

Our key priorities

Delivering against our key priorities:

Across the following pages, members of the Group Management Team (GMT) discuss how the Group is working to achieve our four key priorities.

1/ Operational excellence and discipline driving an increase in operating margin

Optimising performance

Group Operations Director and CEO Designate **Jennie Daly** and Group Finance Director **Chris Carney** discuss our approach to optimising performance and increasing operating margin.

What is your operating margin target?
Our operating profit margin target is 21-22%.

This is the primary performance focus for the business and we continue to target a number of areas to achieve this; focused on cost, process simplification and standardisation, enhancing the core drivers of value for our business.

What gives you confidence in achieving your medium term margin?
We have a strong embedded margin in the landbank, and together with the new land acquisitions, this underpins our confidence in achieving our operating target. We have embedded a disciplined cost mindset across



“We have embedded a disciplined cost mindset across the business.”

Chris Carney
Group Finance Director

Medium term operating margin target

21-22%

2021: 19.3%

2020: 10.8%

Read more on our Group financial review on pages 66 to 71



“We are making good progress on our primary performance focus to return the business to 21-22% operating margin.”

Jennie Daly
Group Operations Director and CEO Designate



the business and taken a number of proactive actions to reduce cost and optimise financial performance. In late 2020 and into 2021 we also completed a review and restructure of the business, including removing a layer of senior management. This gives our Managing Directors an enhanced level of ownership.

Going forward, we will continue to benefit from higher volumes and better margin land, as well as further operational improvements from our new house types and our recently rolled out customer relationship management (CRM) system.

Why is operating margin important?
Operating margin is a measure of quality. It recognises the balance between strategic investments and operational efficiency and is set within a wider set of strategic objectives.

What was your operating profit for 2021 and what is the guidance for operating margin in 2022?
In 2021 we delivered an operating profit of £828.6 million (2020: £300.3 million), delivering an operating profit margin of 19.3% (2020: 10.8%).

In 2022, we expect to continue to make progress towards our 21-22% target.

Read more on our financial performance on pages 66 to 69

How has the increase in operating margin been achieved in 2021?
The improvement in 2021 operating margin has been supported by increased focus on the balance between price and sales rate to offset build cost inflation; annualised cost savings arising from the 2020 restructure; increased volumes driving more efficient recovery of fixed costs and the absence of non-recurring COVID-19 related costs.

Why is this the right target?
Our targets are set to be stretching. We also believe it is important for our targets to be sustainable, rather than deliver peaks and troughs.

Whilst there may be years, in the right environment and market, where margin can be higher, we believe 21-22% is a sustainable level to target and allows us to also deliver quality for our other stakeholders. It also takes into account our broad geographic mix and the levels of customer service and quality we want to maintain.

We believe that financial results must be achieved in the right way and as a responsible business we acknowledge both our obligations to the communities we operate in and the opportunity to work with our stakeholders to create value together. We believe that by doing this, we can deliver enhanced value through the housing cycle and benefit shareholders. This is also important in a heavily regulated and scrutinised sector.

Our trading performance reflects the strong momentum within the business and our confidence in achieving our target of returning the business to a 21-22% operating margin.

We are fully focused on long term, sustainable shareholder value with a clear and deliverable plan to grow volumes and drive improved margins.

Read more about our investment case on page 6



“The 2020 equity raise and our approach to landbuying has continued to differentiate Taylor Wimpey, as we approved and added significantly more land than any other housebuilder in the last 18 months. In a time when the land market has become increasingly competitive, this allows us to focus on setting the business up to deliver outlet-led volume growth.”

Jennie Daly
Group Operations Director and
CEO Designate



“We are focused on progressing land through the planning stages and on opening new outlets efficiently.”

Andrew Wilkinson
Divisional Chair North
West, North East and
Yorkshire

2/ Progressing recent land acquisitions through planning to facilitate outlet growth in late 2022 and volume growth in 2023

Planning for growth

Group Operations Director and CEO Designate **Jennie Daly**, **Andrew Wilkinson** Divisional Chair and **Lee Bishop**, Group MD Strategic Land, discuss why Taylor Wimpey’s approach to landbuying positions the Company for profitable growth and creates a competitive advantage.

Backed by last year’s equity raise, we stepped up our activity in the land market in mid-2020 when there was limited competition and successfully increased our land pipeline with high-quality sites that will deliver a strong financial performance.

What impact has the 2020 equity raise had?

We added c.29k new plots to the short term landbank over the last 18 months to the end of December 2021, including converting c.9k units from our strategic land pipeline. These sites have been acquired at attractive margins and returns in line with our medium term operating margin target of 21-22%. We also added c.16k potential new plots to our strategic pipeline in that period.

What kind of land did you buy?

These sites are across all regions of our business and are a healthy balance of large and small sites. Our focus across each area of the business is ensuring that this momentum is maintained through disciplined operational execution, progressing land through the planning stages and ensuring new outlets are opened, as expected.

How many plots are in the landbank?

As at 31 December 2021, our short term landbank stood at c.85k plots (2020: c.77k plots). A total of 49% of this short term landbank has been strategically sourced (2020: 50%). During 2021 we acquired

14,450 plots (2020: 7,644 plots). As at 31 December 2021, we were building on, or due to start in the first quarter of 2022, on 97% of sites with implementable planning.

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.6% (2020:15.2%). The average selling price in the short term owned landbank in 2021 increased by 4.9% to £302k (2020: £288k).

What is strategic land and why is it important?

Strategic land is any land that doesn’t have a residential planning consent at the time we take a commercial interest.

Our strategic land pipeline remains a key strength both as an important input to the short term landbank and in providing 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.145k potential plots at the end of December 2021 (31 December 2020: c.139k potential plots). During 2021, we converted a further c.8k plots from the strategic pipeline to the short term landbank (2020: c.4k plots). We continue to seek new opportunities and added a net 6k new potential plots to the strategic pipeline in 2021 (2020: 2k). In the year, 50% of our completions were sourced from the strategic pipeline (2020: 55%).

What’s next?

We have an excellent short term landbank with secure pipeline at attractive returns due to our strategic land pipeline and opportunistic landbuying.

We remain laser focused on efficiently progressing recently acquired land through the planning system, to facilitate outlet growth in late 2022 and volume growth in 2023. We are positioning our business to deliver annual completions in line with our previous guidance of between 17,000 and 18,000 in the medium term. We are progressing the land through the planning stages as expected, providing excellent momentum for growth.

Please read about our investment case on page 6

Securing land from the equity raise

TW Bristol

Two other housebuilders were originally selected as preferred bidders on this 450 unit site but we were able to re-engage with the seller when that deal did not progress amidst the COVID-19 crisis. Backed by our equity raise in June 2020, we achieved favourable deal terms due to the certainty we were able to provide and the speed at which we could execute, exchanging unconditional contracts in July 2020 with a fixed completion for January 2021. The site is an excellent fit for our Bristol business and, having opened our outlet in December 2021, is on track to deliver the first legal completions in April 2022.

c.29k

new plots added to the short term landbank over the 18 months to 31 December 2021

c.16k

potential new plots added to the strategic pipeline over the last 18 months to the end of December 2021



“In a land constrained environment and a competitive market, strategic land is a key strength and underpin of future profitability.”

Lee Bishop
Group Managing Director
Strategic Land



3/ Continue to deliver consistently great build quality, customer service and employee experience and identify where we can add value

Continually raising our standards

Our Divisional Chairs **Shaun White, Nigel Holland** and Group HR Director, **Anne Billson-Ross**, discuss our approach to build quality and people.

What is your top priority?

Health and safety is the number one priority at Taylor Wimpey. We will never compromise on this commitment to our people and everyone who works on or visits a Taylor Wimpey site. We embed a safety culture through training, awareness and visible health and safety leadership. This continued to be the top scoring area in our employee survey at 97% overall, with 96% of our employees agreeing we take health and safety seriously. This continues to be the first item discussed at every plc Board meeting and every regional management team meeting.

Continuing to deliver consistently great build quality and customer service

We began the investment in customer service and increasing build quality several years ago. Not only was this the right thing to do for customers, it also set the business up very well for upcoming changes in the New Homes Ombudsman and building regulations. We are delighted to have been confirmed as, once again, leading the sector in CQR scores and we have maintained our HBF 5 star rating.

How can you improve on quality?

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 also publish a customer version, so it is clearer for customers what they can expect from us.

We updated our scope of operations for subcontractors in 2021, which sets out our expectations for build quality. This is part of the contract for subcontractors. Key product suppliers provide training to our Site Managers, Quality Managers and trade subcontractors on the correct installation of their products to ensure a quality build. Subcontractors also attend training sessions run by our quality, site and safety teams, and by the NHBC.

“Quality is incentivised from the top of the organisation.”

Anne Billson-Ross
Group HR Director



2021 employee survey results

Health and safety

96%

of employees agree that Taylor Wimpey takes health and safety seriously

Overall employee engagement score

91%

95%

of employees are proud to work for Taylor Wimpey

96%

of employees feel they can be their authentic self at work

Read more on our KPIs on pages 24 to 27



“We are delighted to have been confirmed as, once again, leading the sector in construction quality.”

Shaun White
Divisional Chair, Midlands and Wales



“We are very pleased to be rated once again as a 5 star homebuilder by our customers in 2021.”

Nigel Holland
Divisional Chair Central, South West and Spain



Quality is incentivised from the top of the organisation. A significant proportion of our Executive Incentive Scheme is linked to customer service and build quality. We track progress and calculate bonus payouts using a combination of internal and independent external measures: HBF 8-week and 9-month customer survey results; Construction Quality Review (CQR) scores conducted independently by the NHBC, and the average reportable items per inspection found during NHBC inspections at key stages of the build. We also integrate customer service and quality into our all-employee bonus scheme.

What are you doing to address the skills shortage?

With a well known industry skills shortage, we have taken a proactive approach to our early talent programmes and direct labour model. Building the skills of our current and future workforce is essential to address the skills shortage in our industry and also to set up the business to deal with future changes. With the introduction of the Future Homes Standard and other regulatory and technical changes, the types of skills we need are changing. For example, from 2025 we may need significantly more people qualified to

install air source heat pumps but fewer gas engineers. We are working in our business, and with our peers, subcontractors, suppliers, industry associations and educational organisations to help address this.

How are you improving customer service?

We are very pleased to be rated once again as a 5 star homebuilder by our customers In 2021. During the year we introduced a Customer Director role which sits on the management team in each regional business to further elevate the voice of the customer. We also rolled out our new customer relationship management system across the business. You can read more information on this on page 38.

The sector continues to face scrutiny and pressure from social media and pressure groups, with the potential for greater oversight from Government through a New Homes Ombudsman. We are supportive of the introduction of an independent New Homes Ombudsman and will endeavour to deliver both the letter and the spirit of regulations and maintain this same ethos in our relationships with our customers. We are aligning our processes to make sure we meet the expectations and timescales being

set by the Ombudsman, as well as new consumer rights such as third party home inspections. We have signed the new code of conduct that superseded the UK Consumer Code for Home Builders.

Read more on our approach to customer service, quality and our employees on pages 38 to 41

Read more about our remuneration targets in our Remuneration Report on pages 105 to 124



“Success means building homes and places that enhance people’s quality of life and foster local community relationships, and which deliver outcomes that are measurably positive for nature.”

Ian Drummond
Divisional Chair Scotland



“We have a very strong culture at Taylor Wimpey at every level of the business, with a core principle to ‘do the right thing’.”

Alice Black
Group General Counsel and Company Secretary

4/ Further embedding sustainability through the business, targeting areas where we can make the most difference to future proof the business

Creating a sustainable future

Alice Black, Group General Counsel and Company Secretary, **Ingrid Osborne** and **Ian Drummond** Divisional Chairs, discuss our approach to ESG at Taylor Wimpey.

What we do – building quality homes in which people can live happy, fulfilled lives, creating genuine places and providing skilled employment – truly matters. However, we believe how we do it matters just as much. We have a considerable environmental and societal footprint and so the way we go about building great homes and communities, our processes, our behaviours, our ambition, makes a big difference.

Success means building homes and places that enhance people’s quality of life and foster local community relationships, and which deliver outcomes that are measurably positive for nature. This means playing a significant role in the UK’s decarbonisation efforts. It means minimising waste and maximising biodiversity. It means reducing energy consumption and emissions in our, and our supply chain’s processes, as well as downstream in our customers’ homes.

We exist to build great homes and create thriving communities and we aim to do so sustainably, making sure those communities are themselves sustainable for the future. We believe that by delivering on our purpose we will contribute to delivering UN Sustainable Development Goal 11: ‘making cities and human settlements inclusive, safe, resilient and sustainable’.

What have you done so far?

We were one of the first UK developers to set a carbon reduction target verified by the Science Based Targets initiative (SBTi), including a 1.5 degrees target for our operational emissions. Our environment strategy, launched in 2021, also includes ambitious targets for increasing nature on our developments, cutting waste and improving resource efficiency. We have made excellent progress towards our carbon



“Our target is to reduce emissions from customer homes in use by 75% by 2030, and we are conducting a range of research to prepare for upcoming regulatory changes and the move towards net zero ready homes.”

Ingrid Osborne
Divisional Chair London and South East



reduction target. Against our 2019 baseline, we have achieved a 13% reduction in direct carbon emissions intensity (scope 1 and 2 emissions per 100 square metres of completed homes) and a 20% absolute reduction. Our current target was published last year but our commitment to climate action goes back much further. Since 2013, we’ve achieved a 50% reduction in our direct carbon emissions intensity. A full list of targets can be found on pages 28 and 29 and are included in our Sustainability Supplement 2021, available on our website.

We are committed to transparent disclosure of our ESG performance and are aligning our reporting with the recommendations of the TCFD and the SASB recommended disclosures for our sector, among other standards. You can see more on this on pages 50 to 57.

What is next?

We are committed to achieving net zero and in 2022 we will develop a plan to achieve this. For the housebuilding sector, the majority of emissions are associated with the production and manufacture of materials and the energy used by customers once they have moved into new homes (scope 3). This means achieving net zero emissions will require system-level changes and coordinated action by multiple parties, from suppliers to governments, and at all points along the value chain. We are committed to working with our peers, suppliers and others to help tackle this challenge. During

2021, this included contributing to the development of the Future Homes Delivery Plan for our sector and inputting into the work of the Future Homes Hub.

In 2022 we will develop our net zero transition plan and a net zero target. We are reviewing the net zero criteria published by the SBTi in 2021 and will use this to guide our approach. We expect to publish our target in 2023. The plan will include details of specific measures and key milestones designed to provide future measurable targets against which the delivery of the plan can be assessed. We have also introduced a carbon-reduction related measure into our Executive Incentive Scheme for 2022.

New homes, designed for net zero and built sustainably, will play a critical role in helping the UK meet its decarbonisation targets, by reducing domestic energy usage – particularly for heating.

Our homes already integrate energy-efficient walls and windows; insulated loft spaces; 100% low energy light fittings and LED recessed downlights; and energy-efficient appliances. This reduces running costs for our customers and helps cut carbon emissions.

Over the next few years there will be significant changes to new build homes in the UK reflecting the introduction of the Future Homes Standard and new regulation on overheating, electric vehicle charging and other environmental issues. Our target is to reduce emissions from customer homes in

use by 75% by 2030, and we are conducting a range of research to help us meet this. From 2025, in line with regulation, the new homes we build will be zero carbon ready.

During 2020 and 2021, we conducted research to enable us to update the technical specification for our homes in preparation for changes to Building Regulations and the Future Homes Standard. With the phasing in of the new Part L and F in England from June 2022, late summer 2022 in Wales and Section 6 in Scotland from October 2022, homes will have enhanced fabric standards with the additional features that may include heat recovery systems and PV panels. Collectively, this will achieve a meaningful reduction of 31% in carbon emissions from home energy use in line with emerging building regulations, compared with our current specification. We are also preparing for the phase-out of gas central heating systems from 2025 in England and Wales (2024 in Scotland) and will be running Future Homes Standard product trials during 2022.

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

Read our investment case on page 6