links with our subcontractors and quickly begin working with them again once the crisis eased. We also made our employee helpline available so subcontractors could get support and guidance on a range of topics including finances, budgeting, stress and anxiety, or use our mental health and wellbeing app.

Supply chain
We want to work in collaboration with our supply chain to deliver greater quality and efficiency, with national agreements a key tool to optimise our purchasing power. Collaboration brings benefits and the potential for cost savings for both Taylor Wimpey but also our suppliers. This includes increasing efficiency by reducing stock items and improving visibility on programming for material demands.

We continue to work to improve our relationships with our supply chain, both in procurement and via Taylor Wimpey Logistics, to deliver solutions to build quality and efficiency issues on an ongoing basis. Taylor Wimpey Logistics plays an important part in our supply chain management, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the build process.

We have been reviewing how we train people by leveraging technology, firstly with online supplier masterclasses hosted by our Supply Chain partners throughout 2020, and by launching a Nationwide Supplier Training programme with site and installation teams to provide expert supplier knowledge and information to the workforce. We have engaged with our incumbent suppliers to develop a focused on-site training, competency and site-based audit programme for site teams, direct trades and subcontractors, that will be delivered by the suppliers' technical representatives supporting 'right first time' and improving quality which enables us to provide a better-quality customer experience. We will continue to develop this platform in collaboration with our supply chain to have full nationwide coverage by spring 2021.

Charity partnerships
During 2020, we continued our partnership with our national charities as well as local charity partners across the UK albeit meetings were held virtually this year. The Charity Committee oversees and prioritises our national charity donations and includes a variety of employees across the business. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. When the COVID-19 crisis hit we contacted our charity partners to understand how it was affecting them and ask how we could best support them.

In total, during 2020, we donated and fundraised over £668,000 for registered charities (2019: over £1.1 million). We held a number of virtual fundraising challenges and made donations to support our charity partners through this difficult year. This included a company-wide Isolation Challenge that raised over £70,000. The money was shared between NHS charities, Crisis and Childline. More information about our charity partnerships and local sponsorships can be found within our Sustainability Report.

When the pandemic struck the UK in early 2020, our colleagues across the business got involved to support those affected in their local communities. We donated our surplus supplies of PPE to local NHS and care organisations, which were packed and delivered by employees. Taylor Wimpey Logistics also used its supplier contacts to purchase additional PPE for hospitals and care homes. In total we were able to buy and deliver 150,000 aprons, 75,000 pairs of gloves and 150,000 masks to over 50 care homes and hospitals.

Local Planning Authorities
We aim to work constructively with planning authorities to agree the details of our planning obligations for each development, including affordable housing, local infrastructure and facilities.

We use the results of our community engagement to help us develop planning proposals that are financially viable and meet local needs. Each planning application integrates a clear development plan, enabling planning authorities to monitor progress. As at 31 December 2020, we were building on 96% of sites with implementable planning.

Working with local and central Government
We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), the MHCLG and other public sector organisations to understand their priorities and share our views.

As well as site-specific engagement, we participate in the development of strategic frameworks, Local Plans and Neighbourhood Plans, which consider broader development needs and enable local people to shape new developments in their area.

We engage with central Government on issues relating to planning and sustainability. In 2020, this included: the Planning for the Future White Paper, COVID-19 impact on the planning system, Building a Safer Future, and the Future Homes Standard. More information is included in our Sustainability report.

We engage with Government through our membership of industry organisations such as the HBF and the British Property Federation.

We are members of five Homes England regional Delivery Partner Panels.

Working with suppliers on HSE
We work closely with suppliers and subcontractors on safety. Our approach includes risk assessment and vetting procedures to confirm that all subcontractors have the right knowledge, skills, resources and experience to manage health and safety to our standards. Our 'Operative's Journey' process includes our HSE site induction, regular poster campaigns and site safe briefings and we have HSE site support teams that participate in monitoring and improving site safety.

Our Supply Chain Policy and Supplier Code of Conduct summarise our supplier standards for safety, quality, ethics, human rights and the environment. In 2020, we established a Sustainable Procurement Working Group to further develop our approach to engaging suppliers on sustainability issues.

Human rights and modern slavery
We respect the human rights of our employees, workers in our supply chain, customers, people in the communities in which we operate and others affected by our business activities. We are guided in our approach by international standards such as the United Nations' Universal Declaration of Human Rights and the European Convention on Human Rights.

We respect the rights of our employees and those working on our behalf, including the rights to freedom of assembly and association and non-discrimination. Our work on issues such as health, safety, diversity and the environment supports our commitment to uphold human rights.

We do not tolerate any form of slavery, forced labour, child labour or human trafficking in our business or supply chain. We have established our Modern Slavery Act multidisciplinary working party, to oversee our approach to due diligence and our work with suppliers to reduce modern slavery risks.

More information is available in our Modern Slavery Act Statement.

April

Pay it Forward

The Taylor Wimpey Pay it Forward Scheme offered support to self-employed subcontractors who lost income during the lockdown.

As well as providing support for trusted subcontractors, the scheme also helped the Company to maintain strong relationships with trusted partners and ensured we were able to swiftly re-mobilise our construction sites with sufficient resource and support.

> "It's not a 'them' and 'us' culture with subcontractor relationships, but very much a team approach to achieve the best possible outcomes, at all times."
>
> **Contractor**

April
Open and honest communications
Communications from a Group and regional level, including weekly calls with suppliers and subcontractors ensured our partners were kept up to date with key messages, including our re-mobilisation strategy and new ways of working.

May
Taylor Wimpey Isolation Challenge
A Company-wide isolation activity challenge raised over £70,000 for charity. The money was shared between NHS Charities Together, Crisis and Childline.

June
Engaging our suppliers
A Sustainable Procurement Working Group was established to further develop our approach to engaging suppliers on sustainability issues.

July
Working with Government
We engaged with local and central Government on issues relating to planning and sustainability, including the Planning for the Future White Paper, the Future Homes Standard and Building a safer future.

Emerging stronger for our stakeholders continued

Our investors

Our focus has been to protect the business in the short term while ensuring we position ourselves to take advantage of opportunities which will strengthen the business for the future and increase shareholder returns.

Material issues

Progress for 2020

- Successfully completed an equity raise of £510 million by issuing new shares in order to take advantage of attractive opportunities in the land market
- Made progress in aligning with the SASB disclosure framework and will disclose our performance against most of the criteria identified for our sector in our Sustainability Report for the first time this year
- Completed a detailed review of our organisational and cost structure which will result in annualised savings from 2021
- Included in Standard & Poor's Sustainability Yearbook 2021

Priorities for 2021

- Implement our new environmental strategy
- Deliver annualised savings of c.£16 million from 2021 as a result of organisational and cost restructure (with the costs to achieve these of £12 million incurred in 2020)
- Make progress towards our medium term operating profit margin of c.21-22%
- Move towards integrated reporting supported by an ESG Addendum, reflecting the Company's increased focus on ESG

BM Read more on page 21

Read more on pages 24 and 25

Read more about our investment case on pages 16 and 17

We run our business for the long term and so sustainability in the widest sense has been always been a key underpin to our culture and way of doing business. The Group has a robust balance sheet and a growing high-quality landbank, which will enable us to grow the business whilst generating compelling returns.

Our primary performance focus is on returning the business to c.21-22% operating profit margin and we continue to target a number of areas to achieve this; focused on cost, process simplification and enhancing the core drivers of value for our business. In November 2020, we announced that we had undertaken a detailed review of our organisational and cost structure in addition to cost reduction and management programmes already in place. We have delivered the planned savings outlined in November 2020, which will be realised from the beginning of 2021. These changes will not affect the ability of the business to generate future growth or to deliver a high-quality product and service to our customers.

We continued to prioritise opening new outlets throughout 2020 and remain focused on developing our new land acquisitions through the planning system and opening new outlets efficiently.

More information on guidance for 2021 can be found on page 17.

Equity raise

Our focus has been to protect the business in the short term while ensuring we position ourselves to take advantage of opportunities which will strengthen the business for the future and increase shareholder returns. This includes significant investment in land, given the short term opportunity, and investing in and opening new sales outlets, which we expect to continue to grow in the medium term.

On 17 June 2020 we announced an opportunity-led equity raise where we raised net proceeds of £510 million to take advantage of near term opportunities. These investments, which are continuing to meet our returns criteria, will support sustainable future growth and deliver long term value to shareholders. More information can be found on pages 12 to 13.

Shareholder returns

It continues to be our aim to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn'.

Ordinary Dividend Policy

Our Ordinary Dividend Policy is to pay out to shareholders approximately 7.5% of net assets, which will be at least £250 million per annum, paid in two equal instalments in May and November.

We propose to resume ordinary dividend payments in May 2021, starting with the 2020 final dividend payment of 4.14 pence per share equating to c.£151 million, subject to shareholder approval at the AGM.

This means that, in the 2021 calendar year, we intend to return c.£301 million in cash (c.8.28 pence per share) via the payment of the 2020 final dividend in May subject to shareholder approval and the 2021 interim dividend in November.

Approach to return of excess capital

As we look forward, our intention remains to return cash generated by the business in excess of that needed by the Group to fund land investment, all working capital, taxation and other cash requirements of the business, and once the ordinary dividend has been met.

We are not proposing to return excess capital in 2021. We will review the level of excess capital and potential return in respect of 2021 at the time of the 2021 full year results in February 2022, for payment in 2022.

This represents a shorter period between proposing and distributing excess capital returns and we expect to continue with this timing going forward.

The method of returning excess capital, either by way of special dividend or share buyback, will be considered at the appropriate time.

Approach to ESG

We maintain a dialogue with investors on our approach to managing environmental, social and governance risks, including implementing the recommendations of the Task Force on Climate-related Financial Disclosures. More information can be found on page 44. We are also disclosing our performance against the criteria identified for our sector by the Sustainability Accounting Standards Board, in our Sustainability Report for the first time this year. More detail on our approach to ESG risks is included in the risk section and our Sustainability Report.

Reflecting the importance of ESG issues, we are moving towards integrated reporting. We have increased disclosure of ESG topics in our Annual Report and Accounts this year. In 2022, our goal is to publish an integrated report supported by our sustainability web pages and an ESG Addendum for social and environmental performance data.

We are a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices.

We participate in the CDP Climate report and received a score of B in 2020 (2019: B) and in CDP Water, scoring B (2019: B). We also participate in CDP Forests, disclosing our approach to timber sourcing and received a B rating in 2020 (2019: C). We received a Supplier Engagement rating of A- from CDP for our approach to engaging suppliers on climate change.

We are a member of Next Generation, a rigorous and detailed sustainability performance benchmark of the UK's largest homebuilders, and were awarded silver in 2020.

Research and development

Our R&D initiatives span our Supply Chain, HSE, Design and Production and the Sustainability functions and are responsible for introducing technology advancements and process efficiencies that improve quality and operational delivery and seek to add value through continuous improvement.

In 2020, the focus was on quality improvements and regulatory changes such as the impacts of the Future Homes Standard. We committed to funding a PhD with the University of Birmingham to investigate cost-effective scalable construction solutions and strategies to overcome overheating and improve the indoor environmental quality of future new homes as the regulatory changes drive increased thermal efficiency and air tightness.

Throughout the year we worked with universities and experts to explore the impacts of future regulatory requirements to design, specification, and health and wellbeing in new homes. The R&D teams are currently trialling a range of energy efficient and low carbon technologies including energy efficient lintels, Wastewater Heat Recovery, and Flue Gas Heat Recovery systems. This will help us to meet our climate change targets and comply with expected changes to building regulations.

We continually assess modern methods of construction (MMC) trialling those that meet regulations, deliver quality, are safe and comfortable for our customers and can deliver at scale with a robust and reliable supply chain. In the short to medium term, combining traditional construction with panellised MMC components and panellised construction such as Timber Frame will continue to fuel practical innovation.

2021

Engaging with our investors on sustainability

A major investor engaged with us over our approach to sustainability reporting. The investor wanted to see reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) metrics.

We continue to align our climate reporting to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) but had not previously formally reported against SASB standards.

Management requested a review, led by our Director of Sustainability, to establish our ability to report against SASB requirements and establish the processes necessary for data collection.

We also engaged directly with SASB to ensure we correctly understood its requirements and are now reporting against the majority of its disclosure criteria for our sector in our 2020 Sustainability Report and will work to further improve our alignment over time.

SR Read more in our 2020 Sustainability Report

March

Cash preservation

Implemented measures early in the pandemic to manage our working capital, including pausing discretionary land spend, cancelling the ordinary and special dividends and drawing down our Revolving Credit facility.

June

Equity raise

Raised net proceeds of £510 million by issuing new shares to take advantage of near term opportunities in the land market.

October

Chairman's roadshow

The Chairman met a number of key investors during a virtual roadshow. Topics discussed included ESG and the Board's involvement in strategic decisions.

November

Organisational review

Completed detailed review of our organisational and cost structure. Removed a tier of operational management and rationalised our London structure delivering annual cost savings of c.£16 million.

Our communities

We want communities to welcome Taylor Wimpey to their area and recognise the positive contribution we can make to their existing community, as well as trusting us with the responsibility of creating a new one.

Material issues

Progress for 2020

- Supplied and delivered PPE to over 50 care organisations in our local communities
- Signed the Social Mobility Pledge, signalling our commitment to boost opportunity and social mobility
- Adopted virtual consultation methods so community engagement could continue safely during the pandemic
- Developed our new environmental strategy and set a science-based carbon reduction target

Priorities for 2021

- Update our placemaking training and review our placemaking guidance on cycling
- Continue to strengthen our engagement and relationship with the local communities in which we operate

BM Read more on page 21

Link to SDGs

We know housebuilding, particularly in its early stages, can be disruptive. In order to mitigate this, we seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of the development. It has been increasingly important to be more innovative in seeking ways to engage and connect with communities. We continued to progress planning through the shutdown period and run community meetings virtually. We were pleased to have achieved the UK's first significant planning permission remotely.

We seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments. Our Community Communications Plan launched in 2019 covers the whole development process from planning to after construction finishes. It ensures we take a consistent approach across our sites and helps our teams organise activities and events that foster relationships between the new and existing community.

Community engagement

We build in communities for years, making a significant impact on the area and its people. We aim to build good relationships with local people throughout this time by communicating proactively and consistently.

Every one of our sites has a tailored planning and community engagement strategy and a clear point of contact. We use a range of methods to inform local people about our plans, including our website, meetings, exhibitions, workshops and information boards. We aim to reach a wide range of stakeholders including neighbouring residents and property owners, potential customers, local authorities, businesses, schools and other groups.

During 2020, we issued guidance to our planning teams on how to use virtual consultation methods to allow engagement to continue safely during the pandemic.

Infrastructure and facilities

We invest in infrastructure and facilities that help make our developments great places to live. This includes affordable housing, green spaces, community and leisure facilities, transport infrastructure, educational funding, jobs for local people and public art. In 2020, we contributed £287 million to the local communities in which we build across the UK via planning obligations (2019: £447 million), the reduction reflecting the lower building activity due to COVID-19. Our teams across the business get involved in local life, organising competitions with primary schools, and sponsoring local sports clubs, as part of their daily working life. In addition, we contributed over £94k to other organisations, such as scout groups, local football teams and various local community causes (2019: £129k).

Affordable homes

A lack of affordable housing is one of the biggest challenges facing people across the UK with rising house prices and rents and younger generations waiting longer to get on the housing ladder. We work with local authorities and registered provider partners (housing associations) to integrate high-quality social housing on our developments.

We can a play a part in addressing these problems, by creating quality homes for a wide range of people and exploring new initiatives to improve affordability and encourage homeownership.

The majority of our developments include affordable social housing (homes made available at below market rates including social rent, affordable rent, low-cost home ownership and discount market sale tenures) which are negotiated as part of planning obligations. In 2020, around 20% of our completions were designated affordable (2019: 23%).

Social mobility

We have signed the Social Mobility Pledge, an initiative by former MP Justine Greening, signalling our commitment to boost opportunity and social mobility. We have developed an Opportunity Action Plan setting out how we do this focusing on four areas: helping to tackle homelessness; building employability for disadvantaged people; developing construction skills; and diversity and inclusion.

Placemaking

Good placemaking is important, both for long term customer attraction and long term satisfaction. Our customer research shows a clear relationship between good placemaking and long term customer satisfaction.

Increasingly, we aim to install infrastructure at an early stage. This can help in the successful development of a new community, increase sales by making new developments more desirable to prospective buyers and provide new facilities to benefit existing residents. We are equipping our teams to plan, design and deliver schemes that promote social, environmental and economic sustainability and the wellbeing of future residents.

Our placemaking standards are based on best practice such as the Building for a Healthy Life framework, and incorporate criteria to help us create attractive, successful and healthy communities for the long term. We have an Urban Designer and a Director of Design who work with our teams on placemaking. We have appointed a Design Lead in each of our regional businesses. Our e-learning Design Academy covers the core principles of urban design and how to create sustainable communities. Our third internal competition recognised colleagues for best practice placemaking.

Two of our schemes were shortlisted at the National Housing Design Awards, which promote excellence, innovation and sustainability in housing scheme design. Our Whitehill & Bordon development won a National Planning Award and a second scheme was shortlisted.

Sustainable homes and lifestyles

We conducted research with over 1,000 consumers around the UK in 2020 to explore attitudes to the environment and sustainable living. 43% said that environmental performance was an important factor in choosing who to buy a new home from. Our homes already integrate features to help customers reduce their environmental footprint and live a more sustainable lifestyle and with our new environment strategy we'll be helping customers to reduce waste, save water and encourage nature in their garden. More information can be found in our Sustainability Report.

Enabling sustainable travel

We aim to design walkable neighbourhoods that prioritise pedestrians and cyclists and where customers can enjoy an active lifestyle and make sustainable transport choices. Our placemaking standards encourage layouts that integrate paths and cycle routes that connect with existing networks and street design that encourages slower vehicle speeds and safer cycling conditions. We invest in public and community transport, walkways and cycle paths through our planning obligations and aim to install this infrastructure at an early stage.

April

Virtual planning success

A planning application submitted by Taylor Wimpey became one of the first major schemes to be approved using the virtual planning committees and rules brought in during the pandemic.

The plans for Coronation Square in Waltham Forest include 750 new homes, of which 50% will be affordable, a range of new community facilities as well as shops, cafes and flexible commercial facilities.

Taylor Wimpey is working with Waltham Forest Council to revitalise the area as part of a major joint regeneration project in Leyton, London.

April

Social Mobility Pledge

Signed the Social Mobility Pledge, signalling our commitment to boost opportunity and social mobility.

May

Virtual consultations

Adopted virtual consultation methods so community engagement could continue safely during the pandemic.

June

Assessing sustainability

Rolled out our new digital platform LEADR (Land and Environment Assessment of Development Risk) for assessing and managing sustainability risks at site level.

July

Greener living

Conducted research with consumers around the UK to help us engage customers on environmental issues and explore how we can make it easier for customers to adopt sustainable habits.

Environmental strategy

Building a better world

Our environment strategy

Our business has a significant environmental footprint through the resources we use and the emissions associated with our operations, supply chain and the homes we build. We will also be affected by the physical impacts of climate change and new legislation. We know from our research that customers are increasingly engaged on environmental subjects and many have a desire to live more sustainably.

Most importantly, climate change, declining nature and other environmental problems are increasingly becoming a threat to the wellbeing of people today and future generations. We want to play our part in addressing these challenges and we have a great opportunity to do so. Through our operations we can positively impact the local environment in hundreds of locations around the UK and, through the homes and places we build, we can enable our customers to live more sustainably.

In 2020, we have reviewed our approach to the environment and developed a new set of challenging targets. The launch of our environment strategy, which was delayed until 2021 as we waited for the details of the new Future Homes Standard regulation to ensure our compliance, will allow us to play our part in creating a greener, healthier future for our customers, colleagues and communities.

Development of our strategy has been informed by our materiality assessment, risk management processes and stakeholder feedback, including investor feedback and the research with our customers. It has been reviewed and approved by our Board of Directors.

A full list of our supporting targets can be found in our 2020 Sustainability Report.

Read more about our strategy and targets in our Sustainability Report at www.taylorwimpey.co.uk/corporate/sustainability

Vision and commitment

Building a better world

Our world – our home – is in trouble and we aren't standing on the side lines watching. We want to be part of the solution – working together to minimise the impact we have on climate change and protecting our planet for future generations. We're committing to challenging, measurable targets based on science, to making changes in the way we work and to reducing our footprint. By thinking globally and acting locally, we will play our part to create a greener, healthier home for us all. Let's build a better world together.

Our priorities

Climate change	Nature	Resources and waste
Protect our planet and our future by playing our part in the global fight to stop climate change.	Improve access to and enable enjoyment of nature for customers and communities by regenerating the natural environment on our developments.	Protect the environment and improve efficiency for our business and our customers by using fewer and more sustainable resources.

Strategic objectives

Achieve our science-based carbon reduction target: – Reduce operational carbon emissions intensity by 36% by 2025 from a 2019 baseline – Reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030 from a 2019 baseline	Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021.	Cut our waste intensity by 15% by 2025 and use more recycled materials. By 2022, publish a 'towards zero waste' strategy for our sites.

Climate and energy

Climate change is the most significant global environmental threat and we are determined to play our part in tackling it.

In early 2021, we published our ambitious science-based carbon reduction target which has been approved by the Science Based Targets initiative (SBTi) and replaces our previous carbon reduction target. The SBTi has confirmed that our operational target is consistent with reductions required to keep warming to 1.5°C, the most ambitious goal of the Paris Agreement. Our scope 3 goal meets the SBTi's criteria for ambitious value chain goals, in line with current best practice.

We have achieved an absolute reduction in emissions of 39% since 2013, and reduced our carbon emissions intensity by 30% since 2013. The pandemic and lockdown affected our year on year performance with absolute emissions falling but emissions intensity increasing. While we completed less floor space than the previous year, we continued to use energy on our sites even when construction was halted, for example to run IT systems, street lighting and pumping stations. On return to sites, homes took on average longer to complete and sell due to the need for social distancing measures and other factors meaning that energy use per plot increased. We expect to see a downward trend in 2021 as we return to more normal operating conditions and implement our environmental strategy. More information on our greenhouse gas emissions data can be found below.

Giving nature a home on our sites

We want to improve access to nature for our customers and communities by regenerating the natural environment on our developments. Developments can contribute to biodiversity loss but with the right approach, we can use our sites to protect, enhance and even increase biodiversity. Our new target is to increase natural habitats by 10% on new sites and include our priority wildlife enhancements from 2021.

In 2021, we will be partnering with Hedgehog Street, a campaign by the British Hedgehog Preservation Society and People's Trust for Endangered Species, to introduce hedgehog highways on all suitable new sites. We are also working with Buglife, to support their B-Lines campaign and ensure our sites include pollinator and wildlife friendly planting. We will be piloting our first B-Line site in 2021.

Resources and waste

We aim to protect the environment and improve efficiency for our business and our customers by using fewer and more sustainable resources. Our new target is to reduce waste intensity by 15% by 2025. We engage our teams on waste reduction through: our Waste Dos and Don'ts guide and induction process for site teams; a waste league table for our regional businesses; and 15% of the potential production bonus for Site Managers is linked to performance on waste reduction.

The materials we purchase have a significant environmental impact from extraction and processing, to manufacturing and transport. We want to work with suppliers to reduce these impacts and promote the use of recycled and renewable materials. Integrating sustainability into our sourcing strategy can also improve resilience to future resource shortages and price rises.

Sustainability and landbuying

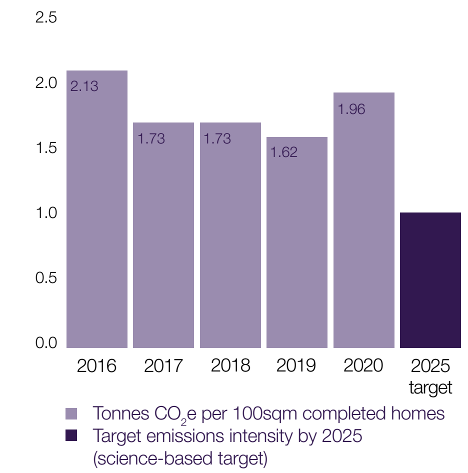
We take account of sustainability issues from the start of the landbuying process including flood risk, sustainable transport and promoting local economic development.

We review each potential piece of land against the Government's National Planning Policy Framework (NPPF), which aims to ensure that developments are economically, socially and environmentally sustainable. We also have our own internal processes and guidance documents that help our teams identify and address relevant sustainability issues for each site.

We transform derelict or contaminated land into new communities, which helps support urban regeneration. Around 25% of our homes in 2020 were built on brownfield land (2019: 29%).

We take the risk of flooding on our developments extremely seriously and identify potential flood risk as part of our site selection process. We use the Environment Agency's flood mapping tools, and take account of their input during our planning consultations. We do not buy land unless we can mitigate flood risk.

Greenhouse gas emissions intensity (scope 1 and 2 emissions per 100 sqm of completed homes)



Greenhouse gas emissions (scope 1, 2 and 3) and energy use for the period 1 January 2020 – 31 December 2020

		2020	2019	2018	2017	2016
Scope 1 GHG emissions – combustion of fuel	tonnes CO_2e	**16,522**	21,018	20,328	18,889	17,983
Scope 2 GHG emissions – market based	tonnes CO_2e	**1,981**	3,563	4,509	4,794	10,827
Scope 2 GHG emissions - location based	tonnes CO_2e	**5,272**	6,172	6,892	8,236	10,417
Total scopes 1 and 2 – market based	tonnes CO_2e	**18,503**	24,581	24,837	23,683	28,809
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO_2e/100 sqm	**1.96**	1.62	1.73	1.73	2.13
Total scope 3 emissions	tonnes CO_2e	**1,961,431**	3,869,583	2,171,973	1,826,183	1,963,775
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	**85,442**	101,352	95,170	89,550	92,236
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	**9.3**	6.8	6.8	6.5	6.8

Data is provided as tonnes of carbon dioxide equivalent (CO_2e) 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 categories 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 also included our scope 2 emissions calculated using the location-based method.
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.
The following sources of emissions were excluded or part-excluded from this report:
1. Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring data
2. Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type
3. Certain emissions from District Heating Schemes where we are receiving a rebate from customers prior to handover to the long term operator
4. Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other homebuilders have captured MCR-related data

See our Carbon Reporting Methodology Statement at www.taylorwimpey.co.uk/corporate/sustainability for more detail on our calculations.
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 96,195 MWh (2019: 116,207 MWh).
98.9% of this total energy consumption is from the UK and offshore areas and 1.1% from Spain. 98.3% of total scope 1 and scope 2 emissions are from the UK and offshore areas and 1.66% from Spain. During the last year, we have worked to reduce 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.

Task Force on Climate-related Financial Disclosures

Responding to our climate risks

Climate change will affect where and how we build our homes with increased risks from flooding and over heating. Increased regulation on climate change will affect our business and, with almost three-quarters of the UK's local authorities declaring a climate emergency, we expect additional requirements through the planning process.

Responding to the Task Force on Climate-related Financial Disclosures (TCFD)
We have governance and risk management systems in place to help us achieve our carbon reduction target and reduce climate-related risks to the business. We support the aims of the TCFD and aim to increase our disclosure in line with its recommendations, see table below. We will provide an enhanced summary of our approach in our 2021 Annual Report and Accounts, and we will also publish a separate detailed TCFD supplement.

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. We are the first homebuilder to achieve this.

Further information on our approach to climate risk is included in our submission to the CDP Climate report, which we publish on our website. We received a score of B for 2020.

We received a Supplier Engagement rating of A- from CDP in 2020 for our approach to engaging suppliers on climate change.

Our approach to managing climate change-related risk and opportunity

Governance

Our Legacy, Engagement and Action for the Future (LEAF) committee, chaired by a member of our Group Management Team (GMT), is responsible for reviewing climate strategy, risks and opportunities and meets four times a year. The LEAF Chair and Director of Sustainability attend Board meetings at appropriate times during the year, either to discuss strategic direction, request specific approvals, or to update on progress being made. Ultimate responsibility for our approach to climate change resides with our Chief Executive. Below Board level, the Director of Sustainability is responsible for monitoring climate-related issues as part of the overall risk management process. He reports to our CEO and updates the GMT monthly on risk and progress against targets.

Our Audit Committee reviews financial and non-financial risks included in the Group Risk Register, which includes climate change. They receive an update on sustainability risks every six months. In addition, ESG is currently the responsibility of the Nomination and Governance Committee.

Strategy

Climate change risks have the potential to impact our business strategy through increased costs, reduced productivity and reputational damage. We assess climate risks to the business using short (0-5 years), medium (6-10 years) and long term (11-100 years) horizons. We conducted a climate scenario analysis during 2020, and have included a summary of the results in our 2020 Sustainability Report.

The most material short-term risks relate to regulation. Updates to Part L and F Building Regulations (the first step towards the ambitious 2025 goals of the Future Homes Standard), will change the way homes are powered and heated. Requirements for electric vehicle (EV) charging will require design for charging points and upgrades to site electrical infrastructure. In the medium-term regulatory risks may extend to require zero carbon homes, and potentially zero or very low carbon supply chain and operations. The longer-term risks include changes in weather patterns and an increase in severe weather events which could affect the availability and cost of resources and raw materials or activities on sites; and adaptation risks such as flooding and overheating in homes.

There are significant short and medium-term opportunities from meeting and exceeding the expectations of our stakeholders on climate. This includes the financial benefits associated with our use of low carbon goods and services as well as shifts in consumer preference to favour low carbon homes and products. We will better meet the expectations of local planning authorities who have declared climate emergencies and ESG requirements of investors. Being a responsible business is important for the recruitment and retention of staff. There are short, medium- and longer-term opportunities around technology. For example off site construction methodologies; building more homes from timber which sequesters carbon from the atmosphere; and use of renewable energy and digital technologies. In the longer term, the most material opportunity relates to improved business resilience due to implementation of climate change transition and adaptation measures.

Risk management

Climate change is included as a risk in our consolidated Group Risk Register. Sustainability risks are also integrated into our corporate risk management framework, through functional risk registers and our Climate Change and Sustainability Risk and Opportunity Register.

Our Climate Change Register guides the climate change adaptation of our business practices and the homes we build. For each climate-related risk and opportunity the register identifies: risk driver, description of risk, potential impact, timeframe, whether the risk or opportunity is direct or indirect, likelihood and magnitude of impact. This is a standing item on every LEAF committee agenda. The committee makes recommendations to the GMT on how to mitigate, transfer, accept, or control climate-related risks. We prioritise our climate change risks and opportunities based on their materiality to our business, measured in % of profit before tax (PBT). A % of PBT greater than 20% is considered a major impact. A large risk in terms of likelihood is a greater than 50% chance.

Metrics and targets

We have published a science-based carbon reduction target which has been approved the Science Based Targets initiative. This commits us to reduce scope 1 and 2 GHG emissions by 36% per 100 sqm of completed floor area by 2025 from a 2019 base year and reduce scope 3 GHG emissions 24% per 100 sqm of completed floor area by 2030 from a 2019 base year. We report progress on a range of metrics, see page 42 and our Sustainability Report.

Non-financial information statement

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

Overview	Our policies	Our impact and related Principal Risks	Read more
Environmental matters			
Our performance In 2020, we have reviewed our approach to the environment and developed a new set of challenging targets 30% reduction in direct carbon emissions intensity since 2013 97% of construction waste recycled	**Sustainability Policy –** Outlines our approach to balance the long term growth of our Company with our responsibilities to the environment, society and the communities in which we operate **Climate Policy –** Outlines our approach to reduce greenhouse gas emissions from our operations, supply chain and homes **Health Safety and Environmental (HSE) Policy –** Outlines our ongoing commitment to continual improvement of our HSE performance **Supply Chain Policy –** Sets out our commitment to work with trusted partners and ensure our homes are built using carefully sourced materials **Waste and Resource Use Policy –** Outlines our approach to using materials efficiently and minimising waste	More information can be found within: Building a better world Responding to our climate risks	 42 to 43 44
Employees			
Our performance 98% of employees feel positive about how the company supported them whilst on furlough Included in Glassdoor's top 50 places to work in the UK for 2021, as voted for by employees	**Diversity Policy –** Confirms our commitment to creating a workforce that reflects the diversity of the communities in which we operate	More information on our employees can be found within: Our strategy and key performance indicators Emerging stronger for our stakeholders – our employees Principal Risks and uncertainties	 24 to 25 34 to 35 51
Human rights			
Our performance Continue to train employees to identify signs of modern slavery and human trafficking for which we operate a zero tolerance policy	**Anti-Slavery, Human Trafficking and Human Rights Policy –** The measures we uphold to safeguard against modern slavery **Supplier Code of Conduct –** The principles that our suppliers, contractors and business partners are required to adhere to in ensuring individuals' human rights are respected and modern slavery is not taking place **Supply Chain Policy**	More information on our approach to human rights can be found within: Emerging stronger for our stakeholders – our partners	 36 to 37
Social matters			
Our performance Contributed £287 million to communities via our planning obligations In 2020, around 20% of our completions were designated affordable	**Community Policy –** Outlines our commitment to be a responsible housebuilder, building homes and communities that enhance the local area to meet the needs of new and existing residents **Donations Policy –** Our approach to making charitable donations and our policy not to make political donations **Charity and Community Support Policy –** Our commitment to supporting charities and local community groups in the areas we operate **Sustainability Policy**	More information on how we engage with our communities and social matters can be found within: Emerging stronger for our stakeholders – our communities	 40 to 41
Anti-bribery and anti-corruption			
Our performance Continue to train our employees and raise awareness of the procedures in place Strict rules in relation to recording, giving or receiving of gifts	**Anti-Corruption Policy –** Our approach to combat risks of bribery, including the key principles employees should follow **Fraud Mitigation and Response Policy –** This policy formalises the Company's attitude to fraud and its response to instances, or allegations, of fraud against its employees or third parties **Whistleblowing Protected Disclosure Policy –** Includes the procedures to be followed in making a disclosure of wrongdoing within the Company or related to its business	More information on anti-bribery and anti-corruption can be found within: Corporate governance – Board activities	 68 to 69
Business model			
Our performance c.9.8k new homes completed for customers in 2020 Strong short term landbank of c.77k plots, as at 31 December 2020	**Community Policy** **Sustainability Policy** **Customer service policy –** Our approach and commitments to provide excellent customer service	More information on our business model and the value created for our stakeholders can be found within: Our business model	 20 to 21
Non-financial KPIs			
Our performance Achieved a recommend score of 92% in the HBF 8-week survey which equates to a five-star rating Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 151 in 2020	**Customer Service Policy** **Health Safety and Environmental Policy** **Communications and Investor Relations Policy –** Sets out our commitment to conduct clear, open and accurate communication with all of the Company's stakeholder groups	Our non-financial KPIs can be found within: Our strategy and key performance indicators	 22 to 25

Our approach to identifying and managing risk

Risk management

As with any business, Taylor Wimpey faces risks and uncertainties in the course of its operations. It is only by timely identification, effective management and monitoring of these risks that we are able to deliver our strategy and strategic goals.

Governance

The Board has overall responsibility for risk oversight, for maintaining a robust risk management and internal control system and for determining the Group's appetite for exposure to the Principal Risks to the achievement of its strategy.

The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer term threats, trends and challenges facing the business.

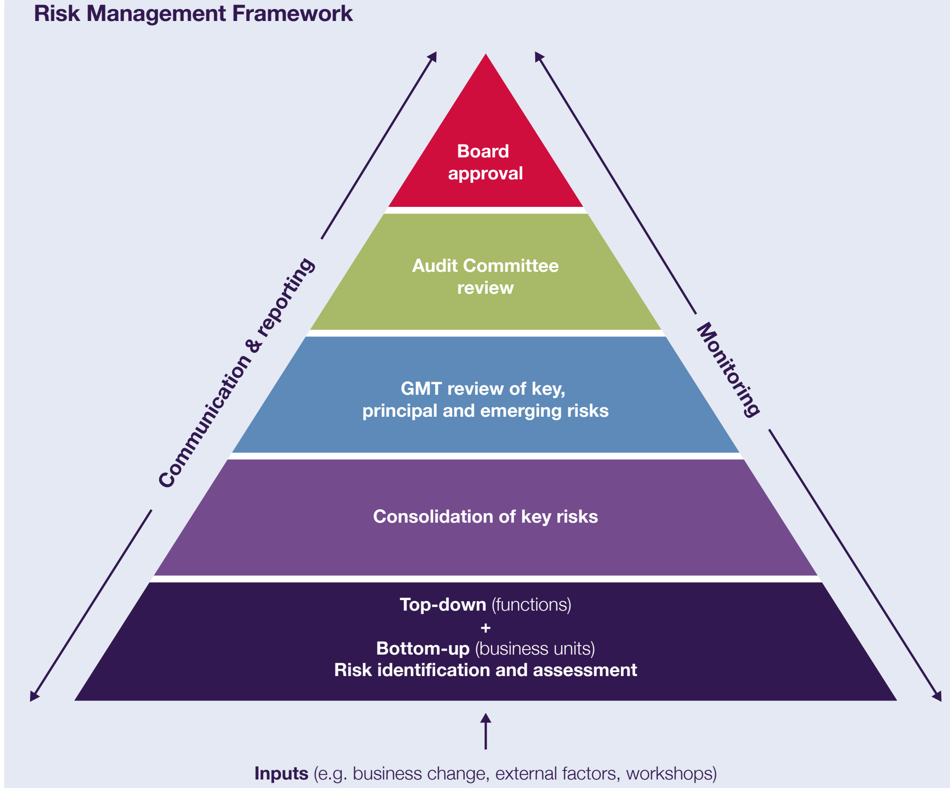
The Board takes a proactive approach to the management of these and regularly reviews both internal and external factors to identify and assess the impact on the business and in turn identify the Principal Risks that would impact delivery of Group strategy.

The Chief Executive is primarily responsible for the management of the risks, with the support of the Group Management Team (GMT) and other senior managers located in the business. In line with the 2018 UK Corporate Governance Code, the Board holds formal risk reviews at least half yearly and routinely considers risk at each Board meeting as appropriate.

The formal assessment includes consideration of the Principal Risks to ensure they remain appropriate as well as a review of the key and emerging risks identified by the business, their risk profile and mitigating factors.

At the Board meeting in February 2021, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk in December 2020, which was supported by a detailed risk assessment by the GMT and their review of the effectiveness of internal controls in mitigating the risks.

The diagram below illustrates the internal governance process within the Group around risk management.



Identification of risks

Our risk management and internal control frameworks define the procedures to manage and mitigate risks facing the business, rather than eliminate risk altogether and can only provide reasonable and not absolute assurance against material misstatement or loss.

Identifying risks is a continual process and risk registers are maintained throughout the Group at an individual site level, at the business unit level and at Group-wide functional levels. The business unit and functional registers are reviewed twice a year as part of our formal risk assessment process. In determining the risk, consideration is given to both internal and external factors. The registers document both the inherent risks before consideration of any mitigations and residual risks after consideration of effective mitigations.

A consolidated view of the risk environment, including potential emerging risks, is discussed, challenged and approved by the GMT and Audit Committee before being presented to the Board, ensuring all key risks to the Group are known, are being actively monitored and appropriate mitigations / actions are in place to ensure each risk falls within the tolerance set by the Board.

Evaluation of risks

A risk scoring matrix is used to ensure risks are evaluated on a consistent basis. Our matrix considers likelihood based on probability of occurrence and impact based on financial, reputational, customer, health and safety, employees, environmental, operational, legal and regulatory and IT perspectives, to help determine those risks that are considered to be key in delivering our strategy. Key risks are defined as those with a residual score equal to or greater than 12 and these are reviewed and monitored by the Board as part of our bi-annual risk assessment process.

Each risk is evaluated at the inherent and residual levels, with consideration given to the target residual risk levels based on our risk appetite and tolerance. All identified risks are aligned to our Principal Risks to help validate the continuance of such or the identification of potential new Principal Risks.

Management of risks

Ownership and management of the Principal and key risks is assigned to members of the GMT or senior management as appropriate. They are responsible for reviewing the operating effectiveness of the internal control systems, for considering and implementing risk mitigation plans and for the ongoing review and monitoring of the identified risk. This includes the monitoring of progress against agreed KPIs as an integral part of the business process and core activities.

Risk appetite and tolerance

The risk appetite and tolerance levels for the Group are set by the Board. In setting these, the Board has considered the expectations of its shareholders and other stakeholders and recognises the distinction between those risks we can actively manage, for example around our landbank and those against which the Group would need to be responsive as and when they became known, for example transitional arrangements for changes to building regulations.

Approved risk appetite and tolerance levels for each of our Principal Risks are detailed in the Principal Risk tables on pages 50 to 53. The residual risk ratings of all our Principal Risks continue to be within their respective established risk tolerance levels.

COVID-19

A global health pandemic was identified in 2019 as one of our emerging risks but the speed with which it materialised and the direct and indirect impact it has had on our business has demonstrated the fundamental importance of having a robust risk management process in place.

The Group implemented a number of measures to ensure the continued health and safety of our employees, customers, suppliers and contractors; this included closure of our construction sites and sales centres during the initial lockdown phase, and the creation of a COVID-19 working group to provide guidance, support and direction from the onset of the pandemic. We engaged with the Government and sector specific bodies to develop COVID-19 working protocols that met the Government guidance. To assist the wider sector, we made these available to other housebuilders.
The Group continues to monitor Government guidance carefully, including the impact of localised lockdowns and further national lockdowns, and where needed will adapt its operational protocols and processes to continue to safeguard our employees, customers, suppliers and subcontractors.

The Board's latest risk assessment has considered both the specific consequences of COVID-19 and its effect on the underlying Principal Risks managed by the business.
A new Principal Risk for the COVID-19 pandemic has not been established; instead, due to its pervasive nature, we recognise the impact it has had and will continue to have on our entire risk landscape. We will continue to closely monitor the situation over the coming period, especially as new variants are being identified and will take any required action to maintain control over the impact.

Our approach to identifying and managing risk continued

Emerging risks

Emerging risks are defined as those where the extent and implications are not yet fully understood, with consideration given to the potential timeframe of occurrence and velocity of impact that these could have on the Group. These are monitored and reviewed as part of the ongoing risk assessment process and the annual emerging risk workshop was held in November 2020 with the GMT. Demonstrating the continuing maturity of this process, the aims of the workshop were to review and challenge previously identified emerging risks and make formal assessments on their anticipated timelines and velocity, along with any identifiable mitigations currently in place or planned. As part of our risk management process, these were discussed and agreed by the Board.

Our emerging risks are grouped into the categories listed in the table below, which also contains some narrative description against each category indicating example focus areas into which the identified emerging risks fall.

Specific risk areas other than the Principal Risks

The Group considers other specific risk areas recognising the increasing complexity of the industry in which it operates and which are in addition to its identified Principal Risks. These include widespread emerging health risks and risks from a wider technology, cyber and climate perspective. We continue to improve and invest in our information technology to mitigate ever-increasing cyber threats and data loss, theft or corruption, especially given the heightened risk in this area as we have increased the level of 'remote working' in response to COVID-19.

As an organisation, we continue to recognise the risks associated with leaving the EU. The Board views these potential risks as an integral part of our Principal Risks rather than as separate standalone risks. We have identified a potential impact on our supply chain, labour force and overall economic market impacting mortgage availability and demand. We will continue to monitor the impact of leaving the EU and the deal which has been agreed and implement any further required mitigations.

Our Sustainability and Climate Change Risk and Opportunity Register highlights the material risks and opportunities facing the Group in relation to sustainability and climate change as well as those monitored in the Group Risk Register. In addition, our climate change related risks and opportunities are available as part of our 2020 CDP submission. More information is available at www.taylorwimpey.co.uk/corporate. We support the aims of the Task Force on Climate-related Financial Disclosures and you can read more on page 44.

Together these support both the Audit Committee and the Board in their evaluation of the identified risks facing the Group.

Housing and fire safety remains high on the agendas of the Government and the main political parties. The sector continues to face increasing scrutiny and pressure from social media and pressure groups, together with greater oversight from Government through a single New Homes Ombudsman. We endeavour to deliver both the letter and the spirit of regulations and maintain this same ethos in our relationships with our customers.

Emerging risks

Category	Example focus area
Environmental / climate	Unpredictable weather patterns
Operational / build	Supply chain issues related to regulation changes
Political / economic	Continuing impact of Brexit and COVID-19 on the economic landscape and the potential for devolution
Technological	Artificial intelligence
Social	Customer demographics and preferences
Governmental	Changing Government policies

Our Principal Risks and uncertainties

Robust risk management underpins our strategic approach, with each risk area identified and carefully monitored by the Board and GMT.

Principal Risks overview

The table opposite summarises the Group's Principal Risks and uncertainties, showing how each links to our corporate values and strategic objectives. Control of each of these is critical to the ongoing success of the business. As such, their management is primarily the responsibility of the Chief Executive and the GMT, together with the roles noted in the Principal Risks tables on pages 50 to 53. The Board has finalised its assessment of these risks and how the residual risk profile has changed in the year.

	Our values	Strategic objectives	Risk change in year
A. Government policy and planning regulations			
B. Impact of the market environment on mortgage availability and housing demand			
C. Material costs and availability of subcontractors			
D. Ability to attract and retain high-calibre employees			
E. Land purchasing			
F. Quality and reputation			
G. Site and product safety			

Key to our values

Respectful and fair

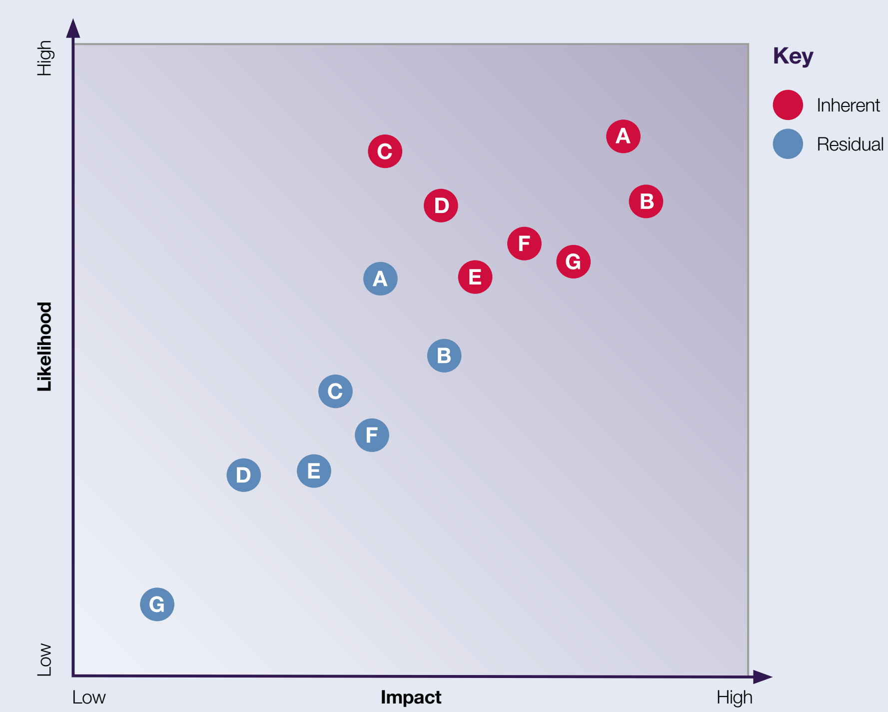
Take responsibility

Better tomorrow

Be proud

Principal Risks heat map

The heat map opposite illustrates the relative inherent and residual positioning of our Principal Risks from an impact and likelihood perspective. The increasing regulatory climate and current economic uncertainty we are experiencing driven largely by COVID-19 and leaving the EU has resulted in an increase in the residual rating of two of our Principal Risks (Government policy and planning regulations and Impact of the market environment on mortgage availability and housing demand). Further information is detailed in the Principal Risk table above and on pages 50 to 53.



Principal Risks and uncertainties continued

A. Government policy and planning regulations

Risk description

The industry in which we operate is becoming increasingly regulated. Any adverse changes to Government policy, for example around changes to building regulations, could impact our ability to effectively meet our strategic objectives.

Planning delays could result in missed opportunities to optimise our landbank, affecting profitability and production delivery.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
We operate in an increasingly regulatory and compliance-based environment impacting all aspects of our business operations. We are committed to ensure we 'do the right thing' in this respect and as such we have a low risk appetite in this area, using this to set us apart from competitors.	The UK Government encouraged the construction industry to continue on the basis that it operates in a COVID-secure way. Customers have benefited from the short term extension to the current phase of the Government's Help to Buy scheme and the Stamp Duty Land Tax holiday.	– Group Operations Director – Regional Managing Directors	– Ongoing and regular review of building regulations – Consultation with Government agencies – New house type range – COVID-19 risk assessments for all operations – Ground Rent Review Assistance Scheme	The impact of regulatory changes, such as Future Homes Standard 2025 and Government's continued focus on housing, together with the ongoing developments in regulation and guidance around fire safety and planning, has resulted in an increase in both the inherent and residual risk levels.	Moderate

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Low-moderate	Low			– Removal of Help to Buy – New Government regulations (e.g. around planning and climate) – Delays in planning	To build enhanced collaborative networks with stakeholders and peers, to monitor the implications of regulatory change. Lead the business in addressing pressing environmental issues, including reducing our carbon footprint and targeting biodiversity.

B. Impact of the market environment on mortgage availability and housing demand

Risk description

Sustained growth in interest rates, together with low wage inflation or reduced confidence in continued employment, could challenge mortgage affordability resulting in a direct impact on our volume targets.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
Heightened economic uncertainty and the short-medium term implications remain unknown. We continue to keep a watching brief over the situation and we have a low risk appetite in this area, due to the impact changes could have on the business.	The macro-economic impact of COVID-19 could reduce mortgage affordability, impacting on demand for housing, as uncertainty and unemployment may affect customer confidence and mortgage availability.	– UK Sales and Marketing Director – Regional Sales and Marketing Directors	– Evaluation of new outlet openings based on local market conditions – Pricing and incentives review (e.g. NHS and care workers discount scheme) – Review of external data (e.g. HBF, mortgage lenders)	Throughout 2020 we were encouraged by the continued resilience of the UK housing market, underpinned by low interest rates and strong customer demand, with interest levels remaining strong. Although the outlook for the UK housing market appears robust, the continued economic uncertainty driven by the ongoing impact of COVID-19 and leaving the EU, results in an increase in both the inherent and residual risk levels.	Moderate

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Low-moderate	Low			– Interest rate increases – Levels of unemployment – Volume of enquiries / people visiting our developments – UK household spending – Loan to value metrics	To continue to develop strong working relationships with established mainstream lenders and those wishing to increase volume in the new build market.

C. Material costs and availability of subcontractors

Risk description

Increase in housing demand and production may further strain the availability of skilled subcontractors and materials and put pressure on utility firms to keep up with the pace of installation resulting in increased costs and construction delays.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
Economic and political factors impact this risk but we believe the actions we have put in place provide us with strong foundations going forward, therefore we have a low to moderate risk appetite in this area.	COVID-19 has increased the pressure on the availability of certain materials in the short term and the continuation of the pandemic could result in further disruptions to the supply chain.	– Group Operations Director – Head of Procurement – Regional Commercial Directors	– Central procurement and key supplier agreements – Supplier and subcontractor relationships (Pay It Forward scheme) – Contingency plans for critical path products – Confirmation by suppliers of plans to address withdrawal from EU – Direct trade and apprenticeship programmes	There continues to be pressure on the availability of certain build materials and skilled labour in the housebuilding industry. This has resulted in an increase in the inherent risk level but as a result of additional mitigations implemented we see no significant increase in the residual risk level.	Moderate

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Moderate	Low-moderate			– Material and trade shortages – Material and trade price increases – Level of build quality and waste produced from sites – Longer build times – Number of skilled trades	To develop and implement different build methods as alternatives to conventional brick and block.

D. Ability to attract and retain high-calibre employees

Risk description

An inability to attract, develop, motivate and retain high-calibre employees, together with a failure to consider the retention and succession of key management could result in a failure to deliver our strategic objectives, a loss of corporate knowledge and a loss of competitive advantage.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
People are the foundation of our organisation. To deliver our objectives we need the right calibre of employees and we have implemented a number of initiatives in this area. These and other existing mechanisms to retain and develop our employees leads us to having a moderate risk appetite in this area.	We have retained a stable workforce during the pandemic with staff attrition rates lower than normal. Therefore, the need to attract new employees has reduced. This is viewed as a short term effect with the expectation of a more 'normal' pattern resuming in the future.	– Group HR Director – Every employee managing people	– Production Academy – Management training – Graduate programme – Apprenticeship programme – Enhanced remote working procedures – Educational masterclasses – Isolation challenge	We have seen a slight reduction in the inherent rating of this risk due to competitiveness for employees falling in the current economic uncertainty; however the availability of site-based labour continues to present a challenge and consequently there is no change in the residual risk level.	Low

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Moderate	Moderate			– Employee engagement score – Number of, and time to fill, vacancies – Employee turnover levels	To further develop in-house capability, expertise and knowledge.

Principal Risks and uncertainties continued

E. Land purchasing

Risk description

The purchase of land of poor quality, at too high a price, or the incorrect timing of land purchases in relation to the economic cycle could impact future profitability.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
We continue to have a strong landbank, including our strategic pipeline. We continue to look for opportunities in the right location that optimise our value and we have a moderate risk appetite in this area.	Disruption in the land market as a result of the pandemic created short term opportunities to acquire land at attractive returns and prices.	– Divisional Chairs – Regional Managing Directors – Regional Land and Planning Directors – Managing Director Group Strategic Land	– Critically assess opportunities – Land quality framework	Following our June 2020 equity raise we have agreed terms on and authorised land purchases significantly ahead of our normal rate of acquisition. These sites have been secured at attractive returns and this investment provides us with a route to high-quality growth in the medium term from our strong landbank. Balancing this with the current economic environment we see no change in the residual risk level.	Low

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Moderate	Moderate			– Movement in landbank years – Number of land approvals – Timing of conversions from strategically sourced land	A strong balance sheet allows us to invest when land market conditions are attractive

F. Quality and reputation

Risk description

The quality of our products is key to our strategic objective of being a customer-focused business and in ensuring that we do things right first time.

If the Group fails to deliver against these standards and its wider development obligations, it could be exposed to reputational damage, as well as reduced sales and increased costs.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
Fundamental to our business model is the quality of our build and maintaining our strong reputation. Conscious that there are an ever-increasing number of sources that could have a detrimental impact on our reputation, starting with build quality, we have a low risk appetite in this area.	COVID-19 increases the risk of reputational damage if we are not recognised to be doing the right thing for our employees, customers and suppliers; for example adapting to the ways in which our customers wish to communicate.	– Customer Director – UK Head of Production – Director of Design	– Customer-ready Home Quality Inspection (HQI) – Consistent Quality Approach (CQA) – Quality Managers in the business – NHS and care worker discount scheme	The climate in which we currently operate means it is even more important to deliver on our fundamental of quality. As we continue to adapt the risk of reputational damage is heightened but the additional measures we have implemented, for example around quality reviews, results in there being no change to the residual risk level.	Moderate

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Low-moderate	Low			– Customer satisfaction metrics (8-week and 9-month) – Number of NHBC claims – Construction Quality Review (CQR) scores – Average reportable items per inspection found during NHBC inspections at key stages of the build	To better understand the needs of our customers enabling increased transparency of our build profile. To lead the industry in quality standards (our CQR score) and reduce the number of reportable items identified through monitoring defects at every stage of build.

G. Site and product safety

Risk description

The health and safety of all our employees, subcontractors, visitors and customers is of paramount importance. Failure to implement and monitor our stringent health, safety and environment (HSE) procedures and policies across all parts of the business could lead to accidents or site-related incidents resulting in serious injury or loss of life.

Risk Appetite	COVID-19 Impact	Accountability	Key Mitigations	Residual Risk Change in Year	Residual Rating
Safety of our staff, indirect and direct, and in the products we supply and fit is of paramount importance not only to our business but also to our values, therefore we have a very low risk appetite in this area.	There is an increased inherent risk from any personal interaction given the nature of COVID-19, in particular as lockdown measures are eased.	– Head of Health, Safety and Environment – Group Operations Director – Director of Design – Every employee and subcontractor	– Embedded HSE system – HSE training and inductions – COVID-19 protocols	The COVID-19 pandemic has and continues to present significant challenge in this area and we are committed to ensuring we continue to conduct business in the safest way possible. Our response to the pandemic in terms of implementing additional measures to mitigate the risk was swift and effective, resulting in there being no change to the residual risk level.	Low

Risk Tolerance	Risk Appetite	Link to Strategy	Link to Values	Example Key Risk Indicators	Opportunities
Low	Low			– Increase in near misses and fatalities – Health and safety audit outcomes – Number of reportable health and safety incidents	To lead the industry in health and safety and to reduce the amount and level of incidents.

Group financial review

Focused on protecting value and margin

Chris Carney
Group Finance Director

"Our primary performance focus is on returning the business to 21-22% operating profit margin in the medium term and we continue to target a number of areas to achieve this; focus on cost, process simplification and the incremental growth as a result of the equity raise."

Q&A with Chris Carney, Group Finance Director

Q What are the key financial priorities for the group?

A Our primary performance focus is on returning the business to 21-22% operating profit margin in the medium term and we continue to target a number of areas to achieve this; focus on cost, process simplification and the incremental growth as a result of the equity raise.

Q What will help drive margin performance?

A We have strong embedded margins in the landbank which, together with the recovery in our completion levels, gives us confidence in achieving our medium term margin targets, assuming stable market conditions.

Q What costs savings have you made this year?

A In 2020, we undertook a detailed review of our organisational and cost structure to ensure that we continue to operate efficiently in a changing market. This resulted in a series of actions, including the removal of one layer of management, a rationalisation of our London operating structure to focus on affordable price points that meet the affordability needs of Londoners, and a series of other reductions in central and business unit overhead levels. These changes will generate savings in the region of £16 million annually from 2021, with the £12 million costs to achieve these savings already incurred in 2020.

Q What is new for 2021?

A In 2020 we designed and piloted a new customer relationship management system using Microsoft Dynamics software. This will be rolled out across our business in 2021 and will build on the progress we have made in digital communications with our customers over the past few years. As well as the customer service and efficiency benefits of better, more targeted communication, we expect the system to provide better insight led decision making, enhancing revenue and margin. The system will bring customer service benefits such as real time online issue resolution, delivering greater visibility and faster responses. Operationally, there are a number of benefits, for example, the system will enable end to end workflows for legal processes, with online notifications and approvals ensuring customers, solicitors and our legal teams are aligned, helping to reduce time to completion.

Group financial review of operations

Income statement

Group revenue decreased by 35.7% to £2,790.2 million in 2020 (2019: £4,341.3 million) due to a reduction in completions as a result of the controlled closure of our sites and sales centres during the second quarter of 2020, as we responded to the COVID-19 pandemic and developed safe working practices for our employees, subcontractors and customers. Completions in the UK (excluding joint ventures) decreased by 39.4% to 9,412 (2019: 15,520). Despite the uncertainties associated with the pandemic, prices have remained resilient and UK average selling prices increased 7.3% to £288.3k (2019: £268.6k) with private completions up by 5.8% to £323.2k (2019: £305.4k), the majority of the increase driven by geographical and product mix.

During the year we have identified and expensed £62.7 million of costs relating to the COVID-19 pandemic, with £60.3 million charged to gross profit and £2.4 million to administrative costs. These costs include unproductive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to WIP and expensed as plots legally complete of £29.9 million; additional costs incurred by the business due to extended site durations resulting from the reduced productivity levels as we implemented our operational processes under the COVID-secure guidelines totalling £17.4 million; and incremental costs incurred by the business in responding to COVID-19, including to meet our health and safety requirements and complying with Government guidelines, of £15.4 million.

Group gross profit reduced to £496.7 million (2019: £1,044.1 million) representing a gross margin of 17.8% (2019: 24.1%). The decline was mainly driven by expensing costs relating to the COVID-19 pandemic (as discussed above) as well as fixed build and direct selling costs which are absorbed across fewer completions.

Administrative costs reduced to £206.8 million (2019: £211.7 million) reflecting the reduction in payments under the Group's bonus plans and impact of the current financial performance on the long term incentive schemes, in part offset by the £12.1 million of restructuring costs incurred following the detailed review of our organisational and cost structure to ensure that we continue to operate efficiently in a changing market.

We have implemented a series of proposed changes that will generate annualised savings of £16 million from 2021. These changes include the removal of one tier of operational management, a rationalisation of our London operating structure to focus on affordable price points that meet the affordability needs of Londoners, and a series of reductions in central and business unit overhead levels. These changes will not affect the ability of the business to generate future growth or to deliver a high quality product and service to our customers. Operating through the challenges of the last six months has also highlighted opportunities for ongoing efficiency and performance improvement, as our recent investments in systems and processes have performed well.

During the year, completions from joint ventures were 197 (2019: 199). The total order book value of joint ventures as at 31 December 2020 decreased to £51 million (31 December 2019: £62 million), representing 118 homes for completions in 2021 and 2022. Our share of results of joint ventures in the period was a profit of £7.9 million (2019: £8.0 million).

Operating profit was £300.3 million (2019: £850.5 million), delivering an operating profit margin of 10.8% (2019: 19.6%).

During the year we continued our works to replace Aluminium Composite Material (ACM) cladding on a small number of legacy developments. Following a review of these works and expected costs to complete during the first half a further £10.0 million was provided and in line with our policy charged to exceptional items. The prior year exceptional credit of £14.3 million arose on the implementation of a Pension Increase Exchange for members of the Taylor Wimpey Pension Scheme which enabled some pension scheme members to elect to exchange future pension increases on part of their pensions for a one-off increase in pension.

The net finance expense of £25.9 million (2019: £28.9 million) principally includes imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme. The net interest charge on the defined benefit pension scheme reduced as the liability at 1 January 2020 was lower at £84.5 million compared with £133.0 million at 1 January 2019. In addition, changes in foreign exchange rates in the year resulted in a small foreign exchange gain compared with a loss in the prior year. This was partially offset by an increase in net bank interest payable reflecting the prudent step of fully drawing down the previously unutilised £550 million revolving credit facility following the temporary closure of sites. Once construction had restarted under new operating protocols the facility was fully repaid before the end of June 2020.

Profit on ordinary activities before tax decreased to £264.4 million (2019: £835.9 million) after the exceptional charge of £10.0 million (2019: exceptional credit of £14.3 million). The pre-exceptional tax charge was £49.1 million (2019: £159.3 million) with an underlying tax rate of 17.9% (2019: 19.4%) which includes a £1.4 million credit (2019: nil) arising from the remeasurement of the Group's UK deferred tax assets at 19.0% following the changes to the corporation tax rates enacted by the UK Government. A tax credit of £1.7 million was recognised in respect of the exceptional charge (2019: exceptional tax charge of £2.7 million). This resulted in a total tax charge of £47.4 million (2019: £162.0 million), a rate of 17.9% (2019: 19.4%). Profit for the year was £217.0 million (2019: £673.9 million).

	UK	Spain	Group
Completions including joint ventures	9,609	190	9,799
Revenue (£m)	2,726.9	63.3	2,790.2
Operating profit (£m)	284.5	15.8	300.3
Operating profit margin (%)	10.4	25.0	10.8
Profit before tax and exceptional items (£m)			274.4
Profit for the year (£m)			217.0
Basic earnings per share (p)			6.3
Adjusted basic earnings per share† (p)			6.5

Group financial review continued

> "We have a strong financial position with a robust and flexible balance sheet with net cash of £719.4 million, positioning us well for growth in 2021 and beyond."

Basic earnings per share was 6.3 pence (2019: 20.6 pence). The adjusted basic earnings per share was 6.5 pence (2019: 20.3 pence).

Spain

The Spanish second-homes market has been impacted by travel restrictions as a result of COVID-19. We completed 190 homes in 2020 (2019: 323) at an average selling price of €375k (2019: €429k). The total order book as at 31 December 2020 stood at 126 homes (31 December 2019: 217 homes).

The Spanish business delivered an operating profit of £15.8 million for 2020 (2019: £32.1 million) and an operating profit margin of 25.0% (2019: 26.7%). We expect the business to begin to normalise when foreign travel returns to more normal levels.

Balance sheet and financial position

We have a strong financial position with a robust and flexible balance sheet positioning us well for growth in 2021 and beyond.

Net cash and financing position

Net cash increased to £719.4 million at 31 December 2020 from £545.7 million at 31 December 2019. The increase was due in part to net proceeds from the issuance of shares in June 2020 of £510.1 million being partially offset by a net cash outflow from operating activities of £301.2 million and an increase in investment in joint ventures of £19.8 million. Average net cash for 2020 was £399.3 million (2019: £157.0 million).

The main driver of the net cash outflow from operating activities in 2020 was an increase in land and work in progress working capital of £362.2 million as we settled land creditor obligations, continued investment in land and the number of completions decreased.

In the 12 months to 31 December 2020, the outflow of cash from operations as a result of increased working capital led to cash conversion of (54.9)% of operating profit (2019: 82.6%).

Net cash, combined with land creditors, resulted in an adjusted gearing‡‡‡ of (1.1)% (31 December 2019: 5.5%).

At 31 December 2020 our committed borrowing facilities were £653.6 million of which £550 million was undrawn. The average maturity of the committed borrowing facilities at 31 December 2020 was 3.8 years.

Balance sheet

Net assets at 31 December 2020 increased by 21.4% to £4,016.8 million (2019: £3,307.8 million), with net operating assets increasing by £464.6 million to £3,264.8 million (31 December 2019: £2,800.2 million). The increased investment in operating assets together with the decrease in operating profit results in return on net operating assets reducing to 9.9% (2019: 31.4%) and Group net operating asset turn†* was 0.92 times (2019: 1.60 times).

The balance sheet principally comprises work in progress and land investment, with total investment in the year increasing by £338.7 million.

Work in progress ('WIP')

Average WIP per UK outlet at 31 December 2020 increased by 13.8% to £6.6 million (2019: £5.8 million), reflecting the increase in overall WIP held whilst outlet numbers remained broadly flat. The increase in WIP reflected the delay of some 2020 forecast completions into 2021 due to site closures in the second quarter and the continued investment in build since our sites reopened in May.

Land

Land at 31 December 2020 increased by £139.8 million as the Group invested in land opportunities following the equity raise completed in June 2020. Land creditors decreased to £675.9 million (31 December 2019: £729.2 million) following repayments made in the year being in excess of the level of new creditors. Included within the gross land creditor balance is £64.9 million of UK land overage commitments (31 December 2019: £56.4 million). £347.9 million of the land creditors is expected to be paid within 12 months and £328.0 million thereafter.

As at the balance sheet date, the Group held certain land and work in progress that had been written down by £64.4 million (31 December 2019: £68.6 million) to a net realisable value of £53.8 million (31 December 2019: £59.3 million). The balance of previously written down land and work in progress in the UK was £34.5 million (31 December 2019: £39.0 million), following the associated write-downs of £25.5 million (31 December 2019: £30.5 million).

At 31 December 2020 the UK short term landbank comprised 77,435 plots (31 December 2019: 75,612), with a net book value of £2.5 billion (31 December 2019: £2.4 billion). Short term owned land comprised £2.4 billion (31 December 2019: £2.3 billion), representing 53,731 plots (31 December 2019: 54,641). The controlled short term landbank represented 23,704 plots (31 December 2019: 20,971).

The value of long term owned land increased to £217 million (31 December 2019: £97 million), representing 36,968 plots (31 December 2019: 33,329), with a further total controlled strategic pipeline of 101,676 plots (31 December 2019: 106,895). Total potential revenue in the owned and controlled landbank increased to £54 billion in the period (31 December 2019: £53 billion), reflecting the overall mix of opportunities in the short term landbank and strategic pipeline.

As at 31 December 2020, in the UK, 90% of the short term owned and controlled landbank was purchased after 2009, 56% of which was sourced through our strategic pipeline. This results in a land cost to average selling price in the short term owned landbank of 15.2% (31 December 2019: 14.9%).

Provisions increased to £130.5 million (31 December 2019: £128.4 million). The £10.0 million increase in the ACM cladding replacement provision and the provision for restructuring in the final quarter of the year being substantially offset by utilisation as claims were made and processed through the Ground Rent Review Assistance Scheme and costs were incurred on work performed to replace ACM cladding. Further details on the post balance sheet increase to provisions is included in Note 33.

Our net deferred tax asset of £33.7 million (31 December 2019: £29.8 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. The net deferred asset held was affected by the changes to the corporation tax rates enacted by the UK Government in 2020. The increase in the pension deficit in the year also further increased the deferred tax asset recognised.

Pensions

Following the 31 December 2016 triennial valuation, the Group agreed a recovery plan with the Trustee to pay deficit reduction contributions of £40.0 million per annum for the period from April 2018 to December 2020.

During 2020 and in response to the site shutdowns, a temporary suspension of the agreed deficit reduction contributions was agreed with the Trustee for the three months between April and June 2020 and as a result, the recovery plan period was extended to 31 March 2021. The agreed recovery plan included a contribution mechanism, tested quarterly, such that should the Taylor Wimpey Pension Scheme (TWPS) become fully funded on the Technical Provisions funding basis, further contributions would be suspended and only recommence if the funding level fell below 96%.

In April 2018, the Group paid a one-off contribution of £23.0 million into the TWPS to increase the funding level to 100% and thereby suspend any future contributions from 31 March 2018. However, the quarterly funding test for 31 December 2018 showed that the TWPS funding level had subsequently fallen to 94%. The Group therefore recommenced regular contributions from January 2019.

The most recent funding test at 31 December 2020 showed a funding level of 95% on the Technical Provisions funding basis. As a result, regular contributions will continue for the remaining three months of the recovery plan. The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses were £37.1 million in 2020 (2019: £47.1 million). Confirmed payments in 2021 are expected to be £17.4 million although this is dependent on the outcome of negotiations for the triennial valuation at 31 December 2019.

During 2020, the Group has engaged with the TWPS Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2019. At the current time discussions are ongoing with the Trustee to agree the valuation as well as any future contributions. Legislation requires that agreement is to be reached by 31 March 2021.

At 31 December 2020, the IAS 19 valuation of the Scheme revealed an underlying deficit of £89.1 million (2019: surplus of £100.5 million). Due to the rules of the TWPS, any surplus cannot be recovered by the Group and therefore in 2019 a deficit was recognised on the balance sheet under IFRIC14. This deficit was equal to the present value of the remaining committed payments under the 2016 triennial valuation at that time. No such adjustment has been recognised at 31 December 2020 since the Scheme was in a deficit on an IAS 19 accounting basis.

Total retirement benefit obligations of £89.5 million at 31 December 2020 (31 December 2019: £85.0 million) comprise a defined benefit pension liability of £89.1 million (31 December 2019: £84.5 million) and a post-retirement healthcare liability of £0.4 million (31 December 2019: £0.5 million).

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks.

Dividends

Subject to shareholder approval at the AGM scheduled for 22 April 2021, the 2020 final ordinary dividend of 4.14 pence per share will be paid on 14 May 2021 to shareholders on the register at the close of business on 6 April 2021. This dividend will be paid as a cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their ordinary dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and on our website. Elections to join the Plan must reach the Registrar by 22 April 2021 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk/corporate

Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators to assess underlying performance of the Group. The APMs used are widely used industry measures and form the measurement basis of the key strategic KPIs (return on net operating assets, operating profit margin and cash conversion).

A portion of executive remuneration is also directly linked to some of the APMs. Definitions and reconciliations to the equivalent statutory measures are included in Note 32 of the financial statements.

Value distributed during 2020 (£m)

Contribution to local communities via planning obligations	Employment	Net investment in land & WIP	Interest paid	Pension contributions	Taxes
£286.6m	£264.9m	£362.2m	£10.8m	£52.3m	£136.4m
2019: £447.3m	2019: £275.9m	2019: £21.7m	2019: £6.4m	2019: £61.6m	2019: £178.8m

Group financial review continued

Going concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Chris Carney
Group Finance Director

Definitions

* Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.

** Return on net operating assets (RONOA) is defined as rolling 12-month operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash, excluding net taxation balances and accrued dividends.

*** Operating cash flow is defined as cash generated by operations (which is before taxes paid, interest paid and payments related to exceptional charges).

‡‡* Return on capital employed (ROCE) is defined as 12-month rolling operating profit divided by average capital employed calculated on a monthly basis over the period.

† Adjusted basic earnings per share represents earnings attributed to the shareholders of the parent, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.

†* Net operating asset turn is defined as 12-month rolling total revenue divided by the average of opening and closing net operating assets.

‡ Net cash / (debt) is defined as total cash less total borrowings.

‡‡ Cash conversion is defined as operating cash flow divided by operating profit on a rolling 12-month basis.

‡‡‡ Adjusted gearing is defined as adjusted net debt divided by net assets. Adjusted net debt is defined as net cash less land creditors.

Viability Statement

In accordance with the 2018 UK Corporate Governance Code, the Directors and the senior management team have assessed the prospects and financial viability of the Company for a period longer than the 12 months required by the 'going concern' provision.

Time period

The Directors have assessed the viability of the Group over a five-year period, taking account of the Group's current financial position, current market circumstances and the potential impact of the Principal and emerging risks facing the Group. The Directors have determined this as an appropriate period over which to assess the viability based on the following:

- It is aligned with the Group's bottom up five year budgeting and forecasting cycle
- Five years represents a reasonable estimate of the typical time between purchasing land (obtaining planning permission, putting in place infrastructure and commencing build) and selling homes to customers from a development

The time period is challenged annually to ensure that it remains appropriate and as part of the review the Directors also considered:

- The cyclical nature of the market in which the Group operates, which tends to follow the economic cycle
- The nature of the economic cycle and our expectations of how this will impact us
- Consideration of the impact of Government policy, planning regulations and the mortgage market
- Long term supply of land, which is supported by our strategic landbank
- Changes in technology and customer expectations

Assessment of prospects

We consider the long term prospects of the Group in light of our business model. Our strategy to deliver sustainable value is achieved through delivering high quality homes in the locations where people want to live, with excellent customer service, whilst carefully managing our cost base and the Group's balance sheet. Future prospects are primarily monitored through the risk management process detailed on pages 46 to 48.

In assessing the Group's prospects and long term viability due consideration is given to:

- The Group's **current performance**, which includes the current year performance (pages 6 to 9), the output from the annual business planning process and financing arrangements, the wider economic environment and mortgage market, as well as changes to Government policies and regulations that could impact the Company's business model including the recent announcement on the Future Homes Standard and developer taxes
- **Strategy and business model flexibility**, including build quality, customer dynamics and approach to land investment. Further detail is provided on pages 22 to 25
- **Principal Risks** associated with the Group's strategy and business model including those which have the most impact on our ability to remain in operation and meet our liabilities as they fall due

Principal Risks

The Principal Risks, to which the Group are subject, have undergone a comprehensive review by the Executive Committee and Board. Consideration is given to the risk likelihood based on the probability of occurrence and potential impact on our business, together with the effectiveness of mitigations. The review included assessing the impact of COVID-19 on each of the risks and is detailed on pages 49 to 53, particularly with the economic outlook remaining unclear in light of the pandemic.

The Directors identified the Principal Risks that have the most impact on the longer term prospects and viability of the Group as: 'Impact of the market environment on mortgage availability and housing demand', 'Government policy and planning regulations' and 'Quality and reputation'. A range of sensitivity analyses for these risks together with likely mitigating actions that would be adopted in response to these circumstances were modelled, including a severe but plausible scenario in which the impacts were aggregated together.

Assessment of viability

The Group adopts a disciplined annual business planning process involving the management teams of the 23 UK business units and Spain, and the Group's senior management, and is built on a bottom up basis. This planning process comprises a budget for the next financial year, together with a forecast for the following four financial years.

The financial planning process considers the Group's profitability and Income Statement, Balance Sheet including landbank, gearing and debt covenants, cash flows and other key financial metrics over the plan period. The Group has adapted its business plan in response to COVID-19, which includes the impact of the increased investment in land opportunities following the capital raise and impact of operating under COVID-19 secure protocols on build times. The plan also incorporates the likely market impact of the planned changes to Help to Buy and the impact of the Government announcements on transitional arrangements for the Future Homes Standard.

These financial forecasts are based on a number of key assumptions, the most important of which include:

- Timing and volume of legal completions of new homes sold, this includes annual production volumes and sales rates over the life of the individual developments
- Average selling prices achieved
- Build costs and cost of land acquisitions, including the impact of the Future Homes Standard
- Working capital requirements
- Capital repayment plan, where we have assumed the re-instatement of the ordinary dividend in line with the previous policy, which is a minimum of £250 million or 7.5% of the Group's net assets, throughout the period

Stress testing our risk resilience

The assessment considers sensitivity analysis on a series of realistically possible, but severe and prolonged, changes to principal assumptions. In determining these we have included macro-economic and industry-wide projections as well as matters specific to the Group.

The plausible downside scenario reflects the aggregated impact of the sensitivities, taking account of a sharp decline in customer confidence, disposable incomes, and mortgage availability. To arrive at our stress test we have drawn on experience gained managing the business through previous economic downturns and the COVID-19 pandemic.

We have applied the sensitivities encountered at those times, as well as the mitigations adopted, to our 2021 expectations in order to test the resilience of our business. As a result, we have stress tested our business against the following plausible downside scenarios:

Volume – a decline in total volumes of 30% from pre-COVID-19 levels, followed by a gradual recovery

Price – a reduction to current selling prices of 10%

Build cost – potential inflationary risks from shortfalls in material and labour as a result of Brexit, largely offset by deflationary pressure caused by the lower volumes. An increased build cost for 2023 onwards has been included to reflect the transitional arrangements of the Future Homes Standard

Costs – a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty

The mitigating actions considered in the model include a reduction in land investment, a reduction in the level of production and work in progress held and optimising our overhead base to ensure it aligns with the scale of the operations through the cycle.

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,373 million at 31 December 2020. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

If these scenarios were to occur, we have a range of additional options to maintain our financial strength, including: a reduction in capital expenditure, the sale of assets, raising debt and reducing the dividend.

Confirmation of viability

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Approval of the Strategic Report

This Strategic Report was approved by the Board of Directors and signed on its behalf by

Pete Redfern
Chief Executive