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
See pages 6 and 7

Our response in 2020
See pages 10 and 11

Our equity raise
See pages 12 and 13

Our management
See pages 14 and 15

Our robust investment case
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.

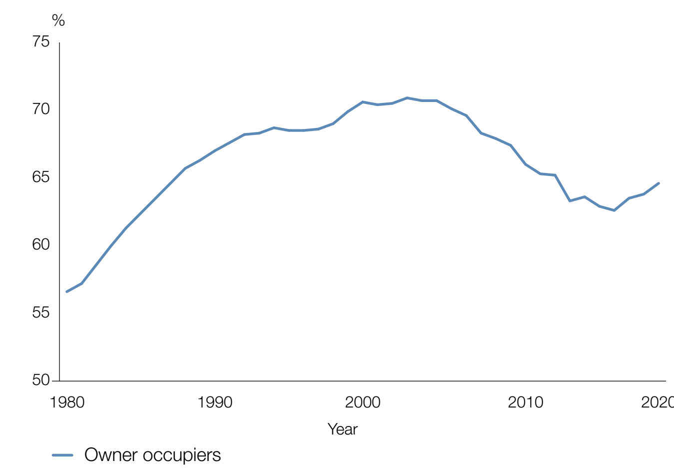
The UK Government plans to introduce further reforms to the planning system that it hopes will help encourage more building. As a homebuilder we have an important part to play in providing much needed high-quality new homes and expect continued strong demand for our homes in the years ahead and are supportive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

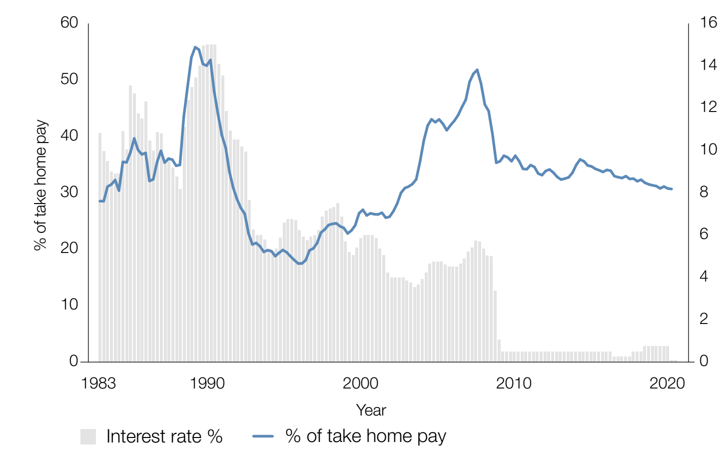
Key market data

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%.



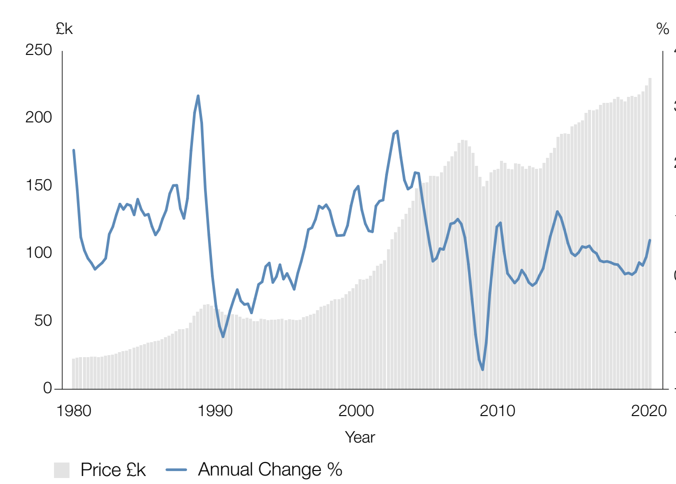
Source: MHCLG.

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.



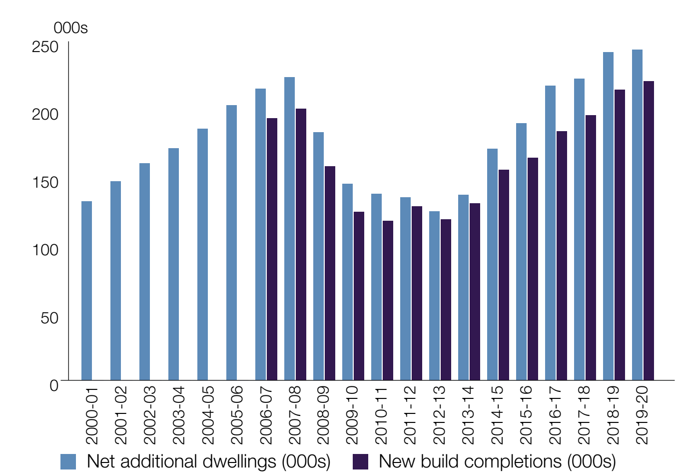
Sources: Nationwide, Bank of England.

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

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.

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.

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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