Annual Report and Accounts 2021

Taylor Wimpey plc

building momentum

Contents

We have a clear purpose to deliver great homes and create thriving communities and a strategy to ensure the long term sustainability of the business, for all stakeholders. During 2021, we have continued to drive performance through a business-wide commitment to our key priorities:

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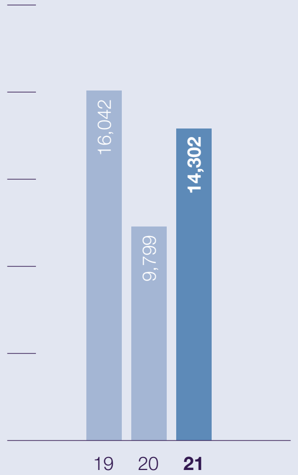
Our Annual Report and Accounts 2021 and online Sustainability Supplement and ESG Addendum 2021 can be viewed at www.taylorwimpey.co.uk/corporate

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

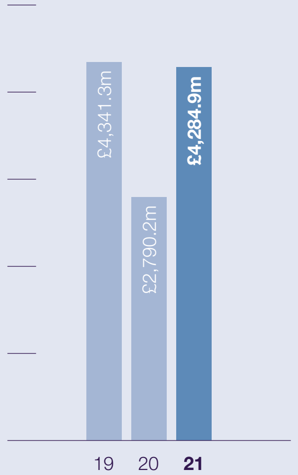
2021 highlights

Group financial highlights

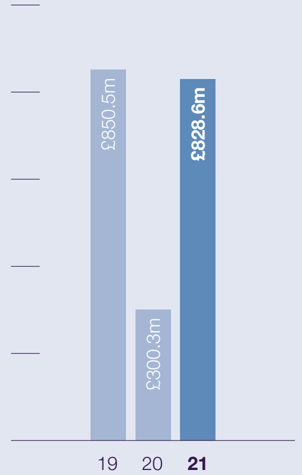
Group completions including joint ventures
14,302



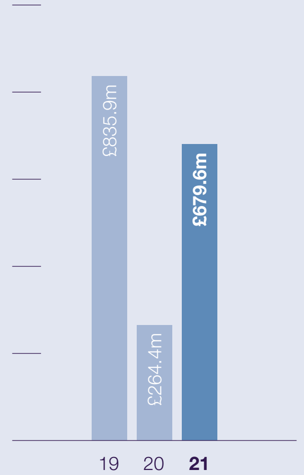
Revenue
£4,284.9m



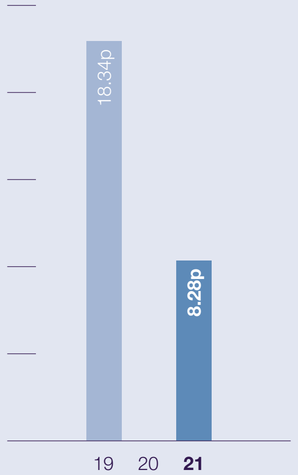
Operating profit*
£828.6m



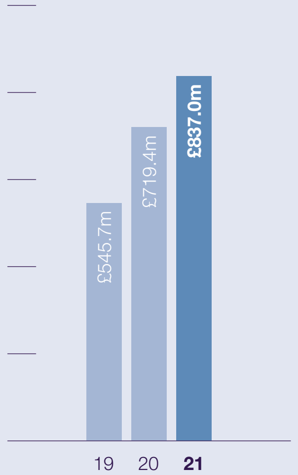
Profit before tax
£679.6m



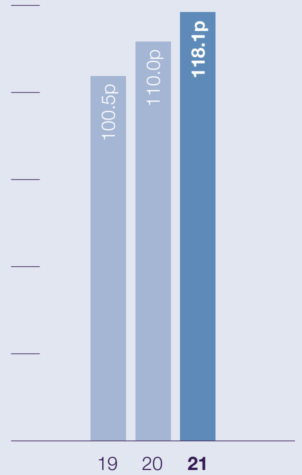
Total dividend per share paid in the year
8.28p



Year end net cash‡
£837.0m



Tangible net assets per share†
118.1p



Operating profit margin
19.3%
2020: 10.8%

Return on net operating assets**
24.7%
2020: 9.9%

Cash conversion‡‡
69.4%
2020: (54.9)%

Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs), such as those indicated above with a footnote symbol, 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. Please see page 71 for definitions.

UK operational highlights

Customer satisfaction 8-week score (%)
92%
2020: 92%

Customer satisfaction 9-month recommend score
79%
2020: 78%

Construction Quality Review average score (out of 6)
4.67
2020: 4.45

Net private sales rate per outlet per week
0.91
2020: 0.76

Number of homes in order book
10,009
2020: 10,685

Plots in UK short term landbank
c.85k
2020: c.77k

Read more about our operations on pages 6 to 17 and 66 to 69

ESG (environmental, social, governance) highlights

Reduction in direct CO_2 emissions intensity since 2013
50%
2020: 30%

Employee engagement score
91%

Annual Injury Incidence Rate (per 100,000 employees and contractors)
214
2020: 151

Affordable homes as % of total UK completions
18%
2020: 20%

Contributions to local communities, via planning obligations
£418m
2020: £287m

Construction waste recycled
97%
2020: 97%

Read more about our approach to ESG on page 7 and pages 16 and 17

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

We participate in several global and sectoral benchmarks. We are a constituent of the Dow Jones Sustainability Europe Index and included in the S&P Global Sustainability Yearbook 2022. We are part of FTSE4Good, have an AA rating from MSCI and have received an ESG Risk Rating of Low from Sustainalytics. We are a member of Next Generation, the sustainability benchmark for UK housebuilders, ranking third and receiving a Gold Award for 2021. We disclose our performance to CDP and received the following scores: CDP Climate Change A- (2020: B), CDP Water B (2020: B), and CDP Forests B- for deforestation and forest risk commodities (2020: B). We have also been recognised by CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change.

Taylor Wimpey plc is a customer-focused homebuilder operating at a local level from 23 regional businesses across the UK. We also have operations in Spain. Our operational review focuses on the UK as the majority of metrics are not comparable in our Spanish business. There is a short summary of the Spanish business in the Group financial review of operations. The Group financial review is presented at Group level, which includes Spain, unless otherwise indicated.

Irene Dorner
Chairman

Dividend / Share Buyback

In line with our Ordinary Dividend Policy, we are pleased to announce that the 2021 final dividend of 4.44 pence per share will be paid in May, subject to shareholder approval at the 2022 Annual General Meeting (AGM). In combination with the 2021 interim dividend, this gives total ordinary dividends for the year of 8.58 pence per share. Details of our resolutions for the 2022 AGM can be found on pages 185 to 189.

We are also pleased to announce that we will be returning up to £150 million of excess cash in respect of 2021 by way of a share buyback. When approving this method, the Board took into account stakeholders' needs and all relevant circumstances. The share buyback is expected to benefit shareholders through the opportunity for increased future dividends per share on the remaining shares. The Board expects that the share buyback will result in an increase in earnings per share and considers it to be in the best interests of shareholders generally.

Creating value for all of our stakeholders

Alongside an excellent operational performance in 2021, we are pleased to have delivered value to all of our stakeholders in a real and sustainable way while continuing to build momentum. This Annual Report and Accounts showcases how we have achieved this.

2021 has proven to be a very successful year for Taylor Wimpey, but it has not been without its challenges. As the world continued to respond and adapt to the COVID-19 pandemic, we remained, and continue to be, focused on delivering improved operating margin and setting the business up well for accelerated volume growth, from 2023.

2021 performance

I am delighted to report that in 2021 we completed 14,302 homes across the Group (2020: 9,799) including joint ventures. This is a 46% increase on 2020 performance, as the business steadily increased operations. Group operating profit increased to £828.6 million (2020: £300.3 million), with an operating profit margin of 19.3% (2020: 10.8%) as we optimised selling price and we maintained our strong focus on cost efficiency. This resulted in profit before tax of £679.6 million (2020: £264.4 million). More information can be found within our Group financial review.

We started 2022 in a very strong position with an excellent order book amounting to 10,009 homes (31 December 2020: 10,685 homes) excluding joint ventures, valued at £2,550 million (31 December 2020: £2,684 million) and were 47% forward sold for 2022 private completions (2021: 54%). Despite wider economic uncertainty, forward indicators continue to show good underlying demand for our homes and pricing remains positive.

Following the equity raise in June 2020, we stepped up our activity in the land market to take advantage of the opportunities before competition returned and have successfully added c.29k new plots to the short term landbank over the last 18 months, including converting c.9k plots from our strategic land pipeline. These sites will enhance our portfolio and deliver a strong financial performance. We are laser focused on continuing to drive momentum by progressing land through the planning system to deliver outlet-led growth from 2023.

During 2021, the Competition and Markets Authority's (CMA) investigation into the historical sale of leasehold properties with doubling ground rent clauses by the Company was closed, following the agreement of voluntary undertakings.

Stakeholder engagement

We recognise that we can only achieve our purpose, to deliver great homes and create thriving communities, if we take account of the views of all of our stakeholders in our decision making. The Board is responsible for ensuring that our business is sustainable in the long term by respecting and taking into account the needs and views of all our stakeholders in our decision making process.

Our employees are what makes Taylor Wimpey so special. Our performance in 2021, both from a financial and operational perspective, is down to all of their hard work and determination. Despite the majority of Board meetings taking place virtually in 2021, we did have the opportunity to visit the South Midlands business unit, where we met employees in the office and out on site. It was great to see the site operating at normal levels in a COVID-secure way, ensuring the health and safety of everyone on site whilst delivering for our customers.

We have also taken the opportunity to more clearly articulate the role of the Board's Employee Champion, who is responsible for championing the employee voice in the boardroom and strengthening the link between the Board and employees. Gwyn Burr, Non Executive Director, was our Employee Champion during 2021 and attended three National Employee Forum (NEF) meetings. As Gwyn will be stepping down from the Board in 2022, Robert Noel, our Senior Independent Director, has been asked to take on the Employee Champion role. In 2022, in addition to attending the NEF meetings, the Employee Champion will also hold in person conversations with small groups of junior to mid-level employees in each Division, including those from the regional offices, sites and sales centres, to listen to their views on any topics they may wish to raise, outside of the NEF and without senior management being present, to further encourage openness. The Board are interested to hear the feedback received as part of these sessions.

I continued to meet with investors in 2021 to build on the dialogue established following the virtual Chairman's roadshow I conducted in Autumn 2020. To allow for an open conversation in respect of the issues most important to each shareholder, no formal agenda was set in advance of each meeting. Investors were keen to hear my and the Board's perspective on a variety of key themes, such as ESG, fire safety and succession. I value the insight I gained from these meetings which I have fed back to the Board to consider as part of our decision making process. Once again shareholders were unfortunately not permitted to attend the 2021 AGM in person, however shareholders were able to listen throughout the proceedings and ask the Directors questions in real time during the meeting through an audiocast facility.

Fire safety

It has long been our view that customers and leaseholders should not have to pay for fire safety remediation works to ensure their buildings are safe and mortgageable. We took early and proactive action, committing significant funding to address fire safety and cladding issues on our buildings, with total amounts provided up to March 2021 of £165 million. Taylor Wimpey's decision a year ago meant that funding was in place to bring all our affected buildings, going back 20 years from January 2021, up to current EWS1 standard. The Board receives regular updates on the progress of remediation works and the topic of fire safety and cladding is included on every Board meeting agenda for discussion. We consider that fire safety is an industry wide issue that needs an industry wide solution and we will continue to work with the Government to play our part to help to resolve these wider issues.

ESG

The elements of ESG have always been an important part of working for Taylor Wimpey and have positively contributed to our culture and ways of doing business, for example in respect of health and safety, our number one priority, and our approach to employee engagement.

During the year we have conducted an independent review to assess the progress we have made in defining what ESG means for us and identified areas that would benefit from further attention. The Board was pleased to receive positive feedback in terms of the extent to which important elements of ESG are built into our day to day business operations and it is helpful to understand how we can improve our communications in this area to ensure this is visible to all of our stakeholders and this is something we will be working on throughout 2022. Our ESG strategy will continue to be aligned to our purpose, ensuring that we play our part in creating a sustainable future for everyone.

In 2021, we participated in various benchmarks and were awarded a number of industry accreditations, including a Gold Award in the Next Generation benchmark (a homebuilder specific sustainability benchmark). We are pleased with the levels of engagement across the business with good progress against our key targets. To ensure that we remain focused on minimising the impact we have on climate change and protecting our planet for future generations, we have added 'natural resources and climate change' as a Principal Risk and the Board will continue to monitor progress. Further information on this new Principal Risk, and on the also newly added Principal Risk of 'cyber risk', can be found on page 65.

We take a science-based approach to carbon reduction, and the Science Based Targets initiative has confirmed that our operational carbon reduction target is consistent with the reductions required to keep warming to 1.5ºC. We have made excellent progress towards our carbon 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 have achieved a 50% reduction in our direct carbon emissions intensity.

We support the UK's commitment to reach net zero carbon by 2050. We will be developing our net zero transition plan and a net zero target during 2022. An environmental measure has been included in the Executive Directors' annual bonus plan (the Executive Incentive Scheme) and requires the Executive Directors to have a credible net zero carbon transition plan approved by the Board alongside the achievement of a measurable carbon reduction target. The intention is to then introduce an environmental measure in the wider annual bonus scheme for 2023 performance. Further details on the role of the Board in ESG matters can be found on page 79 and specific ESG performance measures can be found on page 107.

Chief Executive succession

We announced in December that Pete Redfern will be stepping down as Chief Executive after nearly 15 years in the role. Pete has made an invaluable contribution to the business in this time, including having successfully led the Company through the financial crisis and the pandemic. During his time as Chief Executive, he has created an excellent culture which is renowned throughout the industry for doing the right thing. Given the strength of the business, both Pete and I believe that it is the right time for new leadership as we start the next chapter. On behalf of the Board and everyone at Taylor Wimpey, I would like to express our sincere thanks for the leadership that he has provided to the Company which has seen it return c.£2.85 billion to shareholders since 2007.

Following a rigorous process led by the Nomination and Governance Committee, we were delighted to announce earlier this year that Jennie Daly, our Group Operations Director, will succeed Pete as Chief Executive following the conclusion of the 2022 AGM. Jennie joined the business in 2014 and has held a number of senior roles within the business before being appointed to the Board as Group Operations Director in 2018. Prior to joining Taylor Wimpey, Jennie also held senior roles at Redrow plc, so is an experienced industry executive. Jennie has consistently played a key role in the Company's operational and strategic development, as her remit has gradually grown to include all of our central operational functions and has made a valuable contribution to the Board. The Board is confident that Jennie's wealth of knowledge and experience, alongside her values and leadership style, makes her the right person to lead the Company to deliver improved margin and volume growth, whilst ensuring long term value for all our stakeholders.

In late January, we also announced that in light of upcoming changes to their commitments on other boards, Angela Knight CBE and Gwyn Burr will be stepping down from the Board on 26 April following the conclusion of the 2022 AGM. The strong progress Gwyn Burr has made as Employee Champion will continue under Robert Noel as her successor in that role. A search process is underway to find their replacements to ensure that the Board continues to hold the most appropriate balance of skills and operational experience.

2022 AGM

This year's AGM will take place in person at the Crowne Plaza Hotel in Marlow, as it is closer to our Head Office and I am very much looking forward to the opportunity to meet many of our shareholders in person.

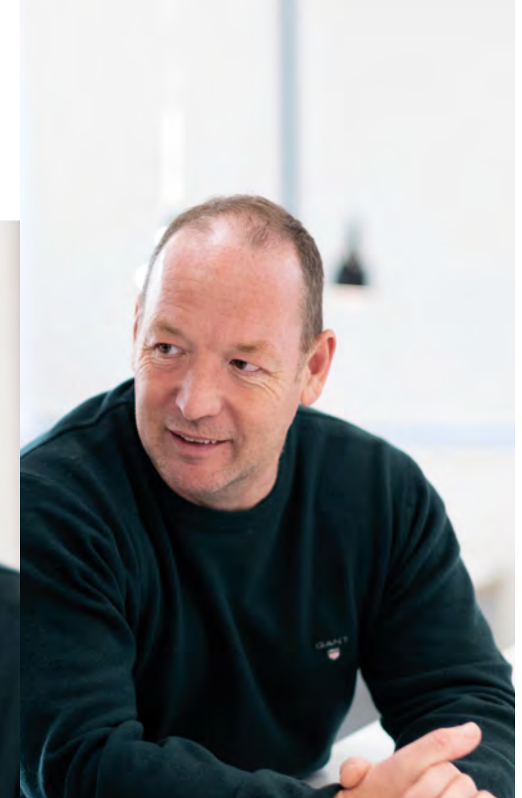
Looking forward

2022 will be a period of transition at Taylor Wimpey, whilst the new Chief Executive takes the lead and drives our business to its full potential. I am confident that Jennie is the right person to achieve this, and she has the full support of the Board and the Group Management Team.

I want to finish by saying thank you to our employees, customers, shareholders, subcontractors and suppliers for their continued support. I am incredibly proud of all that Taylor Wimpey has achieved in 2021 and look forward to building on this success in 2022 and beyond.

Irene Dorner
Chairman

Optimising performance to benefit all stakeholders



Pete Redfern
Chief Executive

I want to begin my last Chief Executive statement at Taylor Wimpey by, firstly, thanking all the individuals and the teams across the business for their daily hard work, dedication and – on a personal note – their support.

I'm pleased to report that we have delivered an excellent performance in 2021, significantly increasing profit, margins and home completions in a challenging year for the industry with pressure on the availability and cost of certain materials. It has also not been a 'normal' year for our people, customers, subcontractors or suppliers, amidst changing COVID-19 restrictions. However by working together, our construction sites have continued to operate safely and efficiently and we have continued to serve our customers. We have continued to prioritise the safety and wellbeing of everyone working for, and with us, and that of our customers, and have increased engagement and collaboration. This has continued to strengthen these key stakeholder relationships (and you can read more about this on pages 38 to 47). I am particularly proud to share that, not only do we continue to be a 5-star homebuilder as rated by customers in the Home Builders Federation (HBF) customer survey, but we are also, once again, the highest rated major housebuilder in the National House Building Council's (NHBC) independently measured 2021 Construction Quality Review (CQR). This is an outstanding effort and truly reflects the efforts and the pride and passion of our people across the business.

As Irene set out in her Chairman's letter, our employees are what make Taylor Wimpey special. We are deeply shocked and saddened by the tragic events in Ukraine and, together with our employees, we will be pledging our support to the humanitarian effort. You can read more about our people on pages 40 to 41. While voluntary turnover increased in the year, alongside Annual Injury Incidence Rate, it is worth noting that the 2020 comparators were impacted by COVID-19. You can read more about our key operational performance metrics on pages 24 to 27.

I have been in this role for nearly 15 years and over 20 years with the business and it has been an incredible journey. I am very proud of what we have achieved at Taylor Wimpey and the culture we have built and I will miss it greatly. Whilst there is always much more we can do and need to do, the business is in excellent health with a very strong balance sheet, and an outstanding short term landbank and strategic land pipeline, with real forward momentum. In particular, our approach, with your support as shareholders, to landbuying during the pandemic, at a time when there was significantly reduced competition, has set us up extremely well for the future. It enabled us to accelerate our landbuying, at attractive margins, creating a balanced portfolio which will benefit the business for several years. Importantly, this has created strong momentum, opportunity and growth and a route to increased, and very compelling, shareholder returns. With such exciting prospects for the future, it is undoubtedly the right time to hand over the business to someone new as the Company embarks on the next chapter.

On 7 February, the Board announced that Jennie Daly has been appointed as CEO, effective from the conclusion of the AGM on 26 April 2022. This follows a thorough recruitment and selection process led by the Nomination and Governance Committee of the Board, that considered a long list of industry and non-industry candidates, along with extensive consultation with shareholders which is discussed on pages 90 and 91.

I am delighted with the Board's decision to appoint Jennie. Jennie is a phenomenal operator and with her vast and varied experience and leadership capability, I am very confident that she will deliver the value from our outstanding landbank for all of Taylor Wimpey's stakeholders.

Building momentum to deliver improved operating margin and accelerated volume growth

Our purpose is to deliver great homes and create thriving communities. We seek to deliver this with a strategy set to optimise long term shareholder returns in a responsible way, while delivering attractive and sustainable returns and adding value to all stakeholders.

We are focused on excellent operational delivery and increasing financial performance. This is visible at all levels in the business and reflected in our 2021 full year performance, with improvements across key financial and operational metrics. The 2020 equity raise and our approach to landbuying has continued to differentiate Taylor Wimpey, as we added a significant amount of attractively valued land to our portfolio. This timely land acquisition and the hard work by our teams in bringing it through the planning system has positioned the business for high-quality outlet-led volume growth at a time when the land market has become increasingly competitive.

With the strength of our landbank and operational excellence we aim to grow annual completions to between 17,000 and 18,000 in the medium term whilst generating compelling returns.

In the following pages 10 to 17, the GMT discuss our key priorities as we continue to build momentum. These underpin our confidence in future delivery.

We support the UK's commitment to reach net zero carbon by 2050. In 2022, we will develop our net zero transition plan and net zero target. We are reviewing the net zero criteria published by the SBTi and will use this to guide our approach. We expect to publish our target in 2023. 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. Our 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.

Upcoming regulatory changes

The industry will face a number of planned, fundamental changes in the short to medium term. Whilst there are obvious challenges, we believe that these changes offer an opportunity to further strengthen our customer proposition and drive value. We will see the first of these come into effect in 2022, with the New Homes Ombudsman and a change in building regulations as well as the effective removal of Help to Buy for reservations this year ahead of the scheme's closure in March 2023. We have been preparing for these changes for some time, and this is reflected in our landbuying approach and in our processes. More information can be found on pages 12 and 13.

UK market environment and current trading

The 2022 spring selling season has started well, reflecting the underlying strength of demand for our homes, underpinned by low interest rates and good mortgage availability.

The net private sales rate for the year to date (w/e 27 February 2022) was 1.02 per outlet per week (2021 equivalent period: 0.91). At that time, we were more than 60% forward sold for private completions in 2022 and have continued to grow our order book well into the second half of the year. As at 27 February 2022, our total order book excluding joint ventures was £2,899 million (2021 equivalent period: £2,796 million), comprising 10,934 homes (2021 equivalent period: 11,054 homes).

Our approach to ESG

Our purpose is to build great homes and create thriving communities. We will do so sustainably, making sure those communities are themselves sustainable for the future.

Environmental, social and governance (ESG) has always been an important part of working for Taylor Wimpey.

Social and Governance

Our teams see the social and governance aspects of ESG as 'business as usual', including our contributions to, and involvement in, local communities and our strong culture. This is also evident in our key performance indicators (see pages 24 to 27) and our stakeholder interactions (see pages 34 to 35). As we embed our ambitious environmental strategy we will further increase our focus on this important area. More information can be found on pages 14 to 15.

We are committed to transparent disclosure of our ESG performance and are aligning our reporting with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) recommended disclosures for our sector, among other standards. This can be found on pages 48 to 57 and a full list of targets and our progress against these targets is included in our Sustainability Supplement 2021, available on our website.

Environment

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 (Building a better world), launched in 2021, also includes ambitious targets for increasing nature on our developments, cutting waste and improving resource efficiency. This can be found on pages 28 to 29.

We are committed to achieving net zero and in 2022 we will develop a plan to achieve this. More details can be found on page 17.

Land activity

Our short term owned and controlled landbank has increased by c.8k plots to c.85k plots as at 31 December 2021 (31 December 2020: c.77k plots). During the early stages of the pandemic, we took the strategic decision to increase investment in land on an opportunistic basis. Accordingly, over the 18 months to 31 December 2021 we have strengthened our landbank adding c.29k new plots to our short term landbank.

Our investment case

Our approach to land differentiates Taylor Wimpey and has enabled us to build an excellent landbank which will underpin strong volume and margin growth potential and returns to shareholders. We are focused on execution and delivering value from our outstanding landbank and via our talented teams, in a responsible way to benefit all stakeholders.

Read more in relation to our key strengths and resources on page 22

1. Strong momentum following significant recent land investment to drive outlet growth and volumes

c.50

additional outlets to be added in the period H1 2021 to H1 2023

2. Clear levers to improve operating margin

21-22%

operating profit margin target

3. Highly cash generative with a commitment to return excess cash

c.£150 million

2022 buyback

4. Delivering for all stakeholders

5-star

HBF customer satisfaction rating

Our high-quality landbank remains a key competitive advantage and value driver and underpins our confidence in delivering our medium term target of 21-22% operating profit margin. Our accelerated landbuying provides us with a greater number of options for sustainable, profitable volume growth amidst a challenging planning environment. We have also grown our high-quality strategic land pipeline and are able to operate selectively in today's competitive land market.

We remain very focused on progressing new acquisitions through the planning system and opening quality outlets. As at the end of February we own or control, with planning or a Resolution to Grant (RTG), 88% of the sites where we intend to open an outlet in 2022 of which we have already started on site at nearly one third. We own and have outline or detailed planning on 100% of 2022 expected completions and 85% of 2023 expected completions. All of the remainder are currently controlled and most have planning or RTG.

Fire safety

It has long been our view that customers and leaseholders should not have to pay for fire safety remediation works to ensure their buildings are safe and mortgageable. We took early and proactive action, committing significant funding to address fire safety and cladding issues on our buildings, with total amounts provided up to March 2021 of £165 million. Taylor Wimpey's decision a year ago meant that funding was in place to bring all our affected buildings, going back 20 years from January 2021, up to current EWS1 standard.

We have identified all Taylor Wimpey buildings that may require works and are in active dialogue with building owners to undertake these and are committed to resolving these issues as soon as possible for our customers. From April 2022, we will also be paying the new Residential Property Developer Tax (which is a 4% tax on profits) that will fund the Government's Building Safety Fund for buildings over 18 metres.

We are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. We fully support the HBF's recent letter to the Government which sets out proposed additional commitments from the industry in relation to buildings over 11 metres. We continue to believe this is an industry-wide issue involving many types of organisations and therefore needs an industry-wide solution. If accepted by Government, the HBF proposal would result in an additional modest provision for Taylor Wimpey.

Guidance and outlook

Interest rates remain at close to historically low levels and there is good availability of affordable mortgages. Whilst further rises in the base rate are anticipated this year, we expect affordability to remain good and the cost of servicing a mortgage to remain attractive compared to the cost of rental.

Assuming the market remains broadly stable, we continue to expect to deliver low single digit year on year completions growth in 2022 and to make further progress towards our 21-22% operating margin target. We expect 2022 year end net cash to be around £600 million, depending on the timing of land payments.

Build cost inflation is currently running at c.6% and, at this stage, we expect sales price growth to continue to offset build cost inflation in 2022.

The additional land we have secured over the last 18 months, has positioned the Group to deliver high-quality, profitable and sustainable growth. These additional land investments differentiate Taylor Wimpey and will result in increased outlet openings from late 2022 and material volume growth from 2023, generating additional value and compelling investor returns.

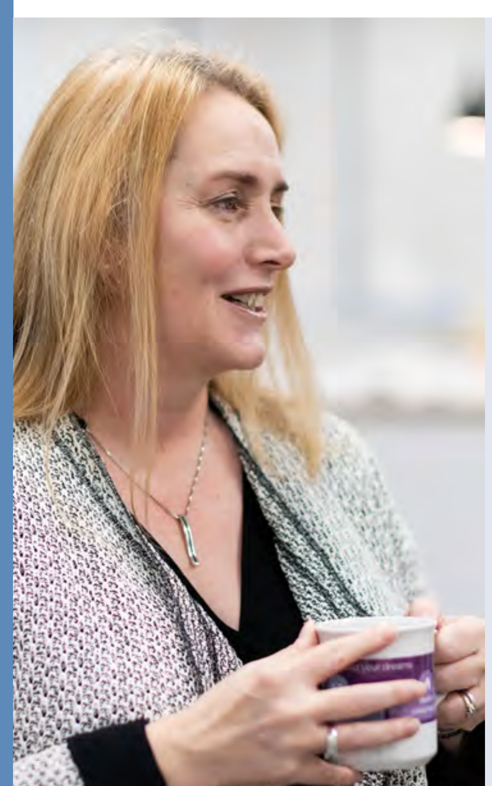
With a continued focus on execution and efficiency, the Board believes the Group has strong momentum to make significant progress and deliver enhanced shareholder value in the years ahead.

Pete Redfern
Chief Executive

Introducing our new CEO

On 7 February, Jennie Daly was announced as CEO Designate, and will take on the role following the Group's AGM on 26 April 2022.

Jennie is currently Group Operations Director of Taylor Wimpey and a member of the Board of Directors. Since 2018 and in her current role, Jennie oversees Taylor Wimpey's land, planning, design, technical, sustainability, production and supply chain functions, as well as managing the Taylor Wimpey Logistics business. She has almost 30 years of experience in the housebuilding and land and planning industries, with excellent relationships across all stakeholders. Jennie joined Taylor Wimpey in 2014 from Redrow Plc where she was Managing Director of its Harrow Estates business and, prior to that, was Group Land Manager at Westbury Plc. Her early career was in local authority and council planning roles in Macclesfield and Blackpool. Jennie is also a Non Executive Director of the Peabody Trust and of the New Homes Quality Board Limited.



"It is an honour and privilege to take on the role of CEO at Taylor Wimpey and I am delighted to have the support of the Board and our Executive and wider teams. This is an outstanding business with a strong landbank and strategic land pipeline, and a talented and committed team. Taylor Wimpey is strongly positioned to deliver sustainable sector-leading growth and returns, whilst always operating as a responsible business. I am energised by the opportunities at Taylor Wimpey and look forward to working closely with the Board and our teams to deliver on the significant potential at the company."

Jennie Daly,
Group Operations Director and CEO Designate

How we are building momentum

Our differentiated approach to land has created strong momentum and the opportunity for quality, profitable growth. Taylor Wimpey is well positioned to deliver strong growth and sustainable returns, whilst always operating as a responsible business.

Our purpose

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 to 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.

Medium term goals (2018-2023):

Return on net operating assets

35%
24.7% in 2021 (2020: 9.9%)

Operating profit margin

c.21-22%
19.3% in 2021 (2020: 10.8%)

Short term landbank

4-4.5 years
c.6.1 years in 2021 (2020: c.8.1 years)

Cash conversion

70-100%
69.4% in 2021 (2020: (54.9)%)

Remuneration report See pages 105 to 124

Delivering against our key priorities

Operational excellence and discipline driving an increase in operating margin
Page 10

Progressing recent land acquisitions through planning to facilitate outlet growth in late 2022 and volume growth in 2023
Page 12

Continue to deliver consistently great build quality, customer service and employee experience and identify where we can add value
Page 14

Further embedding sustainability through the business, targeting areas where we can make the most difference to future proof the business
Page 16

Guided by our clear purpose: To build great homes and create thriving communities

Driven through our strategy to deliver for all stakeholders and as measured by our KPIs /p 24-27

Embedded ESG mindset in the business and decision making /p 16-17

Environment strategy and targets /p 28-29

Always engaging with our stakeholders /p 38-47

Underpinned by our strong culture of doing the right thing and our core values

Respectful and fair | Take responsibility | Better tomorrow | Be proud

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 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

"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 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

"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

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

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.

"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."

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

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 supersedes 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 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

"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

The UK housing market recovered strongly in 2021

This section considers our industry context, how supply, demand and external and regulatory factors influenced our year as well as their potential impact on the short and longer term.

Undersupplied market

There is a recognised housing shortage in the UK with new home completions falling significantly below the UK Government's target of 300k new homes per year. The Government has considered several means of addressing the housing shortage, from reform to the planning system, to methods of stimulating building and improving affordability, such as Help to Buy and its 95% mortgage guarantee scheme.

New homes construction was growing before the COVID-19 pandemic took hold in early 2020, albeit still significantly below the 300k target. Output has recovered in 2021 but is below 2019 levels. Many housebuilders expect to recover to 2019 levels within the next couple of years, but even surpassing 2019 production will likely still fall well short of the 300k target meaning we are likely to see a structural undersupply of housing for some time. We intend to play our part in addressing the housing shortage and, assuming the market remains broadly stable, we expect to significantly increase our annual completions in the next few years.

Our 2021 performance

In 2021, total home completions (including joint ventures) increased by 47% to 14,087 (2020: 9,609) as we recovered volumes following 2020's COVID-19 disruption. We delivered 2,501 affordable homes including joint ventures (2020: 1,904), equating to 18% of total completions (2020: 20%).

Our net private reservation rate for 2021 was 0.91 homes per outlet per week (2020: 0.76). Cancellation rates for the full year were at normal levels of 14% (2020: 20%). Average selling prices on private completions increased by 3% to £332k (2020: £323k), with the overall average selling price increasing to £300k (2020: £288k).

We ended the year with a total order book valued at £2,550 million (31 December 2020: £2,684 million), excluding joint ventures, which represents 10,009 homes (31 December 2020: 10,685). We traded from an average of 225 outlets in 2021 (2020: 240) and entered 2022 with 228 outlets (31 December 2020: 239).

House price growth, interest rates and affordability

When considering our market context, it is important to look at the wider market. Activity in the second hand market has the greatest influence on pricing as second hand home sales make up the majority of housing transactions, with new build generally accounting for around 15-20%. 2021 saw significant increases in house prices led by the second hand market of c.10% in the year to November (Source: ONS).

Whilst this was stronger than in recent years, it was partially offset by annual wage growth of 4.2% in the three months to November 2021, helping to maintain affordability. Growth was less pronounced for new build where the Stamp Duty Land Tax holiday had less of an impact. We estimate that market-led house price growth for our regional mix was c.4% in the 12 months to 31 December 2021 (2020: c.1.9%).

In December 2021, economic research group Capital Economics estimated that mortgage payments were equivalent to 39% of the medium full time salary which is below the historical average of 43%. The Bank of England (BoE) base rate rose from its historic low of 0.1% to 0.25% in December 2021 while a second rise in February 2022 saw it increase to 0.5%. Given rising inflation, it is widely expected that BoE interest rates will rise during 2022 to 1.25% according to some market commentators (Source: The Times). At 1% mortgage payments would rise to the long run average of 43% of salary, suggesting homes will remain affordable for most of our customers (Source: Capital Economics). The Government's 2014 Mortgage Market Review introduced affordability thresholds for mortgage providers including a stress test that factors in a 3% rise in interest rates.

UK employment

UK employment fared better than many had feared through the pandemic. The Government's Coronavirus Job Retention Scheme helped safeguard many jobs during the crisis and since that scheme ended in September 2021, the economy has seen some improvement. The UK unemployment rate was 4.1% in the three months to November 2021 and there have been labour shortages in key areas, with a record 1.2 million vacancies (Source: ONS). By November 2021 UK GDP had surpassed its pre-COVID level (February 2020) for the first time by 0.7%.

Fire safety

We took early and proactive action, committing significant funding to address fire safety and cladding issues on our buildings, with total amounts provided up to March 2021 of £165 million. Taylor Wimpey's decision a year ago meant that funding was in place to bring all our affected buildings, going back 20 years from January 2021, up to current EWS1 standard.

In 2021, the UK Government introduced a new 4% tax on the profits of property developers to bring high rise buildings in line with the current EWS1 standard, that we will be paying from April 2022. In a recent letter to the homebuilding industry in February 2022, the Government suggested a further £4 billion may be required to bring potentially unsafe mid rise buildings up to the required standards. This raises the potential for additional costs for the industry. The Home Builders Federation (HBF) has since written to the Government with a proposal.

We are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. We fully support the HBF's recent letter to the Government which sets out proposed additional commitments from the industry in relation to buildings over 11 metres. We continue to believe this is an industry-wide issue involving many types of organisations and therefore needs an industry-wide solution. If accepted by Government, the HBF proposal would result in an additional modest provision for Taylor Wimpey.

Environmental regulation

The need to reach carbon net zero and halt biodiversity loss has led a to number of new environmental regulations. The most notable is the Future Homes Standard (FHS). From 2022-2023 Parts L and F of the FHS require changes to insulation and ventilation to enable carbon reductions of 31% in new homes. We are meeting these challenges with modified designs (see page 45 for further information). From 2025 the FHS will require new homes to produce 75-80% less carbon. This means replacing gas central heating systems with alternative heating sources such as air source heat pumps. We are committed to achieving net zero and, in 2022, we will set out a plan to achieve this. Achieving net zero will require wider structural changes beyond the control of the housing industry (for more information see page 16 and 17).

Land and planning

The land market was competitive in 2021 as many companies that had delayed purchase decisions during 2020 returned to the market. According to Savills data, in the third quarter UK greenfield land values had grown by 7.1% and urban values by 5.7%, year on year. Having added significantly to our landbank since June 2020 and with the benefit of the largest strategic pipeline in the sector, we are able to operate selectively.

The planning system has faced challenges during the pandemic. In the 12 months to December 2019, there were 326k new planning consents but in 2020, planning was impacted by COVID-19 disruptions and consents for the comparable period fell to 277k. Bottlenecks have continued with 2021 consents estimated at 272k. We are aware of difficulties in the planning system and have factored this into our expectations and budgeting for new outlet openings

Help to Buy

During 2021, approximately 19% of total sales used the Help to Buy scheme (2020: 46%) at an average price of £283k (2020: £286k). The reduction reflects changes to the scheme in 2021 when access was limited to first time buyers and with the introduction of regional price caps. Since its introduction in 2014, Help to Buy has aided many of our customers to buy their homes. The scheme is due to end on 31 March 2023. To ensure that first time buyers will continue to have access to housing, the Government and industry have put in place deposit guarantee schemes to enable customers to access 95% mortgages at affordable levels. This mirrors the 5% mortgage requirement currently needed to take part in Help to Buy.

Supply chain

2021 was a challenging year in which the industry faced well publicised supply constraints for certain materials such as timber and tiles, as well as a general shortage of haulage. We managed these pressures effectively, benefiting from our scale and strong partner relationships. During 2021, house price inflation fully offset build cost inflation amidst wider industry pressure on the cost and availability of certain materials. Our national scale and strong partner relationships and agreements enabled us to effectively manage these pressures. Underlying build cost inflation in 2021 was c.4% (2020: c.3%).

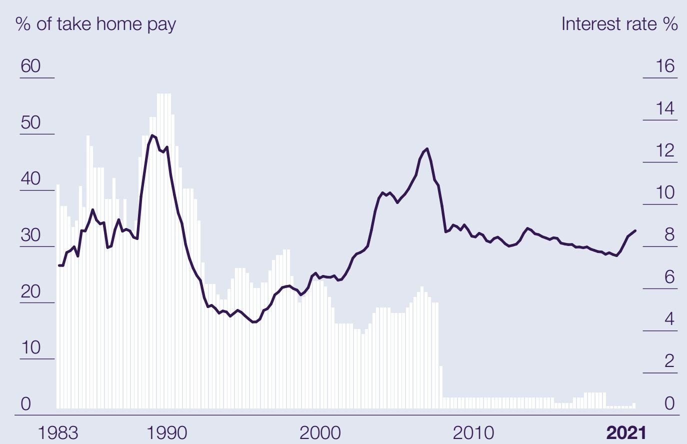
Key market data

The home ownership rate in England

Source: Department for Levelling Up, Housing and Communities

At just under 65%, home ownership rates in England are much lower than the mid 2000s peak of c.71%. Average age of first time buyers is just above 32.

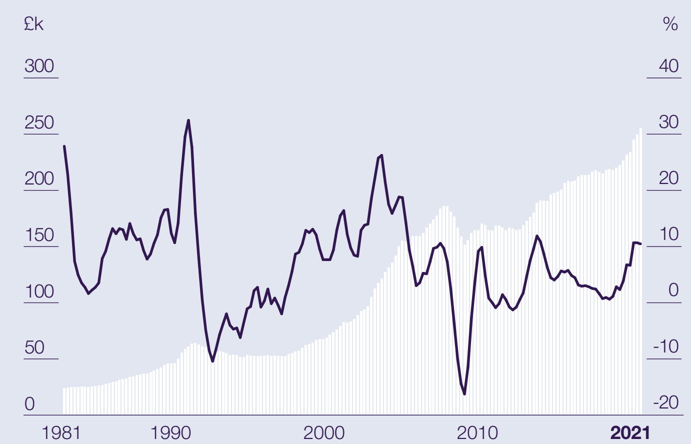
UK first time buyers mortgage payments as a percentage of take home pay / interest rates (%)



Source: Nationwide, Bank of England

Despite two rate rises since the historic low of 0.1%, interest rates remain low in an historic context.

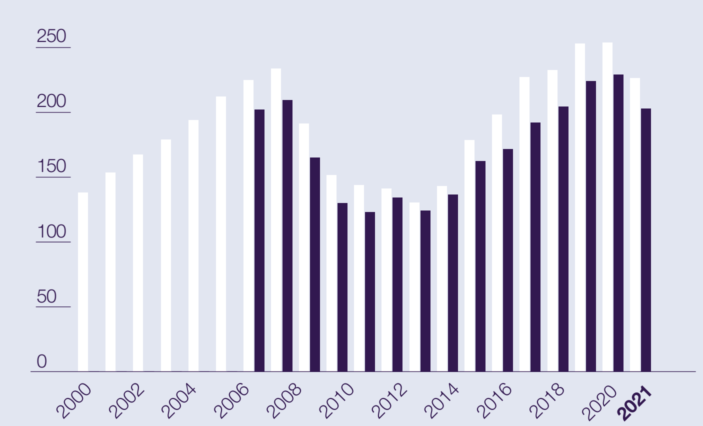
UK house price development



Source: Nationwide

House price inflation was more modest than in recent cycles ahead of a stronger uplift in 2021.

England net additional dwellings and new build completions



Source: Department for Levelling Up, Housing and Communities

The data covers England only, but demonstrates that overall production has been running at lower levels than the Government's national target of 300k new homes per year and has been further impacted by COVID-19 disruptions in 2020.

Market trends and response

Read more about our Principal Risks on pages 62 to 65

Read more about key issues for our stakeholders on pages 32 to 37

Key drivers		2021 backdrop	Driver short term opportunities and risks	Driver long term opportunities and risks	Links to Principal Risks	Material issues
Interest rates and mortgage availability	Interest rates and mortgage availability determine housing affordability and accessibility for our customers. Interest rates remain at historically low levels and for customers able to access the housing market a 2021 study by Halifax found servicing mortgage payments was, on average, £800 cheaper than renting. At 7.8 times median income for England and Wales in 2020 (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, including a stress test for an up to 3% increase on prevailing rates. In 2021, the average age of a first time buyer was 32 (Source: Nationwide), suggesting there remains considerable unmet demand.	– The UK faced inflationary pressures from the second quarter of 2021 owing to disruption to global supply chains as a result of COVID-19 and other factors. – In December 2021, the UK base rate was raised to 0.25% from the historic low of 0.1%. A second rise in January 2022 saw the rate move to 0.5%. – Mortgage products have been widely available at low interest rates but some ultra-low rates have ended.	– UK Consumer Price Index (CPI) Inflation rose to 4.8% in December 2021 leading some commentators to expect interest rates to rise to slightly above 1% by the end of 2022. – Mortgage payments are expected to continue to be affordable at around the medium term average of 43% (Source: Capital Economics) with monthly mortgage repayments highly competitive in comparison to rental payments.	– Interest rates expected to gradually rise at a modest rate and remain at affordable levels. – Government backed high LTV mortgages could be offered to buyers of new build. – Deposit Unlock is a scheme developed by the homebuilding industry in conjunction with mortgage providers that is intended to help customers with low deposits gain access to the housing market. The scheme will provide competitive rate mortgages to customers with a 5% deposit and is expected to be appealing to customers when Help to Buy ends in England in March 2023.	– B: Mortgage availability and housing demand	Customer service and quality Responsible sourcing
Employment, skills and labour availability	The UK employment rate has implications on consumer confidence and our customers' desire and ability to buy homes. 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 was 4.1% in the three months to December 2021, compared to 5.2% for October to December 2020. – Job vacancies in December 2021 were at a record high of over 1.2 million (Source: ONS). – The labour market is under pressure with shortages in certain areas such as manufacturing and haulage and hospitality and social care.	– Healthy employment and wage growth underpins housing demand. – Taken in isolation, with job vacancies at record highs, the near term UK employment outlook remains favourable for housing demand. – Potential for some bottlenecks in certain areas and industry labour inflation.	– A long term healthy employment outlook is important for housing as well as the rest of the economy. – A potential long term skills shortage could impact the industry. – Attracting and retaining skilled workers to construction is important for the long term health of the industry. Many major housebuilders have strategies aimed at attracting new talent to the industry.	– D: Attract and retain high-calibre employees	People and skills
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. The scheme is due to end in 2023.	– From March 2021, the scheme moved into its next phase, with access limited to first time buyers and with regional maximum price caps. – While the proportion of our customers using Help to Buy reduced, the UK housing market continued to be strong, driven by unsatisfied demand and we enjoyed healthy levels of sales suggesting the targeted reduction in the use of Help to Buy was appropriate.	– The Help to Buy scheme is due to end on 31 March 2023, with reservations under the scheme effectively ending December 2022. – Changes have been well flagged giving us the opportunity to prepare. – The Government has introduced its 95% mortgage guarantee scheme. – We will be using Deposit Unlock on a small number of selected developments in England and Scotland in the first quarter of 2022.	– The Government continues to target an increase in housebuilding. – The Government and industry deposit schemes are designed to help customers with low mortgages, who may otherwise have been reliant on Help to Buy, gain access to housing.	– A: Government policies, regulations and planning	Sustainable homes and communities
Climate change	The Future Homes Standard (FHS) 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 will now come into force in June 2022 and will allow for a one year transitional period. Further change will come in 2025 when gas central heating systems will no longer be allowed in new developments.	– During 2020 and 2021, we conducted a range of research to update the technical specification for our homes in preparation for changes to Building Regulations Part L and F and the eventual introduction of the FHS.	– Opportunity to produce more energy efficient homes for our customers with our new house types. – Potential increase in green mortgages making new homes comparably cheaper to buy than less energy efficient second hand stock. – Potential competitive advantage and premium for new more energy efficient homes.	– The Government committed to net zero UK emissions by 2050 and we are working on designs to make our future new homes net zero ready, including the replacement of gas central heating systems with alternative technologies such as air source heat pumps. – For homes to become net zero there will need to be changes to the UK's energy infrastructure to move away from our reliance on gas.	– A: Government policies, regulations and planning	Sustainable homes and communities Environment
Land and planning environment	The planning system was impacted by the pandemic and this year has seen some industry wide delays in planning decisions due to a shortage of resources. The Government has been assessing the planning system, with the aim of streamlining processes and ensuring each area has a local plan. The White Paper on wide ranging planning reform was delayed until 2022 in order that the new housing minister could assess proposed reforms.	– The Government released its Levelling up White Paper in February 2022. On planning matters, it retained its commitments to targeting 300k new homes per year, making Local Plans simpler and shorter and developing models for a new infrastructure levy with enhanced compulsory purchase powers to support town centre regeneration and re-use of brownfield land. Further detail over how this will be delivered is expected in a planning bill in 2022.	– We have built our land position which increases our range of options in a period where the planning system is facing resourcing issues and also moving into a planning environment that may undergo change. – Improved speed in planning could lead to further efficiencies in our process and speed of build once land is acquired – Potential overhaul to the planning system could lead to delays while transition is in progress.	– More readily available land could, in some instances, lead to greater competition. – Given our substantial landbank and strategic pipeline in attractive locations, less friction in the planning system could enable an uptick in construction activity.	– A: Government policies, regulations and planning	Responsible sourcing

Principal Risks key:

- A: Government policies, regulations and planning
- B: Mortgage availability and housing demand
- C: Availability and costs of materials and subcontractors
- D: Attract and retain high-calibre employees
- E: Land availability
- F: Quality and reputation
- G: Health, safety and environment
- H: Natural resources and climate change (New)
- I: Cyber security (New)

Creating value through our business model

Key strengths and resources

People
- Highly experienced management team
- Talented, skilled and engaged workforce with investment in training and in young talent

Financial position
- Robust balance sheet
- Established track record of generating cash and returning excess cash to shareholders

Approach to ESG
- Strong health and safety culture
- 5 star customer service homebuilder and industry-leading build quality
- Major contributor to local economies and communities
- Embedding sustainability and climate action throughout the business
- Strong culture of doing the right thing

Land
- Well located landbank in areas people want to live and best in class strategic land pipeline
- Proven track record in converting strategic land into short term landbank

Business
- National scale and well-placed with 23 established regional businesses
- Efficient supply chain management, augmented by our Taylor Wimpey Logistics division

What we do

Why we do it / How we do it / Prioritising sustainability / The value we created in 2021

1 Investment
Shareholder capital management

Why we do it: Ensuring long term sustainability of the business 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 (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. In 2021, we continued to transact this increased land investment, establishing a landbank to support growth in future years.

At this stage in the business model we seek to manage the following Principal Risks: A, D, E, F, G, H

Relevant stakeholders: Customers, Investors, Employees

Prioritising sustainability:
- We take account of sustainability issues from the start of the landbuying process, including biodiversity net gain, flood risk, proximity and access to infrastructure and services, sustainable transport, community wellbeing and local economic development.
- By focusing on placemaking we plan, design, layout and deliver schemes that create successful and sustainable new communities, where our customers can enjoy a good quality of life.
- We are prioritising nature by targeting increased biodiversity on our developments.

The value we created in 2021:

Investors
c.85k
plots in our UK short term landbank (2020: c.77k)

Investors
c.£3.4bn
land on the balance sheet (2020: c.£2.9bn)

2 Development
Protecting capital and adding value

Why we do it: 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.

How we do it: We design and plot the right houses in an efficient manner to generate strong returns while maximising available land resources and creating attractive places to live. We engage extensively with communities, before and during the lifetime of each development. We factor in stakeholders' needs, addressing environmental and other local issues and building community facilities to create thriving communities.

At this stage of the business model we seek to manage the following Principal Risks: A, B, F, G, H

Relevant stakeholders: Customers, Communities, Investors, Employees

Prioritising sustainability:
- In 2021, we contributed £418 million to local communities via planning obligations (2020: £287 million). This funded a range of infrastructure and facilities including: affordable housing; green spaces; community, commercial and leisure facilities; transport infrastructure; heritage buildings; and public art.
- We also invest in public and community transport, walkways and cycle paths through our planning obligations. In 2021, 67% of our UK completions were within 500m of a public transport node and 86% within 1,000m.

The value we created in 2021:

Customers, Communities
77
planning applications granted (2020: 68)

Partners
11.1k
subcontractors worked on average during 2021 (2020: 12.3k)

3 Realising value
Optimising stakeholder returns

Why we do it: 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 in terms of pricing and the visibility and certainty we are able to provide to our partners and look to maximise and optimise the efficiency of our operations.

How we do it: We build quality homes safely and efficiently, getting the customer proposition right and optimising sales price. This includes working closely with our supply chain and our central logistics function, TW Logistics, to ensure we maximise the opportunities our scale affords. We develop deep knowledge and foster close relationships with our supply chain to improve pricing, visibility and security of supply. We work with our subcontractors to make improvements to our processes and operations. We have implemented additional checks and driven higher 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, I

Relevant stakeholders: Customers, Investors, Employees, Partners

Prioritising sustainability:
- We are working in our business and with suppliers and peers to reduce energy use and waste, improve resource efficiency and increase our use of recycled materials and those with lower embodied carbon.
- We have rigorous policies and procedures in place to address health and safety risks, supported by training, communication and visible leadership.

The value we created in 2021:

Customers, Investors, Employees
c.14.3k
new homes (including joint ventures) completed for our customers (2020: 9.8k)

Employees
5.4k
directly employed on average during 2021 (2020: 6.0k)

Read more about our approach to identifying and managing risk on pages 59 to 65

Read more on how we create value for all stakeholder groups on pages 34 to 47

Our strategy and key performance indicators

Read more about our Principal Risks on pages 61 to 65

Principal Risks key:

A: Government policies, regulations and planning
B: Mortgage availability and housing demand
C: Availability and costs of materials and subcontractors
D: Attract and retain high-calibre employees
E: Land availability
F: Quality and reputation
G: Health, safety and environment
H: Natural resources and climate change
I: Cyber security
£ Link to remuneration

Strategic pillar | **Performance in 2021** | **Priorities going forward** | **KPI**

Customers and communities

Principal Risks

A, B, C, D, E, F, G, H, I

Read more in relation to our stakeholders on pages 38 to 39, 42 to 43 and 44 to 45

Performance in 2021

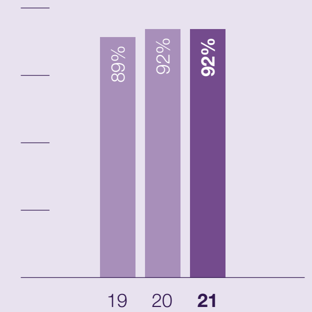
- We are pleased that we continue to maintain our 5 star rating.
- Our 9-month satisfaction scores give us insight into how customers feel about the homes and places we build over the longer term, and we are pleased to see an improvement in the year.
- We elevated the voice of the customer in the regional businesses this year by introducing a Customer Director role which sits on the regional businesses' management teams.
- Embedded our Customer Hub, where all initial customer calls are diverted to.
- Rolled out customer relationship management (CRM) system, using Microsoft Dynamics software, to all 23 regional businesses.

Priorities going forward

- We will see the New Homes Ombudsman come into effect in 2022 and we are continuing to align our processes to meet expectations and timescales set by the Ombudsman.
- Continue to embed CRM system into the business and generate insights and increased collaboration between departments.
- Utilise our new standard house type range which reflects customer feedback and incorporates increased open plan living, more natural light and improved storage.

KPI

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



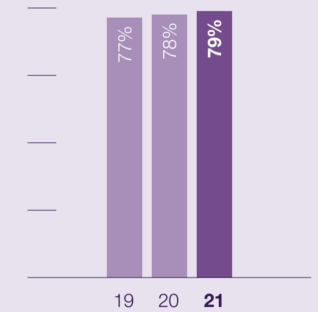
Objective: We strive to achieve 90% or above in this question, which equates to a five-star rating.

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 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 106 to 108**

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.

Note: The 8-week 'would you recommend' score for 2021 relates to customers who legally completed between October 2020 and September 2021, with the comparators relating to the same period in the prior years. The 9-month 'would you recommend' score for 2021 relates to customers who legally completed between October 2019 and September 2020, with the comparator relating to the same period in the prior years.

Build quality

Principal Risks

A, C, D, F, G, H

Read more in relation to our stakeholders on pages 38 to 39, 42 to 43 and 44 to 45

Performance in 2021

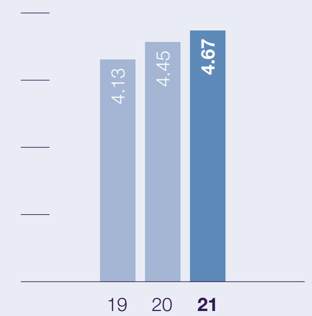
- We continue to lead the volume housebuilders in build quality.
- Due to the increase in productivity on site during the year, the average reportable items per inspection increased marginally.
- We updated our scope of operations for subcontractors in 2021, which sets out our expectations for build quality. This is part of the contract for subcontractors.
- Key product suppliers provide training on the correct installation of their products to ensure a quality build.

Priorities going forward

- Great build quality continues to be important for long term customer satisfaction and reduced remediation costs and waste.
- We aim to improve build quality further by ensuring our quality assurance processes are embedded at every stage of build. Our Consistent Quality Approach 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.

KPI

Construction Quality Review



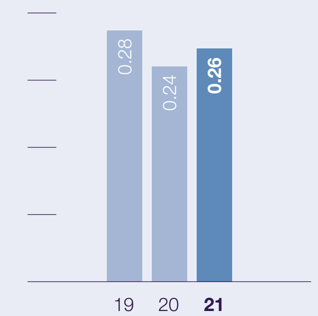
Objective: To achieve an average score of four out of six across Taylor Wimpey.

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 106 to 108**

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

Read more in relation to our stakeholders on pages 42 to 43 and 44 to 45

Performance in 2021

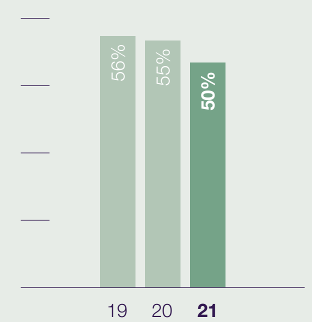
- We have grown our short term landbank and in today's competitive land market are able to operate selectively with the benefit of the largest strategic pipeline in the sector.
- Our strategic land pipeline remains a key strength both as an important input to the short term landbank and in providing an enhanced supply of land with greater control over the planning permissions we receive.
- We continue to source a large proportion of completions from our strategic land pipeline.
- Our landbank years metric continues to run ahead of our target as we continue to process land bought as a result of our equity raise in June 2020, when we saw a short term opportunity in the land market to invest for the long term.
- Land cost as a percentage of average selling price on approvals has returned to a low level.
- Opportunistic landbuying during the pandemic has allowed us to be selective in a more competitive environment, supporting future land cost as a percentage of average selling price on approvals.

Priorities going forward

- Our strong landbank continues to be a key differentiator for us, and allows us to buy land selectively, choosing good quality land at attractive returns.
- Continue to utilise our strategic land pipeline to support the short term landbank.
- Continue to buy land selectively at returns that maximise value for our shareholders.
- Remain very focused on progressing new acquisitions through the planning system and opening quality outlets.
- Our new house type range will help to support best use of our landbank through improved plotting efficiency.

KPI

Strategically sourced completions

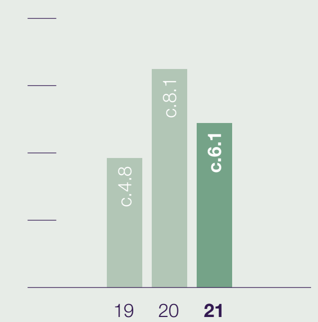


Objective: We aim to source more than 40% of our completions from the strategic pipeline per annum in the medium term.

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.

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

Principal Risks key:

A: Government policies, regulations and planning
B: Mortgage availability and housing demand
C: Availability and costs of materials and subcontractors
D: Attract and retain high-calibre employees
E: Land availability
F: Quality and reputation
G: Health, safety and environment
H: Natural resources and climate change
I: Cyber security

Strategic pillar | **Performance in 2021** | **Priorities going forward** | **KPI**

Be the employer of choice in our industry

Performance in 2021

- Voluntary employee turnover has increased following a year of very low employee turnover as a result of the uncertainty caused by the pandemic.
- Recruitment to early talent programmes has increased in the year. Increasing the future skills and talent within our business is essential for long term sustainability, particularly in the face of a well-known industry skills shortage.
- Due to the restructure of the business and increased employee turnover, in 2021 the number of directly employed key trades and apprentices reduced.
- Health and safety is the number one priority at Taylor Wimpey and we will never compromise on this commitment to our people and everyone who works on or visits a Taylor Wimpey site.
- Our AIIR remains well below both the HBF Home Builder Average AIIR of 264 and Health and Safety Executive construction industry average AIIR of 353, but we will continue to seek to improve this. We believe the increase in the accident rate is due to higher than average turnover among operatives and an increase in production on our sites.
- We conducted an employee survey in 2021, high scoring areas in this survey included health and safety, diversity and inclusion, and our vision and strategy.

Priorities going forward

- We embed a safety culture through training, awareness and visible health and safety leadership. We continue to focus on continuing to improve health and safety on our sites.
- Work with the sector to collectively address the skills shortage.
- In 2022, we will explore how we can increase flexibility for on site roles.
- To support attracting, selecting and retaining diverse candidates we will run an inclusive leadership coaching programme for Managing Directors in 2022.
- Benchmark our policies and practices against the Stonewall Diversity Benchmark.
- Offer training which progresses careers and strengthens succession pipelines to drive business continuity and level of knowledge and experience in a highly competitive skills sector.

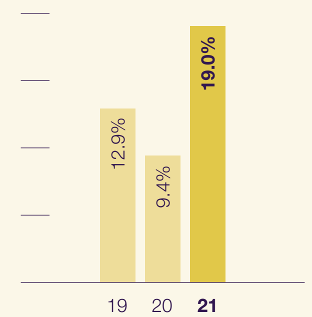
Principal Risks

D, F, G, H

Read more in relation to our stakeholders on pages 40 to 41 and 42 to 43

KPI

Voluntary employee turnover

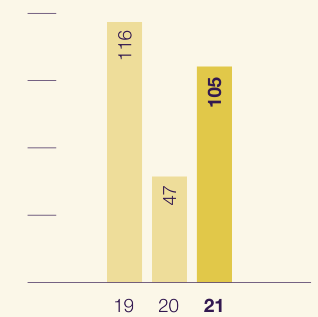


Objective: We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential. We aim to keep this within a range of 5-15%.

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

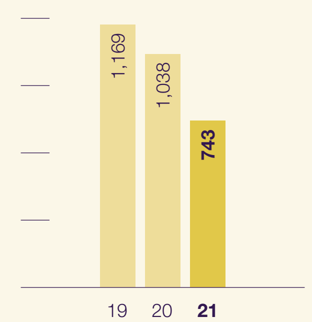


Objective: To reduce the impact of the industry skills shortage and future-proof our business.

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

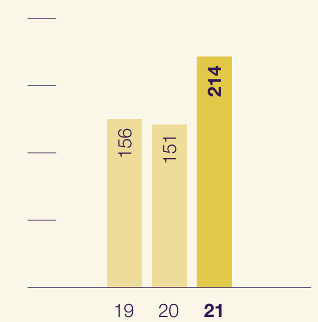


Objective: To improve quality, reduce bottlenecks in key trade supply, reduce the impact of the industry skills shortage and future-proof the business.

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

Performance in 2021

- We generated a strong sales rate in 2021, in the context of a supportive backdrop of low interest rates and good mortgage availability.
- Entered 2021 with a strong order book position, reflecting continued strong demand for our homes and supporting visibility.
- Private legal completions per outlet were particularly strong in the year, recovering from the impact of COVID-19.
- In 2021, we successfully built the prototypes of the new house type range and tested these with customers.
- In the year, we relocated our Taylor Wimpey Logistics (TWL) business to more efficient space in Peterborough. TWL helps drive efficiencies and quality and gives good visibility of supply.
- Embedded cost discipline mindset in the business.

Priorities going forward

- Continue to focus on generating efficiencies.
- Continue to prioritise a strong order book.
- We remain focused on optimising sales prices to support margins and shareholder returns.
- Our new house type range supports efficiencies and the transition to upcoming new regulations. In 2022, we will start to sell homes from our new house type range.

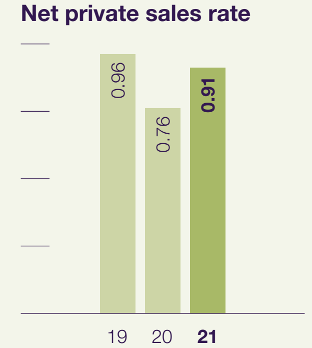
Principal Risks

A, B, C, D, E, F, G, I

Read more in relation to our stakeholders on pages 38 to 39 and 40 to 41

KPI

Net private sales rate

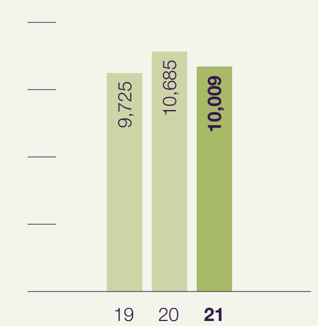


Objective: Ensure an efficient sales rate that captures market demand and is balanced with achieving the right sales price for our homes.

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

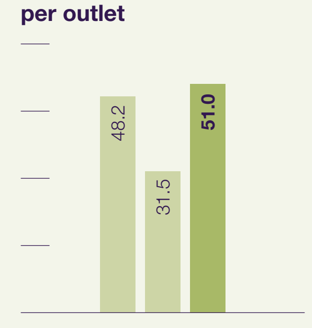


Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

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

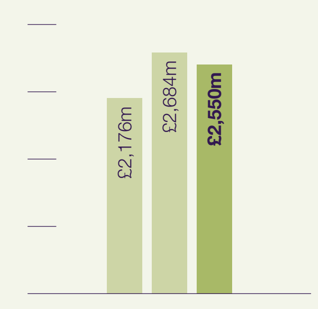


Objective: To improve efficiency on our sites and increase the number of legal completions per outlet.

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.

Building a better world

Climate change and the biodiversity crisis are threatening the future of today's young people and generations to come.

Our environment strategy, Building a Better World, is our response to this crisis. It sets out how we will play our part in creating a greener, healthier future for our customers, colleagues and communities, and reduce and mitigate environmental risks to our business.

Our environment strategy
Our strategy focuses on the key environmental impacts for our business: climate change, nature, resources and waste. It commits us to take action across our value chain – reducing the environmental impacts of the goods and services we buy and helping customers reduce their own footprint and achieve their aspiration of a greener and healthier lifestyle.

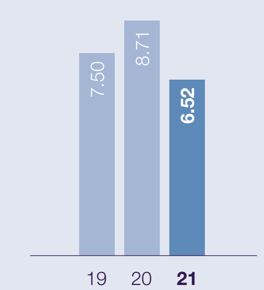
Our carbon reduction target has been approved by the Science Based Targets initiative (SBTi). The SBTi has confirmed that our operational target is consistent with reductions required to keep warming to 1.5°C, the most ambitious goal of the Paris Agreement. Our scope 3 goal meets the SBTi's criteria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

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

Many environmental issues for our sector are systemic. Achieving net zero in housebuilding will require system-level changes and coordinated action by multiple parties, from suppliers to governments, and at all points along the value chain. We work with others to tackle industry-wide challenges directly and through industry organisations. During 2021, we contributed to the development of the Future Homes Delivery Plan and into the work of the Future Homes Hub, including a project with Next Generation to develop a common set of sustainability metrics for the new homes sector.

Reducing operational carbon emissions
We are working on a range of projects to reduce energy use on our sites and are partnering with cabin manufacturer, Danzer and the Carbon Trust to design and to trial new energy efficient portacabins. We are also developing an energy-efficiency approach to retrofitting our existing cabins. We purchase 100% renewable electricity for new sites during construction which is around 72% of our total electricity consumption (2020: 58%) and reduces our operational carbon footprint. We have successfully tested hydrotreated vegetable oil as a lower carbon alternative to diesel for on site plant equipment and our flexible car benefit scheme 'MyDrive' enables employees to have access to a new low emission car. Around 43% of vehicles in our company car scheme are now EV or hybrid (2020: 30%).

Our environment strategy

Our key objectives and targets	Supporting targets	Performance update	
Climate change Protect our planet and our future by playing our part in the global fight to stop climate change. 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	– Reduce operational energy intensity by 32% for UK building sites by 2025 – Purchase 100% REGO-backed (Renewable Energy Guarantees of Origin) green electricity for all new sites – Reduce emissions from customer homes in use by 75% by 2030 – Reduce embodied carbon per home by 21% by 2030 – Reduce car and grey fleet emissions by 50% by 2025 – Update our policies and processes to reflect the risks and opportunities from a changing climate by 2022 – Make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by the mid 2020s	**13%** reduction in operational carbon emissions intensity from a 2019 baseline **20%** reduction in absolute operational carbon emissions from a 2019 baseline	**72%** of our total electricity consumption from REGO backed renewable energy **50%** reduction in operational carbon emissions intensity since 2013
Nature Improve access to and enable enjoyment of nature for customers and communities by regenerating the natural environment on our developments. Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021.	Include our wildlife enhancements on all suitable new sites: – Hedgehog highways from 2021 – Bug hotels (at least 20% of homes) from 2021 – Bat boxes (at least 5% of homes) from 2022 – Bird boxes (at least 80% of homes) from 2023 – Wildlife ponds from 2024 – Reptile and amphibian hibernation sites from 2025 – All new sites have planting that provides food for local species throughout the seasons – Help customers engage with nature and create 20,000 more nature-friendly gardens by 2025 – 200 beehives on our sites by 2025	**100** new sites included a hedgehog highway **3** regional business have installed beehives Nature partnerships with Buglife and Hedgehog Street	All business units received guidance on: – Installation of hedgehog highways – Bug hotels and bee bricks – Nature friendly planting – Biodiversity net gain
Resources and waste Protect the environment and improve efficiency for our business and our customers by using fewer and more sustainable resources. Cut our waste intensity by 15% by 2025 and use more recycled materials. By 2022, publish a 'towards zero waste' strategy for our sites.	– Engage with suppliers to meaningfully reduce plastic packaging on our sites by 2025 – Help 20,000 customers to increase recycling at home by 2025 – Reduce operational mains water intensity by 10% from a 2019 baseline by 2025 – Make it easier for 20,000 customer households in water stressed regions to install a water butt by 2025 – Measure the environmental footprint of the key materials in our homes and set a reduction target – Measure air quality in our homes and on our sites by 2021 – Give customers the information they need to maintain good air quality in their homes by the end of 2021	**Volume of waste**[1] (tonnes of construction waste per 100 sqm build) 	**97%** of construction waste recycled (2020: 97%) **45,000** paint pots reused or recycled (2020: 19,400)

A home for nature on our sites

As a major landowner, we can play a significant role across our developments in improving the UK's biodiversity, making the communities of the future richer in ecological as well as economic terms.

We take a holistic approach starting with site design and layout, and encompassing use of green infrastructure, wildlife enhancements and wildlife friendly planting. We conduct an ecological impact assessment for all sites, that identifies protected species or habitats. We use ecologists' reports to identify the measures needed, and these recommendations are embedded into the Site Specific Environmental Action Plan, part of our Environmental Management System. All new sites will integrate a biodiversity net gain approach from 2023, and some already do so.

We are partnering with nature organisations to help us apply best practice approaches and engage customers and colleagues. In 2021, we worked with Hedgehog Street, a campaign by the British Hedgehog Preservation Society and People's Trust for Endangered Species to integrate hedgehog highways across over 100 new sites. We also worked with Buglife, The Invertebrate Conservation Trust, to install bee bricks and bug hotels. We supported our brick supplier, Ibstock, on development of their first range of bee bricks and have trialled them at one of our sites.

We celebrated best practice with a special commendation for biodiversity in our annual Placemaking Awards.

Resource efficiency

Building homes at volume generates high levels of material waste. To minimise our ecological impact we aim to use fewer and more sustainable materials and make sure as little as possible of what we do use is wasted.

We already source many materials with recycled content and lower embodied carbon and energy and will increase this. Examples include use of timber frame, recycled glass mineral wool insulation, recycled plastic in uPVC windows, recycled chipboard and recycled aggregates.

Our approach includes partnering with suppliers. For example, during 2021, we worked with a supplier to develop a reusable alternative to temporary decking and joists (used to prevent accidents by covering stairwell holes during construction). This is now being rolled out and will save over 3,000 tonnes of timber and up to 1,000 tonnes of CO_2 over the next five years. We have also reduced off-cuts by specifying timber and plaster board sizes to suit our configurations, while greater use of modular components constructed off site is reducing waste.

As well as designing out waste, we are also training colleagues, publishing a waste league table and incentivising Site Managers by linking their performance bonus to progress on waste reduction.

1. We have improved our waste data collection processes and are now capturing data for some construction waste not previously included in our reporting. Our data now also includes hazardous waste. As a result we have restated our waste data for the last three years.

Understanding what matters most to our stakeholders

Our materiality assessment methodology

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
The long list of issues were grouped and plotted on our materiality matrix. This was then reviewed and refined, including through meetings with our Chief Executive and members of our Group Management Team.

We conduct a regular materiality assessment to make sure we focus on the sustainability issues (environmental, social and economic) of most importance to our business and our stakeholders.

To determine materiality, we look at the impact or potential impact of an issue on our business strategy (from a performance, cost or risk perspective). We also consider the impact of our business on the issue and the importance of the issue to our stakeholders such as colleagues, customers, investors and communities. This is sometimes known as a 'double materiality' approach.

We use the results of our assessment to inform our reporting and disclosure, development of our environment strategy and our approach to ESG governance and risk management.

We regularly update our assessment. The last update was in early 2020.

Read more in our Sustainability Supplement 2021

Read more in Stakeholders on pages 38 to 47

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.

By delivering on our purpose, we will contribute, in particular, to delivering UN Sustainable Development Goal 11: 'making cities and human settlements inclusive, safe, resilient and sustainable'.

Our Legacy, Engagement and Action for the Future (LEAF) committee has reviewed the Goals and their relevance to our business. We used this analysis to inform our materiality process and in the development of our environment strategy. An index is included on our website, showing how we can support the goals.

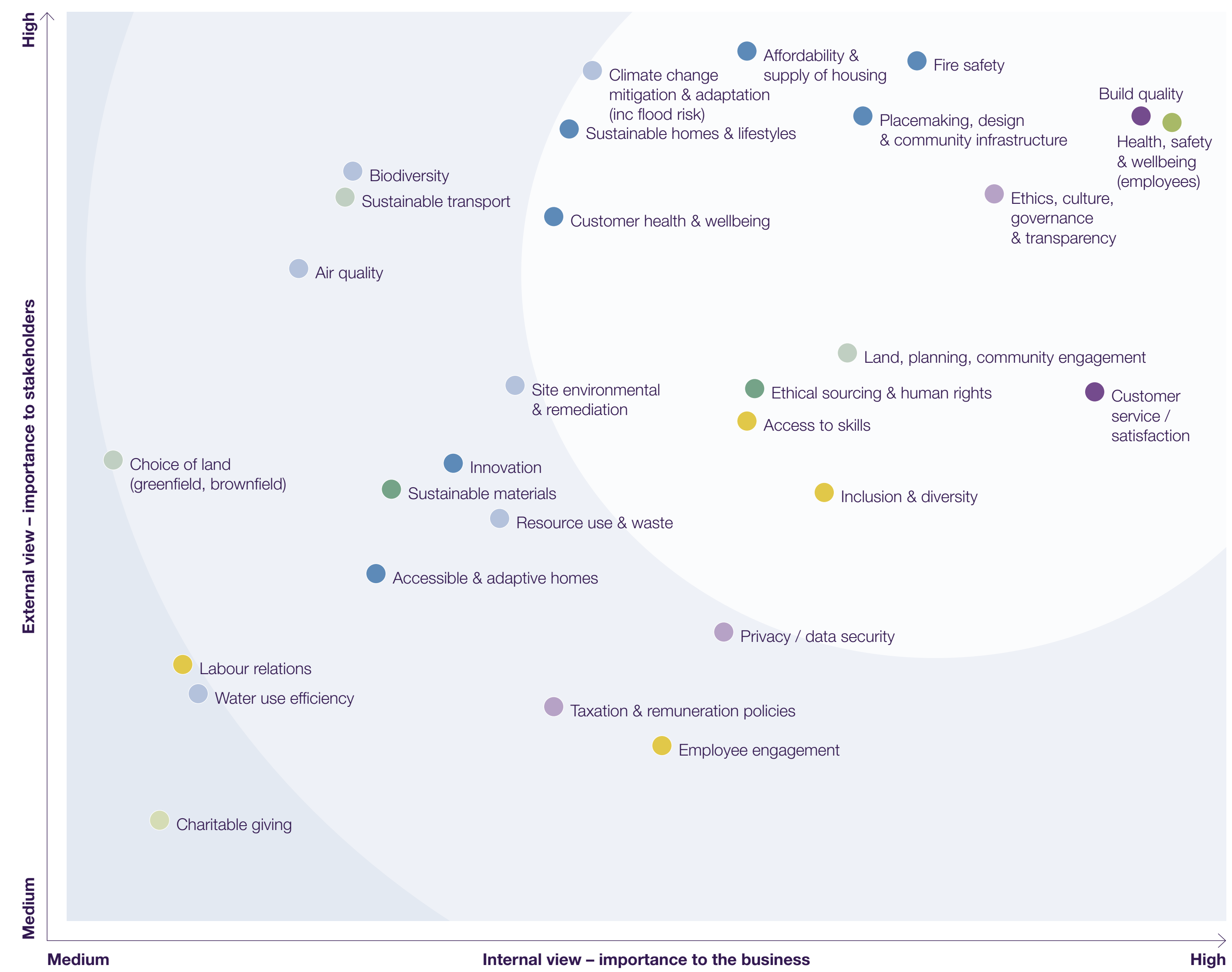
Read more about how we support the SDGs at www.taylorwimpey.co.uk/corporate/sustainability

SUSTAINABLE DEVELOPMENT GOALS

Our materiality matrix

Key to material issues
- Sustainable homes and communities
- Land, planning and community engagement
- Customer service and quality
- Health, safety and wellbeing
- Environment
- Responsible sourcing
- People and skills
- Charitable giving
- 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.



Highlights in delivering on stakeholder priorities

Sustainable homes and communities	£418m	contributed to local communities via planning obligations
Land, planning and community engagement	21%	of our homes were built on brownfield land
Environment	50%	reduction in our direct CO_2 emissions intensity since 2013
Customer service and quality	92%	customer satisfaction 8-week score
People and skills	96%	employees feel they can be their authentic self at work
Health, safety and wellbeing	214	Annual Injury Incidence Rate (per 100,000 employees and contractors)
Responsible sourcing	A	Supplier Engagement score from CDP for our approach to engaging suppliers on climate change
Charitable giving	£1.1m	donated and fundraised for charities and local community causes

Key to material issues

- Achieved / on track to meet target
- Not achieved

Material issues progress and targets

We focus on the sustainability issues that are most material for our business and the areas where we can have a positive impact through the homes we build, how we develop our people and our approach to the environment.

We set targets for each of our material issues to help focus our efforts and drive progress. This includes the targets which are part of our environment strategy.

During 2021 we made good progress across many of our target areas including quality, customer service, carbon reduction and waste.

A summary of our new targets can be found in our Sustainability Supplement 2021.

In recognising the important link between the Company's material issues and risk management, our material issues have been aligned to our Principal Risks, as set out on pages 61 to 65.

Sustainable homes and communities

Targets	Progress	Status
Make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by the mid 2020s	We are improving our data collection process for this target and expect to report progress next year.	Achieved / on track to meet target
Help 20,000 customers to increase recycling at home by 2025	We will be working on this target during 2022.	Achieved / on track to meet target
Make it easier for 20,000 customer households in water stressed regions to install a water butt by 2025	As a first step, we are mapping our regions to identify areas of current and potential water stress. We are also reviewing our plotting for house types to understand the best locations for water butt installation.	Achieved / on track to meet target
Give customers the information they need to maintain good air quality in their homes by the end of 2021	We added information and advice to help customers maintain good internal air quality at home to our House to Home Manual, Maintenance Guide and Touchpoint online portal.	Achieved / on track to meet target
Add an environmental category to our placemaking awards	We added a biodiversity commendation category to our awards. This was awarded to one of our strategic land sites which demonstrated good connectivity, biodiversity net gain, inclusion of species enhancements and nature friendly planting schemes as well as good use of green and blue infrastructure.	Achieved / on track to meet target
Roll-out our new standard house type range and develop a range of standard apartments	We built 10 pilot plots for our new standard house types in 2021, and gathered feedback from colleagues, customers and suppliers on the new designs. The range will be rolled out during 2022. We've also developed concept designs for our standard apartment range that will be tested in 2022.	Achieved / on track to meet target

Land, planning and community engagement

Targets	Progress	Status
Update our policies and processes to reflect the risks and opportunities from a changing climate by 2022	We have conducted climate scenario analysis and will be further developing our approach in 2022 as we develop our net zero transition plan.	Achieved / on track to meet target
Continue to strengthen our engagement and relationship with the local communities in which we operate	Due to the pandemic, 2021 presented a number of challenges for engaging with local communities. However, by utilising social media, online exhibitions and virtual forums we were able to ensure a broad section of the community could participate.	Achieved / on track to meet target

Customer service and quality

Targets	Progress	Status
Achieve a CQR score of at least 4.1 in each of our regional businesses and at least 75% of build stages to score 4 or above in all regional businesses	In 2021, our average score was 4.67 (2020: 4.45) compared to an industry benchmark group average of 4.43. We met our target to achieve at least a 4.1 rating by 2021 in each regional business and 91% of build stages scored at least four.	Achieved / on track to meet target
Resolve at least 70% of customer issues within 28 days	In 2021, we achieved 53% (2020: 52%). The pandemic and rules around self-isolation affected the speed at which we were able to resolve defects and move customers into new homes.	Not achieved
Resolve all complaints or have agreed an action plan within 8 weeks	We achieved this for 75.9% of complaints in 2021. We were disappointed to miss this goal, which was due in part to the impact of COVID-19 and self-isolation rules on our teams' ability to respond promptly to customer issues. Our CRM system and the introduction of Customer Director roles in our regional businesses will help us to improve performance.	Not achieved
Maintain a recommend score of at least 90% in the HBF 8-week survey, which equates to a 5-star rating	In 2021, 92% of customers in the 8-week survey would recommend us to a friend (2020: 92%). This means we met our target to maintain a 5-star rating.	Achieved / on track to meet target
Improve our 9-month customer satisfaction survey score	Our score for 2021 was 79.2% (2020: 78.2%).	Achieved / on track to meet target
Achieve a 4.5 star rating on Trustpilot	We maintained our 4 star rating but did not increase this to 4.5 star.	Not achieved

Health, safety and wellbeing

Targets	Progress	Status
Maintain or lower our AIIR, compared with 2020	Our AIIR increased slightly year on year but remains well below the average for the sector.	Not achieved
Train customer service teams on conducting safety risk assessments when responding to customer call-outs	We trained our customer service teams to assess any safety risks to employees, contractors or customers to ensure we respond safely to customer call-outs.	Achieved / on track to meet target
Update our Construction, Design and Environmental Management Manual and roll-out a training and audit programme	We began the update process in 2021 and this will continue during 2022. We will audit implementation during 2022.	Achieved / on track to meet target
Run a dust awareness campaign for subcontractors	Our campaign reminded everyone on our sites of the importance of dust control and correct use of PPE. We also updated the equipment used to wet dust, which can now be operated by one rather than two people, minimising exposure.	Achieved / on track to meet target
Train business unit management teams to record safety observations when visiting sites	Our Accident and Incident Reporting System, SHE Assure, is being rolled out and training will take place in 2022.	Achieved / on track to meet target
Support Site Managers to improve safety performance through site inspections and follow up by our safety team and HSE Advisors	All sites have monthly inspection and development visits from our external HSE Advisers. We increased this to two visits per month during 2021 to provide further support to Site Managers.	Achieved / on track to meet target

Environment

Targets	Progress	Status
Achieve our science-based carbon reduction target: reduce operational carbon emissions intensity by 36% by 2025; reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030	Our operational emissions intensity (scope 1 and 2), decreased by 13% against our 2019 baseline, meaning we are on track to our target. We are developing our methodology and expect to report progress on carbon emissions from our supply chain and customer homes from 2022.	Achieved / on track to meet target
Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021	We are developing our biodiversity net gain measurement approach for launch in 2023. We began the roll-out of wildlife enhancements on our sites starting with hedgehog highways, bee bricks and bug hotels.	Achieved / on track to meet target
Cut our waste intensity by 15% by 2025 and use more recycled materials. By 2022, publish a 'towards zero waste' strategy for our sites	We have reduced waste intensity by 13% since 2019. We will publish our towards zero waste strategy during 2022. We are reviewing opportunities to expand our use of recycled materials and measure progress.	Achieved / on track to meet target

A full summary of our environmental targets and performance can be found on pages 28 and 29.

Responsible sourcing

Targets	Progress	Status
Roll-out our sustainability questions to national partner suppliers	We rolled-out the questionnaire to Group suppliers during 2021 and will be reviewing the results in early 2022.	Achieved / on track to meet target
Launch new digital tender system for Group suppliers and integrate sustainability compliance into the tender process	Group suppliers are required to confirm compliance with our standards via our digital tender system, including in relation to employment standards, modern slavery and the real living wage. Further requirements on climate change and waste will be added during 2022.	Achieved / on track to meet target
Increase the proportion of homes built using timber frame to 20%	We are working towards reaching 20% usage of timber frame and increasing consistency of use across our regions.	Achieved / on track to meet target

People and skills

Targets	Progress	Status
Launch our updated Equality, Diversity and Inclusion policy, Maternity, Paternity and Adoption Leave policy, and first Menopause policy	We published our updated Equality, Diversity and Inclusion policy, Maternity and Adoption Leave policy, and first Menopause policy during 2021, and made a policy summary available to all employees explaining the changes.	Achieved / on track to meet target
Introduce reverse mentoring with LGBTQ+ colleagues, following successful pilot with black, Asian and minority ethnic employees in 2020	We ran reverse mentoring for 10 senior leaders in 2021 who were partnered with colleagues who are black, Asian or from another ethnic minority and/or who identify as LGBTQ+.	Achieved / on track to meet target
Launch our updated Wellbeing Policy	We launched our Wellbeing Policy which sets out our commitment and the support we offer to create a workplace where health and wellbeing concerns are addressed in an open and supportive way.	Achieved / on track to meet target
Roll-out respectful workplace training to site management teams to ensure every site provides an inclusive work environment	We trialled our training in two business units and received positive feedback from colleagues. We will extend the training to nine further business units in 2022.	Achieved / on track to meet target

Charitable giving

Targets	Progress	Status
Hold our Taylor Wimpey Challenge and participate in the Housebuilders Challenge event	2021 saw 169 participants take part in the Taylor Wimpey Challenge raising over £103k of which £75k was donated to the Youth Adventure Trust and over £28k to other charities. We also entered 15 teams for the Youth Adventure Trust Housebuilder Challenge event raising over £47k.	Achieved / on track to meet target
Continue to support St Mungo's Construction Skills programme with a focus on helping people progress from training and into work	Our donation of £132k in 2021 directly supported two Construction Skills Tutors working in the St Mungo's Construction Skills Training Centres in Brent and Camden. The centres help people recovering from homelessness to gain new skills and qualifications, build their confidence and find employment in the construction industry.	Achieved / on track to meet target
Run a graduate challenge to raise money for the Prince's Trust	Our graduates entered the Prince's Trust 'Million Makers' challenge to raise money to support vulnerable young people. They raised over £27k through two initiatives.	Achieved / on track to meet target

Stakeholder performance and priorities

Read more about stakeholder engagement and climate change on page 49.

Our stakeholder groups	Key material issues for these stakeholders	How we engage	Engagement performance metrics and highlights in 2021	Priorities for 2022
Our customers 	• Sustainable homes and communities • Environment • Health, safety and wellbeing • Customer service and quality • Land, planning and community engagement	– We engage directly with customers at our developments, via our customer portal (Touchpoint), through emails, letters and meetings and through social media. – We monitor customer views through focus groups, satisfaction surveys, Trustpilot reviews and post-occupancy research. – Our website is updated with relevant information. – The Chief Executive wrote to all customers to update on our approach to restrictions throughout the pandemic.	– 5-star housebuilder as measured by NHBC 'would you recommend' score. – Received positive feedback from customer research, interviewing prospective home buyers on our new house type range. – Introducing a Customer Director role which sits on the regional businesses' management team. – During 2021, the Competition and Markets Authority's investigation into the historical sale of leasehold properties with doubling ground rent clauses by the Company was closed, following the agreement of voluntary undertakings.	– We are aligning our processes to make sure we meet the expectations and timescales being set by the Ombudsman which will be introduced in 2022. – Test concept designs for our standard apartment range. – Maintain high levels of customer service and a score of over 90% in the HBF 8-week survey which equates to a 5-star rating. – Continue to work on implementing our environment strategy and developing even more energy-efficient homes.
Our employees 	• People and skills • Customer service and quality • Health, safety and wellbeing	– 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 to the Chief Executive via email. – A member of the Board is an Employee Champion. They attend National Employee Forum meetings and are responsible for championing the employee voice in the boardroom and strengthening the link between the Board and employees. – We engage with employees on the financial performance of the Company via employee emails following the release of the Company's trading updates, full year and half year results.	– Completed a Talkback employee survey in 2021 captured views from 66% of employees. It showed an overall engagement score of 91% with 95% of employees being proud to work for Taylor Wimpey. Higher scoring areas included health and safety, diversity and inclusion, and our vision and strategy. – Our technical academies cover production, sales and customer service, providing structured career and skills development, which often enable employees to gain a formal qualification. We also run online masterclass sessions for employees to hear from internal and external experts. – We ran on-site training academies for apprentices at two of our sites. – We have increased several elements of our benefits provision that are important to our employees, including the introduction of new incentive arrangements, enhancements to our Maternity Policy, our wellbeing provisions, and other benefits that assist our employees financially.	– Continue to build a diverse and inclusive culture. – During 2022, we will be exploring how we can increase flexibility for on-site roles including Site Manager positions. – Extend our Respectful Workplace training to site and office management teams to ensure every location in which we work provides an inclusive environment. In 2022 we will extend our programme across nine further business units. – In 2022, the Employee Champion will hold in person conversations with small groups of junior to mid-level employees in each Division, including those from the regional offices, sites and sales centres, to listen to their views, outside of the NEF and without senior management being present, to further encourage openness. – Further limit the CO_2 impact of our car fleet.
Our partners 	• Charitable giving • Environment • Responsible sourcing • Health, safety and wellbeing • Sustainable homes and communities • Land, planning and community engagement	– 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 (SCSS). – The Chief Executive wrote to suppliers to update on our approach to restrictions and offer support during the pandemic. – Our engagement with our local and national charity partners is overseen by our Charity Committee. – We engage with local authorities, parish councils, Homes England, the Greater London Authority, the Department for Levelling Up, Housing and Communities and other public sector organisations to understand their priorities and share our views. We engage directly and through our membership of industry organisations such as the Home Builders Federation and the British Property Federation.	– In 2021, we asked Group suppliers to complete a questionnaire covering policies, processes and performance on modern slavery, climate change, product embodied carbon, waste, packaging, environmental management systems and governance. The responses will help us identify gaps, establish a baseline and work with suppliers to improve performance. – We fully support the HBF's recent additional proposal to address fire safety improvement works, and are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. We continue to believe this is an industry wide issue which needs an industry solution. – 2021 saw 169 participants take part in the Taylor Wimpey Challenge raising over £103k of which over £75k was donated to the Youth Adventure Trust and over £28k to other charities.	– During 2022, we will be begin setting improvement targets for categories of suppliers in areas such as embodied carbon and waste as part of our work to prepare for the Future Homes Standard and to reduce our scope 3 carbon footprint. – Continue to work with the SCSS, an industry collaboration, to help engage our suppliers on sustainability. – Add further requirements on climate change and waste for Group suppliers to comply with via our digital tender system. – Entered in to a new three-year commitment with St Mungo's to support their Construction Skills Programme.
Our investors 	• Environment • Customer service and quality • People and skills • Health, safety and wellbeing • Sustainable homes and communities • Governance and management	– 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.	– As a results of the ongoing global pandemic, investor communicators continue to use technology. – Held virtual roadshows in the year with our investors. – Chairman engaged with large investors via virtual meetings following succession announcements. – Attended virtual conferences in the year. – Continued to hold ad hoc virtual meetings with investors throughout the year. – Held virtual results presentations.	– Continue to engage with investors regularly. – Maximise investor engagement using learnings from COVID-19 such as engagement using technology to integrate with existing methods. – Our primary performance focus is on returning the business to 21-22% operating margin 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.
Our communities 	• Environment • Charitable giving • Health, safety and wellbeing • Sustainable homes and communities • Responsible sourcing	– 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. – Our Community Communications Plan guides teams on actions they can take throughout the development process to help foster a sense of community among new residents.	– Due to the pandemic, most consultations took place online during 2021 and we used social media, online exhibitions and virtual forums to ensure a broad section of the community could participate. – Contributed £418 million to local communities via planning obligations (2020: 287 million), to fund a range of infrastructure and facilities including: affordable housing; green spaces; community, commercial and leisure facilities; transport infrastructure; heritage buildings; and public art. – We aim to install infrastructure at an early stage of the build process to help the new community become established quickly. – In 2021 we ran our fourth internal placemaking competition adding a new Commendation for a best approach to Landscape and Biodiversity, shortlisted by our sustainability team.	– Launch home welcome nature packs for customers during 2022. – Continue to engage local communities early in the process. – Utilise our Community Communications Plan to help foster a sense of community among new residents. – Update our guidance on nature and green space including our Green Infrastructure Guide. – Continue to focus on strong placemaking.

How the Board considered stakeholders during the year

Section 172 (1) Statement

Our Directors are bound by their duties under the Companies Act 2006 (the Act) to promote the success of the Company for the benefit of our shareholders as a whole, having regard to our other key stakeholders.

We believe that in order to progress our strategy and achieve long term sustainable success, the Board must consider all stakeholders relevant to a decision and satisfy themselves that any decision upholds our culture of 'doing the right thing'.

Our values, as set out on page 9, are key to how we do business and are closely aligned to the matters the Directors must consider as part of their Section 172 duties.

The Board recognises that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of any key decisions. We have a long history of engaging with all of our stakeholders and the Board continues to highly value the feedback that this engagement provides. Details of how we engaged with our different groups of stakeholders during 2021 and how this informed what the Board considers matters to them most can be found on pages 34 to 37.

The Board receives an update from the Executive Directors at each Board meeting which details any substantial engagement since the last meeting. In addition, there are standing agenda items at each meeting to ensure that the Board receive relevant updates on all of our key stakeholders; such as the regular reports from customer service, HR, investor relations and the Divisional Chairs. The Board has an annual schedule of 'teach-in' sessions with our key Heads of Function (such as Sales and Marketing, Land and Planning, Customer Service, Investor Relations, Sustainability and Supply Chain) where they will receive in-depth updates about each group of stakeholders. In addition, the Board regularly engages directly with our investors and employees, and further information around the direct engagement that took place in 2021 can be found on pages 84 and 85.

The Board is aware that in some situations, stakeholders' interests will be conflicted and they may have to prioritise interests. The Board, led by the Chairman, ensures that as part of its decision making process, the Directors assess the impact of the decision on our stakeholders and the likely consequences of any decision in the long term. The diagram below shows how the Board approaches its decision making.

On the next page, we have set out examples of key decisions made by the Board and provided further details about the decision making process.

How the Board fulfils its Section 172 duties

Setting our culture, values and strategy

The Board sets our culture and values; and these are key to how we do business and how we achieve our purpose.

Diverse set of skills, knowledge and experience

The Directors collectively have a diverse set of skills, knowledge, experience and stakeholder expertise which assists the Board in making decisions. This contributes to their ability to make well informed decisions which promote our long term sustainable success.

As part of a Director's induction, they receive a detailed briefing on their duties as a Director.

Board information

The Board receives detailed papers from Management which provide details on the likely long term impact of a decision and how stakeholders have been considered in the development of the proposal, including any relevant engagement.

The Board also has an annual schedule of 'teach-ins' where the functional heads of departments deliver updates on key activities during the year which feeds into the decision making process.

Board discussion and decision

As part of its discussion, the Board provides rigorous evaluation, risk management and challenge to ensure a decision promotes long term sustainable success. The Board uses the stakeholder engagement summarised on pages 34 and 35 to inform their decision making process.

Monitoring

The Board receives regular updates on key decisions and the actions taken in respect of them. This is done through regular reports submitted by Management to each Board meeting and verbal updates as necessary.

Fire safety improvement works

In 2021, the Board approved an additional provision to fund fire safety improvement works for apartments built by the Company going back 20 years from January 2021.

Criteria considered

A, C, D, E

Relevant stakeholders

- Customers
- Partners
- Investors
- Communities
- Partners

Decision making process

- The health and safety of all our stakeholders is of paramount importance and we are guided by the principle of 'doing the right thing'.
- It has long been the Board's view that customers and leaseholders should not bear the cost of investment to ensure their buildings are safe and mortgageable.
- The Board considered the impact this provision would have on our shareholders and considered that the provision was in the best long term interests of all stakeholders.
- We have now identified all buildings that may require fire safety improvement works and are in active dialogue with building owners to arrange these. We are committed to resolving these issues as soon as possible for our customers.
- We are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. The Board fully support the HBF's recent letter to the Government which sets out proposed additional commitments from the industry. The Board considers that this is an industry-wide issue involving many types of organisations and therefore needs an industry solution. If accepted by Government, the HBF proposal would result in an additional modest provision for the Company.
- To further support the wider issue, the Company will be paying The Residential Property Developer Tax levy in 2022 which was introduced to help contribute to the cost of cladding remediation work.
- Further information can be found on pages 38 and 39.

Our values

Chief Executive succession

Following an extensive search and recruitment process Jennie Daly, our Group Operations Director, was announced as our next Chief Executive.

Criteria considered

A, B, C, D, E, F

Relevant stakeholders

- Customers
- Employees
- Investors
- Communities
- Partners

Decision making process

- The Chief Executive is responsible for developing, leading and managing the execution of our strategy, and is therefore instrumental in delivering long term value for all of our stakeholders.
- The Nomination and Governance Committee led the search for our new Chief Executive, supported by a well-reputed executive search firm in order to assess both internal and external candidates.
- The key selection criteria included in the candidate profile required identification of an individual who leads with purpose, boldly drives operational performance and fosters the strong culture of the Company. These key areas are strongly aligned to our values and also the key criteria under Section 172 (1) of the Companies Act.
- Following a thorough recruitment and selection process that considered a long list of industry and non-industry candidates, along with extensive consultation with shareholders, the Board was delighted to announce the appointment of Jennie Daly as Chief Executive.
- Given Jennie's extensive sector and stakeholder expertise, her exceptional leadership and operational focus, the Board considers that she is the right person to promote the long term success of the Company for the benefit of all our stakeholders.

Our values

Land acquisition

The Board regularly assesses significant land acquisitions. An example of this during 2021 was the approval to acquire a piece of land in Richmond.

Criteria considered

A, C, D, E, F

Relevant stakeholders

- Customers
- Employees
- Investors
- Communities
- Partners

Decision making process

- Our West London business unit sought approval from the Board to acquire a brownfield regeneration site with detailed planning permission that would deliver 453 much needed homes in Richmond, Greater London.
- A detailed report containing key financial information and stakeholder considerations was provided to the Board. The report also set out the excellent transport links and close proximity to public amenities.
- The Board considered that the acquisition supported our approach to landbuying following the 2020 equity raise and would support outlet-led growth from 2023 as the site would open as an outlet in late 2022, and would deliver enhanced returns for shareholders.
- The site would deliver 173 affordable homes in Richmond which is an affluent area where local residents may struggle to get on the property ladder.
- Sustainability is integrated into our developments through our placemaking standards, energy efficient home design and construction policies and processes. These ensure we reduce our impact on the environment and create developments and homes where customers can enjoy a good quality of life and reduce their own impact on the environment.
- The Board approved the land acquisition as it considered that the acquisition was in the long term interest of all its stakeholders.

Our values

Key to decision criteria

A: The likely consequences of any decision in the long term

B: The interests of our employees

C: The need to foster our business relationships with suppliers, customers and others

D: The impact of our operations on the community and the environment

E: The desirability of maintaining a reputation for high standards of business conduct

F: The need to act fairly as between members

Key to our values

- Respectful and fair
- Take responsibility
- Better tomorrow
- Be proud

Our Customers

SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

2021 highlights

- Achieved an average quality score of 4.67 compared with an industry benchmark group average score of 4.43
- Achieved a recommend score of 92% in the HBF 8-week survey which equates to a 5-star rating
- Successfully launched pilot of our new house types incorporating several years of customer insights
- Improved our 9-month customer satisfaction survey score
- Provided for additional £125 million 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

2022 priorities

- Continue to target an average quality score of above 4 across the business
- Maintain high levels of customer service and a score of over 90% in the HBF 8-week survey which equates to a 5-star rating
- Continue to progress work on bringing historic buildings up to current standards
- Continue to work on implementing our environment strategy and developing even more energy-efficient homes
- Signing the new code of conduct that supersedes the UK Consumer Code for Home Builders

Read more in relation to our business model on pages 22 and 23

Read more in relation to our KPIs on pages 24 and 25

Read more in relation to our remuneration on pages 105 to 124

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

Customers satisfaction

We track customer satisfaction using the HBF 8-week and 9-month survey results. In 2021, 92% of customers in the 8-week survey would recommend us to a friend (2020: 92%). This means we met our target to maintain a 5-star rating. We continue to believe that a wider range of customer care and quality measures are necessary to ensure we are delivering for our customers. Our 9-month satisfaction scores give us insight into how customers feel about the homes and places we build over the longer term. Our score for 2021 was 79.2% (2020: 78.2%).

We encourage customers to leave reviews on Trustpilot. At the end of 2021, with over 1,799 reviews, we had a 4 out of 5-star rating (end of 2020: 4 out of 5) with a trust score of 3.9 out of 5 (2020: 4 out of 5). We acknowledge that we do not always get it right 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.

In 2021, we introduced a Customer Director role which sits on the management team in each regional business. This will further elevate the voice of the customer in our regions. We also rolled out our new customer relationship management (CRM) system across the business. This provides clearer data on customer issues, complaints and defects which will help us to further improve quality and customer service. The results are reviewed by Customer Directors and used to identify any trends or recurring issues and put measures in place to address them.

Our customers are rightly demanding more of us. As well as rolling out new house types designed to meet their changing needs, we continue to provide a high standard of training to our Sales Executives through our own Sales Academy. Our sales staff are further supported by our CRM system which is now live across all regional businesses and is delivering the expected customer service and operating benefits.

The sector continues to face scrutiny and pressure from social media and pressure groups, with the potential for greater oversight from Government through a single 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 supersedes the UK Consumer Code for Home Builders.

New house type range

Our standard house types are designed to be high-quality, energy-efficient homes that are cost-effective and safe to build. They can be adapted to reflect local character and scheme design and are used for the majority of our homes.

We have worked with architects to update our standard house types and successfully piloted homes in the range in 2021. These house types will replace our existing standard house type range. Our site designs have incorporated the new house types from October 2021 with the first site using new house types to go on sale in August 2022. 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. The new homes include at least one study area with space for a desk and easy access to broadband and electricity sockets, to enable working from home.

Our design team has worked closely with our central procurement team and these new houses offer standardisation and plotting efficiency benefits. Most of our new house types will offer improved accessibility, meaning they can be adapted more easily for people with disabilities. These house types will also more readily accommodate the required changes as we transition to the Future Homes Standard and we have established a clear timeline to adapt to the necessary changes.

Closure of the CMA process

During 2021, the Competition and Markets Authority's (CMA) investigation into the historical sale of leasehold properties with doubling ground rent clauses by the Company was closed, following the agreement of voluntary undertakings. All leaseholders of Taylor Wimpey-owned ten-year doubling ground rent leases, or those that have already gone through our Ground Rent Review Assistance Scheme (GRRAS) and converted their Taylor Wimpey-owned lease to an RPI-based structure, will be offered the option to convert to a fixed ground rent. The cost of implementing the undertakings is expected to fall within the original provision made in 2017.

Fire safety improvement works

It has long been our view that customers and leaseholders should not have to pay for fire safety remediation works to ensure their buildings are safe and mortgageable. We took early and proactive action, committing significant funding to address fire safety and cladding issues on our buildings, with total amounts provided up to March 2021 of £165 million. Taylor Wimpey's decision a year ago meant that funding was in place to bring all our affected buildings, going back 20 years from January 2021, up to current EWS1 standard.

We have identified all Taylor Wimpey buildings that may require works and are in active dialogue with building owners to undertake these and are committed to resolving these issues as soon as possible for our customers. From April 2022, we will also be paying the new Residential Property Developer Tax (which is a 4% tax on profits) that will fund the Government's Building Safety Fund for buildings over 18 metres.

We are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. We fully support the HBF's recent letter to the Government which sets out proposed additional commitments from the industry in relation to buildings over 11 metres. We continue to believe this is an industry-wide issue involving many types of organisations and therefore needs an industry-wide solution. If accepted by Government, the HBF proposal would result in an additional modest provision for Taylor Wimpey.

Greener house types

Our new houses are designed to integrate the services and equipment required to meet changing energy efficiency standards, including waste water heat recovery, flue gas heat recovery, photovoltaic panels, car charging points and eventually air source heat pumps.

Our focus on build quality helps ensure that our finished homes achieve the specified energy efficiency standards and that ventilation systems are installed correctly to provide good indoor air quality.

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 2021, we scored an average of 4.67 (2020: 4.45) 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 4.43. 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 the management and delivery of build quality. 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.

Quality is incentivised from the top of the organisation with a significant percentage of our Executive Incentive Scheme linked to customer service and build quality, and this is one of our Principal Risks. 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; CQR scores conducted independently by the NHBC, and the average reportable items which is the average number of defects found per plot during NHBC inspections at key stages of the build. We also integrate customer service and quality into our all employee bonus scheme.

Opportunities in green building

The way we design and build our homes enables our customers to live a more sustainable and resource efficient lifestyle and there is more that can be done. 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 FHS.

New homes are already considerably more energy-efficient than many older homes. The energy savings we will secure to meet the FHS will make our homes increasingly attractive to customers, with lower running costs and a greatly reduced environmental footprint. The increasing take up of more cost effective green mortgages offers a potential competitive advantage for new homes compared to older housing stock.

Our Employees

SDGs

5 GENDER EQUALITY

2021 highlights

- Continued to focus on Health and Safety as the number one priority and on initiatives promoting metal health and wellbeing
- Achieved over 90% engagement score in most recent employee survey
- Accredited Living Wage Employer, by Living Wage Foundation
- Recognised in 2021 NHBC Pride in the Job Awards with 72 Quality Awards, 25 Seal of Excellence Awards, three Regional Awards and the Supreme Award
- Launched our new Equality, Diversity and Inclusion Policy and remain committed to equality of opportunity in all of our employment practices, policies and procedures across the business
- Continued to run our National and Local Employee Forums
- Continued our reverse mentoring with ethnically diverse and LGBTQ+ colleagues
- Updated our performance review process in response to employee feedback

2022 priorities

- Continue to prioritise Health and Safety
- Maintain a strong culture of doing the right thing and high engagement levels
- Increase employee voice through the continued work of Local and National Employee Forums and employee networks
- We will set clear and measurable internal goals to help accelerate diversity within our business and drive accountability
- Continue to improve communication throughout the business, led by highly visible senior leaders during period of leadership change
- Focus on building the skills of our current and future workforce
- Plans for the continued development of the Board's Employee Champion role

Read more in relation to our business model on pages 22 and 23

Read more in relation to our KPIs on pages 26 and 27

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.

Health and safety

Health and safety is the number one priority at Taylor Wimpey and 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 and we work closely with our contractors and subcontractors on this. Our Annual Injury Incidence Rate (AIIR) was 214 in 2021 (2020: 151) and our AIIR for reportable injuries per 100,000 employees and contractors remains well below both the HBF Home Builder Average AIIR of 264 and Health and Safety Executive construction industry average AIIR of 353, but we will continue to seek to improve this. We believe the increase in the accident rate is due to higher than average turnover among operatives and an increase in production on our sites. Around 36% of accidents are slips, trips and falls. Our AIIR for major injuries per 100,000 employees and contractors was 73 in 2021 (2020: 58).

Culture and people

We have a very strong culture at Taylor Wimpey at every level of the business, with the core principle to 'do the right thing'. We continue to benefit from a talented and engaged workforce, as reflected in our 2021 employee survey with an overall employee engagement score of over 90%, with a 66% response rate. Health and safety was once again our top scoring area in the survey at 97%, and 95% of employees are proud to work for Taylor Wimpey. The employee survey also outlined slightly lower scoring areas which we will work to improve, such as future development opportunities and career progression.

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 72 Quality Awards (2020: 53), 25 Seal of Excellence Awards (2020: 19) and three Regional Awards in 2021 (2020: two), whilst Lee Dewing, Site Manager at our Whitacres development in Hambleton, Selby, was awarded a Supreme Award.

During 2021 we directly employed, on average, 5,271 people across the UK (2020: 5,948) and provided opportunities for, on average, a further 11.1k operatives (2020: 12.3k) on our sites. Our voluntary employee turnover rate is higher than normal at 19.0% (2020: 9.4%). We believe this reflects a catch up from a lower than normal turnover rate in 2020 as a result of the pandemic.

Skills

With a well known industry skills shortage, we have taken a proactive approach to early talent and direct labour. 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.

We offer a range of entry-level roles such as apprenticeships, trainees and graduates to encourage people into our business with these positions making up c.9% of our workforce (2020:14%). We support our regional businesses to develop local links with colleges, universities and schools and encourage a diverse range of candidates to consider careers in housebuilding. We currently directly employ 743 key trades including apprentices (2020: 1,038). The reduction partly reflects the restructure of the business in 2020, as well as voluntary employee turnover. However, we remain committed to developing future talent and to working both internally and with the wider sector to attract future talent into our industry.

Training and development

We focus on training and developing our employees. Key areas of focus are management and leadership, personal development skills (e.g. presentation, communication, negotiation and time management) and technical knowledge and capabilities. Our technical academies cover production, sales and customer service, providing structured career and skills development, which often enable employees to gain a formal qualification. We also run online masterclass sessions for employees to hear from internal and external experts.

We also run on-site training academies for apprentices at two of our sites. We assess the impact of our training and development using metrics such as productivity, retention, build quality and customer satisfaction scores and sales. We have updated our performance review process in response to feedback from our employee survey. Shorter term performance objectives are now set and reviewed multiple times throughout the year and line managers are being trained on the new approach.

Inclusion, diversity and gender balance

Diversity and inclusion is a key area we want to continue to strengthen, creating a workplace where colleagues feel championed and supported regardless of their background, identity, age, gender, ethnicity or disability. We see diversity as an opportunity to truly embrace our colleagues' backgrounds and perspectives which in turn helps drive the business forward and achieve success. However, we and the housebuilding industry, can and need to do more. In 2021, we launched our new Equality, Diversity and Inclusion Policy and remain committed to equality of opportunity in all of our employment practices, policies and procedures across the business. Our Company-wide approach has focused on bringing our colleagues together through multiple diversity-focused networks, training and events. We have significantly advanced our leaders' capabilities and understanding on diversity and inclusion with programmes like Respectful Workplace which commits our senior leaders to multiple practical steps and activities to help us achieve a more inclusive and respectful culture.

We ran reverse mentoring for 10 senior leaders in 2021 who were partnered with BAME colleagues and / or colleagues who identify as LGBTQ+.

We recognise that building a diverse culture means embracing all aspects of diversity, including race, religion, mental and physical ability, socio-economic backgrounds, sexuality, and more. In 2022, we will set clear internal goals to help accelerate measurable change and to ultimately drive accountability. We are pleased to have increased several elements of our benefits provision that are important to our employees, including the introduction of new incentive arrangements, enhancements to our Maternity Policy, our wellbeing provisions, and other benefits that assist our employees financially.

In our 2022 Gender Pay Gap Report, our median gender pay gap has narrowed, still in favour of women and the mean pay gap also remains small, likewise in favour of women. More information can be found in our Gender Pay Gap report on our website.

Employee engagement

We are proud of how committed our employees are to the long term success of the Company and we seek feedback and engagement with all employees. This includes regular email updates from the Chief Executive as well as updates from the GMT and other senior management. It is important that management is accessible and visible so in addition to regular visits to the different businesses we operate employee forums including the National and Local employee forums where employee representatives are able to feedback and ask questions of members of the Board and other senior management directly. The Board also has an appointed Employee Champion to strengthen the Board's engagement with employees. The Board's Employee Champion, Gwyn Burr will be retiring from the Taylor Wimpey Board of Directors on 26 April 2022 and we are pleased that Robert Noel, Senior Independent Director, has agreed to take on this important role. Rob joined the Taylor Wimpey Board in 2019 and has over 30 years' experience in the property sector. Rob and Gwyn have been working closely to share employee perspectives already gathered and plans for the continued development of the Employee Champion role.

Employee survey

Our full employee survey in 2021 captured views from 66% of employees. It showed an overall engagement score of 91% with 95% of employees being proud to work for Taylor Wimpey. Higher scoring areas included health and safety, diversity and inclusion, and our vision and strategy. The survey also showed that colleagues think we can do more to ensure that employee views are heard across the business consistently, to develop our line managers to support their teams, to provide clarity on career opportunities, to benchmark pay and reward, and to report back on actions taken following the survey.

Wellbeing

We support colleagues to help them maintain good mental, physical, social and financial health, which has been particularly important during the pandemic. Mental health is a significant concern for the construction industry. We partner with mental health charity, Mates in Mind, to deliver mental health training for colleagues. We have over 150 Mental Health First Aiders across our business who support managers and employees when mental health issues arise. We use the Thrive mental health app, which has been approved by the NHS and provides tools and support for employees to manage and improve mental wellbeing. We are a signatory to the Building Mental Health Charter. We were pleased that 93% of our employees in our latest survey agreed that they know how to access support for mental health and wellbeing at work.

Employee Networks

Following a number of new and updated policies launched in 2021, employee networks were formed to offer further support to our employees. These include:

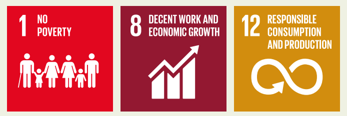
- **Working Parents Network** to support the launch of our updated Maternity Policy, Paternity Policy and Adoption Policy
- **Embracing the Change Network** to support our new Menopause Policy
- **Race and Ethnicity Network** to support our updated Equality, Diversity & Inclusion Policy

Networks provide a forum for colleagues to share experiences, support each other, and help to create a fully inclusive workplace.

Read more about our employee networks on page 96.

Our Partners

SDGs



2021 highlights

- Received a CDP Supplier Engagement score of A for our approach to engaging suppliers on climate change
- Nationwide Supplier Training programme rolled out in 2021
- Donated and fundraised over £999,000 for registered charities (2020: over £668,000).
- Became an accredited Living Wage Employer, as set by the Living Wage Foundation which covers people working for us via subcontractor or supplier service companies
- Updated our scope of operations for subcontractors in 2021 on our expectations for build quality

2022 priorities

- Begin setting improvement targets for categories of suppliers in areas such as embodied carbon and waste as part of our work to prepare for the Future Homes Standard and to reduce our scope 3 carbon footprint
- Work with the Supply Chain Sustainability School (SCSS), an industry collaboration, to help engage our suppliers on sustainability
- Add further requirements on climate change and waste for Group suppliers to comply with via our digital tender system
- Entered in to a new three-year commitment with St Mungo's to support their Construction Skills Programme

Read more in relation to our business model on pages 22 and 23

Read more in relation to our KPIs on pages 26 and 27

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.

Supply chain

Collaboration brings benefits and the potential for time and cost savings for both Taylor Wimpey and also our suppliers. This includes increasing efficiency by reducing stock items and improving visibility on programming for material demands.

We adopt a collaborative forecasting approach with our supply chain aided by our internal logistics function, Taylor Wimpey Logistics (TWL). In 2021, the industry experienced pressures on the cost and availability of certain materials and a general shortage of drivers for haulage. Whilst challenging, we were able to effectively manage these pressures, aided by our scale and strong partner relationships and agreements and delivered 2021 completions in line with our expectations. Being a national builder allowed us to direct materials between regions to areas of acute shortages during the year. We collaborate with our supplier partners giving them good visibility of our build plans and product requirements, building trust and helping improve security of supply. Over the past several years as part of our Brexit preparations as well as our drive to continuously improve Group operational efficiency, we have worked hard to understand our supply chain, establishing highly detailed 'root to tip' knowledge of our material and component supplies, to help identify early and mitigate potential bottlenecks.

Taylor Wimpey Logistics

We relocated our central logistics hub, TWL to Peterborough last year, improving transport links with our suppliers and the rest of the business. TWL is central to our drive to optimise efficiency in our procurement and materials supply and distribution. TWL provides a central hub for suppliers enabling us to consolidate supplies and provide them in build packs to our sites, on a just in time basis. This improves visibility and site efficiency and has certain practical advantages such as lessening frequency of large vehicles on smaller sites with limited road access. As TWL consolidates supplier deliveries, it provides a buffer against supplier fluctuations and availability challenges and it centrally manages new product implementation alleviating availability gaps. TWL has direct access to site build programmes and scheduling of call-offs which helps us maximise the use of standard house type templates, again improving our efficiency. TWL leverages commercial relationships as a bulk purchaser and as a single point of delivery. The division also helps us ensure adherence to standard specification through strictly controlled build packs, with safety critical and cost sensitive items also managed by TWL.

Quality and training

During 2021 we rolled out a Nationwide Supplier Training programme focused on on-site training, competency and site-based audit programme for site teams, direct trades and subcontractors. This is delivered by the suppliers' technical representatives supporting 'right first time' build and improving quality and consistency to provide a better higher-quality customer experience.

We updated our scope of operations for subcontractors in 2021, which sets out our expectations for the management and delivery of build quality. 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. The training means that teams understand the installation needs of the products they are working with and that these products will work effectively and safely. This is followed by an on-site audit. Subcontractors also attend training sessions run by our quality, site and safety teams, and by the NHBC.

Ethical sourcing

Our Supply Chain Policy explains our supplier standards for safety, quality, ethics, human rights and the environment. Our Supplier Code of Conduct requires suppliers to respect workers' human rights and prohibits all forms of modern slavery. It is embedded into our Framework Agreements with Group suppliers (those managed by our Group procurement team). Group suppliers are required to confirm compliance with our standards via our digital tender system, including in relation to employment standards, modern slavery and the real living wage. Further requirements on climate change and waste will be added during 2022.

In 2021, we asked Group suppliers to complete a questionnaire covering policies, processes and performance on modern slavery, climate change, product embodied carbon, waste, packaging, environmental management systems and governance. The responses will help us identify gaps, establish a baseline and work with suppliers to improve performance. During 2022, we will begin setting improvement targets for categories of suppliers in areas such as embodied carbon and waste as part of our work to prepare for the Future Homes Standard and to reduce our scope 3 carbon footprint. We also work with the Supply Chain Sustainability School (SCSS), an industry collaboration, to help engage our suppliers on sustainability and give them access to training and resources.

St. Mungo's Construction Skills Training Hubs

St Mungo's Construction Skills Programme helps people recovering from homelessness to gain new skills and qualifications. In 2021, we donated £132,000 to support two tutors working in the St Mungo's Construction Skills Training Centres, running training in areas such as painting and decorating, plumbing, lock fitting, tiling, dry lining and bricklaying.

In 2021 we entered in to a new three-year commitment with St Mungo's to support the establishment of a third Construction Skills Programme in their new Recovery College in Leicester.

We're donating £315,000 over three years that will help train around 40 clients per year.

We have been recognised by CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change.

Subcontractors

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.

Small and local suppliers

We work with many small and medium sized (SME) businesses who provide labour, trades and services to our construction sites. Many of our partners are local and family-run businesses and working with them supports the local economy around our sites. We hold regular subcontractor engagement sessions in our regional businesses and offer other support to help local SMEs do business with us.

Real Living Wage

In 2021, we became an accredited Living Wage Employer, meaning that all our directly employed staff and all those working for us via a subcontractor or service company are paid at least the real living wage, as set by the Living Wage Foundation. This is above the statutory living wage.

Central and local government

We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), Department for Levelling Up, Housing and Communities (DLUHC) and other public sector organisations to understand their priorities and share our views. We engage directly and through our membership of industry organisations such as the HBF and the British Property Federation (BPF). Examples of how we engaged with central Government on issues relating to planning and sustainability in 2021 are included in our Sustainability Supplement.

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. Once planning permission is granted, our technical teams monitor compliance with planning agreements and obligations. We also track build rates to make sure that each scheme is being managed efficiently and new homes are delivered on time. This is overseen by the Managing Director in each regional business. 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.

Charity partnerships

We focus on three priorities that are connected to our business: aspiration and education in disadvantaged areas, tackling homelessness and local projects that have a direct link to our regional businesses and developments. During 2021, we continued our partnership with our national charities as well as local charity partners across the UK albeit meetings were held virtually this year. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. In 2021 colleagues raised £103,000 through the Taylor Wimpey Challenge and our graduates entered the Prince's Trust 'Million Makers' challenge to raise money to support vulnerable young people. In total, during 2021, we donated and fundraised c.£1 million for registered charities (2020: over £668k).

Our Investors

2021 highlights

- Dividend of 8.58 pence per share for 2021
- Aligned our reporting with TCFD and SASB reporting frameworks
- Included in Standard & Poor's Sustainability Yearbook 2021
- Implemented our new environmental strategy
- Member of Next Generation, the sustainability benchmark for UK housebuilders, ranking third and receiving a Gold Award for 2021, and an A- rating from CPD Climate Change
- Delivered annualised savings of c.£16 million in 2021 as a result of organisational and cost restructure
- Made further progress towards medium term operating profit margin of 21-22%
- Spent over £1 billion on land and grew balance sheet land position by £510 million

2022 priorities

- Continue to improve operating margin towards our 21-22% medium term target
- Bring through new outlets for volume growth in 2023/24
- Run Future Homes Standard product trials during 2022
- Develop our net zero transition plan and target
- Host an investors and analyst update to meet our new CEO

Read more in relation to our business model on pages 22 and 23

Read more about our investment case on page 6

The combination of our operational performance, strong landbank and cash position enables Taylor Wimpey to deliver significant and reliable future shareholder returns.

Building momentum

We have a very clear focus and strategy. We continue to build momentum to deliver what we have set out through achieving the following four priorities:

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

Our primary performance focus is on delivering a 21-22% operating margin 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.

We have a strong embedded margin in the landbank, which together with the new land acquisitions, gives us confidence in achieving our operating margin target.

We have embedded a disciplined cost mindset across 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.

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

We remain focused on efficiently progressing recently acquired land through the planning system, 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, providing excellent momentum for growth.

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

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, but it has also set the business up very well for upcoming changes with the introduction of the New Homes Ombudsman and building regulations. We are delighted to have been confirmed as once again leading the sector in the NHBC CQR score and we have maintained our HBF 5-star rating.

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

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

We reaffirmed our commitment to play our part in addressing the environmental crisis through the launch of our ambitious environmental strategy in early 2021. During 2021, we have clarified our ESG governance responsibilities and processes at Board level and identified 'Natural resources and climate change' as a Principal Risk. During 2022 we will develop our net zero transition plan and target.

Dividends and cash returns

Our aim is to continue to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn' via an ordinary cash dividend. Taylor Wimpey is inherently a highly cash generative business through the cycle supported by strong operational performance and our high quality landbank, which allows us to operate flexibly in the land market. We use cash generated by the business to fund our investment in land and work in progress to support our future growth. As we operate in a cyclical industry, we maintain a strong balance sheet at all times and are comfortable with modest gearing after adjusting for land creditors.

Given the cash generative nature of our business we aim to provide a reliable income stream to our shareholders, throughout the cycle including during a 'normal downturn', via an ordinary cash dividend. Our Ordinary Dividend Policy is to pay out to shareholders approximately 7.5% of net assets, paid in two equal instalments in May and November. In line with the Ordinary Dividend Policy, we will return a 2021 final dividend (of 4.44 pence per share), to be paid on 13 May 2022, subject to shareholder approval.

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.

Following the strong performance of the business during 2021, we are today announcing our intention to return excess cash of c.£150 million in 2022 through the implementation of a share buyback programme, with an initial tranche of c.£75 million expected to be completed by no later than 3 June 2022.

"Jennie has extensive experience in the housebuilding sector and has demonstrated exceptional leadership and a razor-sharp operational focus. Her strong focus on execution, combined with her customer and people-focused skills, set her apart from the other candidates we were considering."

Irene Dorner
Chairman

CEO succession

Following the announcement in late 2021 that Pete Redfern would be stepping down as CEO, the Board, led by the Nomination and Governance Committee, conducted a rigorous search and recruitment process. The Board engaged extensively with major shareholders to hear their views on the succession process. On 7 February 2022, it was announced that Jennie Daly would be appointed as the new CEO, effective from the conclusion of the Company's AGM on 26 April 2022. Jennie has over 30 years' experience in the housebuilding and land and planning industries and is currently Group Operations Director.

ESG credentials

We participate in several global and sectoral benchmarks. We are a constituent of the Dow Jones Sustainability Europe Index and included in the S&P Sustainability Yearbook 2022. We are part of FTSE4Good, have an AA rating from MSCI and have received an ESG Risk Rating of Low from Sustainalytics. We are a member of Next Generation, the sustainability benchmark for UK housebuilders, ranking third and receiving a Gold Award for 2021. We disclose our performance to CDP and received the following scores: CDP Climate Change A- (2020: B), CDP Water B (2020: B), and CDP Forests B- for deforestation and forest risk commodities (2020: B). We have been recognised by CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change.

We support the Task Force on Climate-related Financial Disclosures (TCFD), and have enhanced our disclosure this year in line with its recommendations. We also disclose our performance against the criteria identified for our sector by the Sustainability Accounting Standards Board (SASB).

Opportunities in green building

Other the next five years there will be significant changes to new build homes in the UK reflecting the UK's climate change targets, 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 net zero carbon ready. The way we design and build our homes enables our customers to live a more sustainable and resource efficient lifestyle and there is more that can be done. We are conducting a range of research to prepare for upcoming regulatory changes and to move towards net zero ready homes.

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 (read more on pages 18 to 21). The energy savings we will secure to meet the Future Homes Standard will make our homes increasingly attractive to customers, with lower running costs and a greatly reduced environmental footprint. The increasing take up of more cost effective green mortgages offers a potential competitive advantage for new homes compared to older housing stock.

Modern methods of construction

We are integrating more off site construction techniques which help improve the efficiency of build as well as the quality of key components such as smart roofs which are used where we build a room in the roof. Our approach also includes increased use of timber frame and off site components such as spandrel panels, smart roof panelised cassette roofs, cassette timber floors and dormers. Other research projects include working with industry peers on reducing packaging and waste, air quality, and use of recycled materials.

Timber frame

Timber frame can have a significantly lower carbon footprint than traditional 'brick and block' building techniques due to the materials and use of off site manufacture (OSM) techniques. Newly planted replacement trees from sustainably managed forests may take more carbon out of the atmosphere than the more mature trees used for timber frame, which in turn act as a carbon store within buildings for the long term. This makes it an excellent alternative to more carbon intensive bricks and blocks. There is evidence that OSM in factories can generate less waste, require less transport and logistics, and result in more airtight components than those made on site, all contributing to carbon efficiency. Increasing use across our business will be one of our focus areas in 2022. We aim to reach 20% timber frame usage and increase consistency of use across our regions.

Our Communities

SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

2021 highlights

- Rolled out our new environmental strategy and set a science-based carbon reduction target
- Contributed £418 million to local communities in which we build across the UK via planning obligations (2020: £287 million)
- Delivered 2,501 affordable homes including joint ventures (2020: 1,904)
- Highly Commended in Sustainable Housebuilder of the Year category at the Housebuilder Awards

2022 priorities

- Make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by the mid 2020s
- Update our Placemaking Guide and Guide to Design and Access Statement to reflect the latest government guidance and best practice
- Update our guidance on nature and green space including our Green Infrastructure Guide
- Develop our technical specification for net zero carbon ready homes during 2022 and 2023

Read more in relation to our business model on pages 22 and 23

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.

Our approach

We focus on placemaking and design and invest in affordable homes, infrastructure and research and development to help us create great places to live. Increasingly we are focused on changes to our homes and communities that enable customers to live more sustainably.

In 2021, we contributed £418 million to the local communities in which we build across the UK via planning obligations (2020: £287 million). This funded a range of infrastructure and facilities including: affordable housing; green spaces; community, commercial and leisure facilities; transport infrastructure; heritage buildings; and public art. These enhance our schemes and benefit the wider community. We aim to install infrastructure at an early stage of the build process to help the new community become established quickly.

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 £104k to other organisations, such as scout groups, local football teams and various local community causes (2020: £94k).

Housebuilding, particularly in its early stages, can be disruptive. We are committed to working with local people and communities. 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.

Placemaking

We believe that the plan, design, layout and delivery of our schemes can assist in creating successful and sustainable new communities, where our customers can enjoy a good quality of life.

Our placemaking standards are based on Building for a Healthy Life and aligned with the National Design Guide and National Model Code. Our Director of Design and Group Urban Designer are qualified architects and urban designers and we have a Design Lead in each regional business and strategic land team to champion good design at the regional level.

We design walkable neighbourhoods where customers can enjoy an active, healthy lifestyle and make sustainable transport choices. This includes 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 also invest in public and community transport, walkways and cycle paths through our planning obligations. In 2021, 67% of our UK completions were within 500m of a public transport node and 86% were within 1,000m.

Affordable homes

A lack of affordable housing is one of the biggest challenges facing people across the UK. We can play a part in addressing this problem by increasing the supply of new housing and making our homes affordable to a greater number and wider range of people.

Most 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 2021 we delivered 2,501 affordable homes including joint ventures (2020: 1,904), equating to 18% of total completions (2020: 20%).

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 community consultations.

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. Due to the pandemic, most consultations took place online during 2021 and we used social media, online exhibitions and virtual forums to ensure a broad section of the community could participate.

Our Political and Community Engagement Toolkit helps our teams to consistently engage a wide range of stakeholders in the planning process. In addition, our Community Communications Plan, guides teams on actions they can take throughout the development process to help foster a sense of community among new residents.

Economic impacts

Our developments provide a boost to the local economy, both during construction and once new residents move in. Our Economic Benefits Toolkit identifies and helps us understand and communicate the social and economic benefits our sites will generate; the number of direct site and indirect supply chain jobs that our developments will create and their economic value; expected revenue gains for local businesses; the impact of new infrastructure and amenities; and new revenue for local authorities, including from council tax and business rates.

We often transform previously developed, derelict or contaminated land into new communities, which helps support urban redevelopment and regeneration. Around 21% of our homes in 2021 were built on brownfield land (2020: 25%) which includes infill sites. All our developments, including those on greenfield sites, are built to our environmental standards and comply with the UK's environmental and planning regulations and any additional standards set by the local planning authority.

Engagement with nature

Integrating green spaces, nature and wildlife into our developments makes them more attractive places to live and can have a positive impact on residents' wellbeing and customer satisfaction.

Our environment strategy targets, launched in 2021, include biodiversity net gain requirements and go beyond regulation to deliver priority wildlife enhancements, including hedgehog highways, bug hotels, bird boxes and wildlife friendly planting. New sites will integrate our priority improvements that encourage wildlife to make a home on our developments.

In 2021, we worked with Hedgehog Street, a campaign by the British Hedgehog Preservation Society and People's Trust for Endangered Species to integrate hedgehog highways across 100 new sites. We also worked with Buglife – The Invertebrate Conservation Trust, to install bee bricks and bug hotels.

We've added user-friendly guides on nature-friendly gardening to our website and will launch home welcome nature packs for customers during 2022.

Placemaking principles in action

Our approach to placemaking encompasses social, environmental and economic sustainability criteria. In 2021, we ran our fourth annual Placemaking Competition which recognises best practice in design and layout, based on our placemaking principles. This year's overall winning scheme was Cambourne West Phase 1 in Cambridgeshire. The new West Cambourne Extension provides new connections, an abundance of open space, and easily accessible and central parks, play areas and community facilities.

Climate change risks and opportunities

Climate change will affect our business from increased regulation to changing stakeholder expectations and physical impacts such as increased risks from flooding and overheating. Almost three-quarters of the UK's local authorities have now declared a climate emergency and we are increasingly subject to additional climate-related requirements through the planning process.

Our purpose is to build great homes and create thriving communities. Climate change and the biodiversity crisis are part of our operating context – they impact our ability to achieve our purpose and are threatening the future of today's young people and generations to come.

Our environment strategy, Building a Better World, is our response to the environmental crisis and the physical and transition risks posed by climate change. It sets out how we will play our part in creating a greener, healthier future for our customers, colleagues and communities, with ambitious targets up to 2030. It is summarised on pages 28 and 29.

Our climate focus areas

We are focusing on the following areas in relation to climate change, seeking both to mitigate our impact on climate change and to prepare for the future impacts of climate change on our business, supply chain and customers. We take a science-based approach and aim to continually review and improve performance.

Operations
Energy-efficiency and carbon reductions on our construction sites, car fleet and offices, supporting a sustainable business culture and business practices

Supply chain
Working with suppliers and others to address embodied carbon in the materials, services and products we use

Customer homes
Working towards zero carbon ready homes for customers and supporting sustainable lifestyles

Collaboration and engagement
Working with government, industry associations, investors, peer companies and others to address the climate crisis

Skills
Building our knowledge base and ensuring our colleagues and trade subcontractors have the skills needed for the transition to a low carbon economy

The Group is one of the first UK homebuilders to set science-based targets across our value chain, including a 1.5 degrees target for our operational emissions

Responding to the Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is a framework for Companies to report climate-related risks and opportunities. In 2020, The Financial Conduct Authority (FCA) introduced a requirement for UK premium listed companies to report against the TCFD framework, for periods beginning on or after 1 January 2021.

The framework consists of four themes – governance, risk management, strategy, and metrics and targets, and has 11 disclosure recommendations for reporting on the financial impact of climate change. We support the aims of the TCFD, disclose consistently with its recommendations, and aim to improve the quality of our disclosure year on year.

We have made progress on aligning our reporting to the TCFD recommendations as set out by the FCA in Listing Rule 9.8.6 and will further develop our approach during 2022. Our progress against the recommendations of TCFD can be found on page 50.

Governance for climate change

Board level: Our Board of Directors is responsible for oversight of our environmental, social, governance (ESG) initiatives and this includes climate-related risks and opportunities. From 2022, they will receive an ESG update twice a year, which will include updates on progress made towards climate change targets during the period. The Chair of the Legacy, Engagement and Action for the Future (LEAF) Committee and our Director of Sustainability will also attend the Board on at least one separate occasion during the year. Board ESG competencies are indicated on page 79. During 2021, the Board reviewed and approved our environment strategy and climate targets and established 'Natural resources and climate change' as a new Principal Risk.

Executive level: Our CEO has ultimate responsibility for achieving our climate targets. Sustainability (including climate change) is a standing agenda item for GMT meetings and members receive a monthly update from the Director of Sustainability. The GMT members have received briefings on climate change risks and opportunities to deepen their understanding of this topic.

LEAF Committee: Ingrid Osborne, Divisional Chair for London and South East and a member of our GMT, oversees implementation of our climate change programme. Ingrid chairs our LEAF committee, which is responsible for reviewing climate strategy, risks and opportunities. It meets four times a year. LEAF members include the heads of our sustainability, technical, production, customer and design functions and representatives from our regional businesses.

Governance

Board of Directors
Oversight of the business response to climate risks and opportunities

Group Management Team
Review and approve climate strategy, scrutinise performance, review progress on climate strategy and targets

LEAF Committee (functional oversight)
Analyse climate risk and opportunities and develop the business response, monitor progress

Managing Directors (operational implementation)
Drive implementation at local level

Cross-Functional Working Groups
Environment Strategy Working Group
Road to Net Zero Carbon Working Group
Waste and Resources Working Group

The Director of Sustainability is responsible for monitoring climate-related issues and updating our Climate Change and Sustainability Risk and Opportunity Register. He oversees our reporting and disclosures on climate change, and the assurance of our climate data and reports to our CEO.

Cross-functional working groups, including our Environment Strategy Working Group and our Road to Net Zero Carbon Working Group, support effective governance of climate change.

Operational level: The Managing Director in each regional business has responsibility for achieving our climate change targets at the local level. They have nominated a Sustainability Sponsor within their management team and a Sustainability Champion to assist with implementation and data collection. Each regional business receives a quarterly report on resource use (including energy use) and from 2022 will be set a resource use reduction target. They are kept updated about climate-related issues via workshops, masterclasses and briefings.

Stakeholder engagement

Our stakeholder engagement informs our approach to climate change. This includes customer research and collaborating with suppliers through the Supply Chain Sustainability School and our procurement processes. We work with others to tackle industry-wide challenges including through the HBF. During 2021, we contributed to the development of the Future Homes Delivery Plan and input into the work of the Future Homes Hub. Read more about our stakeholder engagement on pages 34 and 35.

We participate in CDP Climate Change and publish our submission on our website. We received a score of A- for 2021 (2020: B). We were also included on the Financial Times European Climate Leaders list during 2021.

We work with the Carbon Trust on many aspects of climate change. Since 2017, we have held 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.

Strategy

Climate change presents risks and opportunities for our business including those related to the transition to a lower carbon economy and those associated with the physical impacts of climate change. We assess climate risks and opportunities using short (0-2 years), medium (3-10 years) and long term (10+ years) horizons looking at their potential impacts on our business, strategy and financial planning. Our approach is informed by our materiality assessment and climate scenario analysis.

Climate scenario analysis

Our preliminary scenario analysis process was conducted in association with the Carbon Trust and reviewed by our GMT in 2020.

An initial review assessed the risks associated for the housebuilding sector from three scenarios:

- **Orderly transition:** Global action meets the requirements of the Paris Climate Change agreement and global warming is kept to well below 2 degrees celsius and preferably to 1.5 degrees celsius, compared to pre-industrial levels. This included significant regulatory change, and changes to interactions with customers, investors and planners, and some changes to how and what we build. However, the physical changes to the climate are limited and manageable.
- **Climate breakdown:** This is where there is insufficient action, or a failure to act, and global warming is significant, with heating at about 4-6 degrees compared to pre-industrial levels. In this scenario, physical changes to the climate dominate.
- **Disorderly transitions:** This is where the Paris goals are not met in time, but climate breakdown is avoided. Here there is significant regulatory change, changes to interactions with customers, investors and planners, and to how and what we build. The physical changes to the climate are significant and require future planning.

Follow up workshops looked in more detail at a 'disorderly transition' scenario which was considered the most likely scenario. The results of this analysis and other risk assessment are presented in the risks and opportunities table. Further scenario analysis will be undertaken in the future.

Implementing the TCFD recommendations - progress to date

	TCFD recommendation	Progress to date	Next steps
Governance Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities.	We have established and disclosed responsibility for climate risks at Board level. The Board has conducted an ESG mapping exercise to ensure that all ESG matters are considered by the Board or one of its Committees.	During 2022, the Board will be further developing its oversight of our ESG priorities and determining how ESG progress can be assessed more consistently.
	Describe management's role in assessing and managing climate-related risks and opportunities.	We have established and disclosed responsibility for climate risks at Executive, Director and operational level. Climate change has been added as a Principal Risk within 'Natural resources and climate change'.	An environmental measure has been included in the Executive Directors' annual bonus plan and the intention is to introduce an environmental measure in the wider annual bonus scheme for 2023 performance. See page 107.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The table on pages 52 and 53 includes an initial assessment of the possible impact of climate risks and opportunities on the business over the short, medium and long term.	Further scenario analysis is planned to deepen our understanding of climate risk.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We have used the findings of our scenario analysis to enhance our understanding of the impact of climate risks on financial planning and business strategy, see pages 52 and 53.	As part of future scenario analysis exercises we will be further exploring and aiming to quantify the potential impacts of climate change on the business, strategy and financial planning.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have conducted our first scenario analysis focusing on a disorderly transition scenario.	Further scenario analysis is planned to deepen our understanding of climate risk.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	This process is outlined in Risk management on pages 59 and 60 and in Principal Risks on page 65. We have linked our climate targets to the risks and opportunities as set out by TCFD, on page 54.	Our planned further climate scenario analysis will consider the potential financial impacts of climate risks.
	Describe the organisation's processes for managing climate-related risks.	This process is outlined in Risk Management on pages 59 and 60 and in the section on Principal Risks on page 65. We have linked our climate targets to the risks and opportunities as set out by TCFD, on page 54.	During 2022 we will be updating our policies and processes to reflect climate change mitigation and adaptation risks and opportunities.
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change is fully integrated into our top down and bottom up risk management process and during 2021 has been added as a Principal Risk within 'Natural resources and climate change'.	The newly established Principal Risk will be monitored by the Audit Committee and senior management, assessing its impact on the Group's strategic objectives and ensuring appropriate mitigations are in place.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We publish a range of performance data to support our environment strategy, see pages 28 and 29.	We will continue to keep our climate reporting under review and to develop additional metrics where needed to support disclosure to investors and other stakeholders.
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We disclose greenhouse gas emissions data for scopes 1, 2 and 3 on page 55.	We are committed to continuous improvement in our data processes and data quality.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our ambitious science-based carbon reduction target has been approved by the Science Based Targets initiative (SBTi), see pages 28 and 29.	During 2022 we will be developing our net zero transition plan and target.

Impact on financial statements

Reported balance sheet, income statement and cash flow

We include known costs associated with regulation designed to affect the impact of climate change (e.g. building regulations Part L (conservation of fuel and power) and Part F (ventilation)) within the assessment of the value of inventory charged to cost of sales. Where a forecast site margin is affected by a change in estimated costs to complete, the impact is recognised across all plots completed on that site in the current and future years.

The carrying value of work in progress and land is assessed via a net realisable value exercise and any adjustments required are made within the financial statements. Specifically, relating to land and the possible impact from climate change, the Group uses the latest environmental reports to assess the impact from flooding on the viability of the land.

The Group does not have intangible assets, such as goodwill, that require an annual impairment assessment and thus the impact of climate change on the future cash flows required to perform this assessment are not required.

Going concern and viability

'Natural resources and climate change' have been added as a Principal Risk following a review of the Group's Principal Risks, and are therefore considered as part of the going concern and viability assessment. Given the timeframe over which both are considered (12 months and five years respectively) the future impact of climate change on the operating costs of the business and its supply chain, beyond those known costs already included within the Group's forecasts, are not considered material.

In addition, the Group's viability assessment considers a reduction in volumes which, although not explicitly linked, could come about through tighter planning requirements in response to addressing the impact of climate change or through the reduced availability or increased cost of materials due to restrictions in the supply chain due to climate change.

Risk management

The Board has overall responsibility for risk management and our approach to risk combines a top-down and bottom-up review. The assessment, mitigation and monitoring of sustainability and climate-related risks is included as part of our overall risk management process, the outcomes of which are formally reported once a year and reviewed at two other times during the year. As part of this process, the individual sustainability and climate-related risks are considered through functional and business unit risk registers, our climate change and sustainability risk and opportunity register and on a regular basis by senior management, assessing the impact they may have on the Group's strategy, looking at short, medium and in particular longer term emerging risks which may arise as the area continues to evolve. The Group's new Principal Risk 'Natural resources and climate change' (see page 65), recognises the increasing significance a transition to a low carbon economy has on both our operations and the world in which we live and conduct business.

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, time frame, 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 percentage of profit before tax (PBT). A percentage of PBT greater than 20% is considered a major impact. A large risk in terms of likelihood is a greater than 50% chance.

Transition to net zero carbon

We were one of the first UK developers to set Science Based Targets across our value chain, including a 1.5 degrees target for operational emissions. This is our first step on the road to net zero carbon.

During 2022 we will develop our net zero transition plan and net zero target. This will reduce regulatory, policy, taxation and stakeholder climate risks by aligning us with the UK's net zero commitment.

We are reviewing the SBTi Corporate Net Zero Standard published in 2021 and will use this to guide our approach. We will also take account of the 'Metrics, Targets, and Transition Plans' guidance issued by TCFD. We expect to publish our net zero target and plan in 2023.

Our new homes will be net zero ready from 2025 as we phase out gas boilers and switch to all electric homes.

Our risks and opportunities

The table below builds on our disclosure from last year and includes an initial assessment of the possible impact of these risks and opportunities on the business and financial statements.

Description	What are the risks?	What are the opportunities?	Our response
Regulation, policy, taxation Regulatory changes and updates to building regulations (e.g. Future Homes Standard), variation in local planning requirements (e.g. in relation to flooding and biodiversity), expected net zero related policy changes and increases in tax and insurance premiums. **Time frame:** Short, medium and long term **Materiality**: High **Risk type**: Transition (policy and legal) **Opportunity type:** Products, markets	Changes to how sites and homes are designed affects land values and increases costs. Increased demand for new skills and products (e.g. air source heat pumps) impacts the supply chain resulting in increased build costs and shortages of materials, products and skills. Direct and indirect financial impacts from increased taxation and insurance costs. Risk of financial penalties from non-compliance with changing regulation.	As policy requirements around heating and insulation impact the second hand market, new build homes will become increasingly attractive. Meeting regulatory requirements in a more efficient way than our competitors makes us a better investment case. Meeting Local Planning Authority requirements in relation to climate change results could result in being more competitive in land acquisitions.	We prepare for regulatory changes through our research and development. Our R&D programme focuses on opportunities in green building (see page 39) and skills training (see page 40). Our Road to Net Zero Carbon working group is leading our response. We conducted energy-efficiency research to update our home specification in 2021 (see page 17). We share our views with the Government on proposed regulatory changes both directly and via industry organisations such as the HBF. We are supporting the Future Homes Delivery Plan – a sector wide plan to embed key environmental issues into home building up to 2050. We work closely with supply chain partners and use our scale to ensure reliable and cost appropriate access to the skills and materials we need today and in the future (see page 42). We have been recognised by the CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change. We work closely with planning authorities to understand and integrate their requirements, and with land owners to ensure that constraints are reflected in land values.
Stakeholders Shifts in stakeholder preference and expectations in relation to the environment. **Time frame:** Medium term **Materiality**: Medium to high **Risk type**: Transition (market, reputation) **Opportunity type:** Products, markets	Not meeting changing customer and stakeholder expectations in relation to climate change reduces demand for our homes and impacts our reputation. Not meeting changing investor expectations results in reduced valuation impacting market capitalisation and access to capital.	Reputational benefits from meeting and exceeding customer expectations in relation to climate change and home energy efficiency makes homes more attractive to customers. Growth in green mortgages drives increased demand for new build homes. There may also be marketing opportunities to positively differentiate new build homes as climate regulation impacts the second hand homes market. Enhanced access to capital from meeting investor expectations and accessing new sources of green finance. Recruitment and retention of staff.	Our environment strategy has been established to help us meet and exceed changing stakeholder expectations, with a clear governance structure in place. This includes targets specifically related to enabling customers to live a more sustainable lifestyle. We regularly update our materiality assessment (see pages 30 and 31) and integrate sustainability into customer research. Climate change and sustainability are integrated into our marketing strategy. We regularly engage with investors on ESG matters and participate in a range of disclosure initiatives including CDP, TCFD, SASB and DJSI (see page 3).
Physical impacts Changing weather patterns and an increase in extreme weather events. **Time frame:** Medium and long term **Materiality**: Medium **Risk type**: Physical (acute and chronic) **Opportunity type:** Resilience	Changing weather patterns and extreme weather events cause production delays, materials shortages and increased costs, as well as increased overheating and poor indoor air quality risks in highly insulated homes. Increased flood risk and biodiversity concerns impact our land bank and/or restrict future land supplies which mean that the carrying value of land may need to be written down and land costs may increase.	Warmer, drier summers enable increased output. Integration of additional landscaping features to mitigate flood risk and other climate concerns enhance placemaking.	We are increasing the amount of sustainability related data we collect from suppliers and using this to develop our approach to mitigating material supply risks. Sustainability issues including flood risk are considered from the start of the land buying process. We take the risk of flooding on our developments extremely seriously and identify potential flood risk as part of our site selection process. We do not buy land unless we can mitigate flood risk. We use the Environment Agency's flood mapping tools and a digital platform for assessing and managing sustainability and technical risks associated with land, that draws on external environmental databases. We integrate sustainable drainage features on our sites to manage water run off and reduce flow rates. We are developing our approach to biodiversity net gain to enable us to manage biodiversity risks. We will be updating our policies and processes to reflect climate change mitigation and adaptation risks and opportunities during 2022 which will help us respond to physical climate risks.
Technology Increased use of technology including lower carbon technology and materials, off-site manufacturing, adaptation technologies. **Time frame:** Short and medium term **Materiality**: Low to medium **Risk type**: Transition (technology, reputation) **Opportunity type:** Resource efficiency, energy efficiency	Changes in home design to accommodate technology impacts procurement and skills strategies. Customers' understanding of the use and benefit of some sustainable solutions and technologies may be inconsistent with their performance resulting in complaints.	Efficiency improvements and cost savings for the business and customers.	Our R&D programme helps us to identify beneficial new technology and test its performance to ensure it meets our quality, safety and technical standards. We already integrate many lower carbon materials and off-site construction techniques and components into our homes, and will increase this. We prioritise customer communication with the introduction of new technology and will be training our sales and marketing teams to support customers.

Metrics and targets

We have established metrics and targets to enable us to manage and mitigate our identified climate risks and ensure we capitalise on opportunities relating to the transition to a low carbon economy.

We have published a science-based carbon reduction target which has been approved by the Science Based Targets initiative (SBTi). This covers emissions from our operations (1% of total), supply chain (59% of total) and homes in use (40% of total). 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 reductions, in line with current best practice.

Our carbon and energy use data is externally assured by the Carbon Trust to a limited assurance level.

More detail on our performance in 2021 is included in our Sustainability Supplement.

Our climate targets

Our targets on nature, waste and resource efficiency are included on pages 28 and 29.

Targets - climate	Progress	Link to TCFD risk
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	Our operational emissions intensity (scope 1 and 2), has decreased by 13% against our 2019 baseline with absolute operational emissions falling by 20% over the same period. We are improving our data to enable us to accurately report progress on our scope 3 target.	– Regulation, policy, taxation – Stakeholders – Physical impacts – Technology
Reduce operational energy intensity by 32% for UK building sites by 2025.	There was a 1% increase in UK energy intensity on our 2019 baseline. We believe this is due to a small change in the average fuel mix used.	– Regulation, policy, taxation – Physical impacts
Purchase 100% REGO backed green electricity for all new sites.	We purchased 100% REGO backed renewable electricity for new sites during construction, offices, show homes, sales areas and plots before sale. This is around 72% of our total electricity consumption.	– Regulation, policy, taxation – Stakeholders
Reduce embodied carbon per home by 21% by 2030.	We are developing our measurement systems and expect to start reporting progress on this target next year.	– Regulation, policy, taxation
Reduce emissions from customer homes in use by 75% by 2030.	We are developing our measurement systems and expect to start reporting progress on this target next year.	– Regulation, policy, taxation – Stakeholders – Technology
Reduce car and grey fleet emissions by 50% by 2025.	We have reduced company car fleet emissions (excluding grey fleet) by 36.5% since 2019. Around 43% of vehicles in our company car fleet are now EV or hybrid (2020: 30%).	– Stakeholders
Make it easier for 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by the mid 2020s.	We are improving our data collection process for this target and expect to report progress next year.	– Physical impacts – Technology
Update our policies and processes to reflect the risks and opportunities from a changing climate by 2022.	We will be working on this target during 2022 and have added 'Natural resources and climate change' as a new Principal Risk.	– Physical impacts – Technology

Greenhouse gas (GHG) emissions (tonnes of CO_2e) and energy use (MWh)

		2021	2020	2019	2018	2017
Scope 1 GHG emissions – combustion of fuel	tonnes CO_2e	**17,464**	16,522	21,018	20,328	18,889
Scope 2 GHG emissions – market based	tonnes CO_2e	**2,272**	1,981	3,563	4,509	4,794
Scope 2 GHG emissions – location based	tonnes CO_2e	**5,406**	5,272	6,172	6,892	8,236
Total scopes 1 and 2 – market based	tonnes CO_2e	**19,736**	18,503	24,581	24,837	23,683
Emissions per 100sqm completed homes (scope 1 and 2)	tonnes CO_2e /100sqm	**1.41**	1.96	1.62	1.73	1.73
Total scope 3 emissions	tonnes CO_2e	**2,632,421**	1,961,431	3,869,583	2,171,973	1,826,183
Purchased goods and services	tonnes CO_2e	**1,413,410**	1,114,587	2,242,225	2,143,976	1,797,288
Waste generated in operations	tonnes CO_2e	**15,446**	11,255	17,550	15,845	15,793
Business travel	tonnes CO_2e	**1,464**	6,593	6,303	6,405	6,812
Fuel and energy related activities	tonnes CO_2e	**5,802**	4,503	5,679	5,748	6,290
Downstream leased assets	tonnes CO_2e	**6,592**	6,178	2,656	-	-
Use of sold products	tonnes CO_2e	**1,107,417**	754,625	1,476,066	-	-
Upstream transport and distribution	tonnes CO_2e	**39,891**	29,815	64,827	-	-
End of life treatment of sold products	tonnes CO_2e	**29,210**	20,105	33,242	-	-
Employee commuting	tonnes CO_2e	**13,189**	13,771	21,034	-	-
Energy use						
Operational energy use (fuel and electricity consumption from sites, offices and fleet)	MWh	**104,870**	96,195	116,207	111,085	105,123
Operational energy intensity (site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	**7.5**	10.2	7.6	7.7	7.7

Our carbon and energy use data is externally assured by the Carbon Trust to a limited assurance level.

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. 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 https://www.taylorwimpey.co.uk/corporate/sustainability/our-approach/climate-change-and-nature for more detail on our calculations.

Energy data and energy efficiency measures

The energy consumption figure in the table is a Group figure. 98.74% of this total energy consumption is from the UK and offshore areas and 1.26% from Spain. 98.24% of total scope 1 and scope 2 emissions are from the UK and offshore areas and 1.76% 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, by publishing our Energy Dos and Don'ts Guide and running masterclass sessions for our teams, partnering with cabin manufacturer Danzer and the Carbon Trust to design and trial new energy efficient portacabins, 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. We have successfully tested hydrotreated vegetable oil as a lower carbon alternative to diesel for plant on site and plan to extend its use during 2022. This reporting meets the SECR (Streamlined Energy and Carbon Reporting) requirements.

Scope 3 data for 2018 and prior years includes fewer categories of emissions. It therefore cannot be directly compared with data for 2019 onwards.

SASB index

The following table discloses our performance against the criteria set by the Sustainability Accounting Standards Board (SASB) Standard for the Home Builders sector. Data relates to the period 1 January 2021-31 December 2021.

A number of the SASB criteria are not directly applicable to the UK and in these cases we have sought to provide equivalent data.

A note on terminology: Our sites are single pieces of land which typically gain outline planning permission as a single entity. They range in size from 50-3,500 homes. Outlets are sites with a sales centre. 'Plots' are homes prior to completion which are equivalent to 'lots' (the term used in the SASB standard).

Responses do not cover our business in Spain which accounts for less than 2% of total completions.

Code	SASB criteria	Our approach
Land use and ecological impacts		
IF-HB-160a.1	Number of (1) lots and (2) homes delivered on redevelopment sites	In 2021, 21% of completions (excluding joint ventures) were on brownfield land (2020: 25%).
IF-HB-160a.2	Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	We estimate that around 42% of our plots are built in areas of high water stress, around 5,950 homes. No homes are built in areas of extremely high stress. This is based on the baseline water stress map published by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
IF-HB-160a.3	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations	We received an Environment Agency notice that a small fine would be payable in relation to silt run-off due to a burst water main after groundworks at a development of our Exeter business.
IF-HB-160a.4	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	Our environment strategy includes targets to reduce our environmental footprint across our value chain focusing on climate change and energy, nature, resources and waste. Environmental factors are integrated into our processes, including: **Landbuying:** 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. Our internal processes and guidance documents help us to identify and address relevant sustainability issues for each site. These include our Sustainable Development Checklist which helps us to assess factors such as how well connected the site is to transport links and the potential impact on habitats and species. We use a digital platform for assessing and managing sustainability risks at site level, called LEADR (Land and Environment Assessment of Development Risk). It includes a pre-acquisition screening and risk assessment process for potential new sites covering issues including remediation, flood risk, biodiversity, air quality and archaeology. **Placemaking:** Our placemaking standards help our teams to plan, design and deliver schemes that promote social, environmental and economic sustainability. They are based on best practice such as the Building for a Healthy Life framework and cover factors such as promoting sustainable transport, connectivity with nature and resident wellbeing. All new sites now include our priority wildlife enhancements and from 2023 new sites will include 10% biodiversity net gain. **Construction:** Our Health, Safety and Environmental Management System covers all site activities and helps us to keep noise, dust and disturbance to a minimum, to prevent pollution incidents, reduce waste and water use and to protect biodiversity. It requires all operational sites to carry out mandatory environmental checks and to have a Site Specific Environmental Action Plan. All sites have individual site waste management plans.
Workforce health and safety		
IF-HB-320a.1	Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	We measure health and safety performance using an Annual Injury Incidence Rate (AIIR) metric and we report a consolidated figure for direct employees and contractors. Our AIIR for reportable injuries per 100,000 employees and contractors was 214 in 2021 (2020: 151). Reportable injuries are those covered by the UK's Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). The average AIIR for our sector was 264. This is calculated by the Home Builders Federation. There were no fatalities.
Design for resource efficiency		
IF-HB-410a.1	Number of homes that obtained a certified HERS® Index Score and (2) average score	The Energy Performance Certificate (EPC) is a UK equivalent to the HERS Index. Properties are assessed by an accredited assessor. On average, our standard homes are designed to achieve an EPC rating of B. We don't currently collate data on the final EPC ratings for our properties so this figure is estimated based on our standard house type designs. Our homes include: energy-efficient walls and windows; insulated loft spaces; 100% low energy light fittings and LED recessed downlights; and energy-efficient appliances. An increasing number of our homes include photovoltaic (PV) panels and additional energy efficiency measures such as mechanical ventilation with heat recovery.
IF-HB-410a.2	Percentage of installed water fixtures certified to WaterSense® specifications	Our homes are designed to achieve a maximum internal water use of 120 litres per person per day and 5 litres external use in line with Building Regulations. All our homes in England and Wales have water meters fitted, and all homes have low flow taps and showers, and dual flush toilets. WaterSense is not applicable to the UK. Water efficiency is covered by Building Regulations Part G - Sanitation, hot water safety and water efficiency. This focuses on the expected performance of the whole home. Compliance is assessed based on water consumption figures provided by product manufacturers including for WCs, taps, baths, showers and appliances.

Code	SASB criteria	Our approach
Design for resource efficiency continued		
IF-HB-410a.3	Number of homes delivered certified to a third-party multi-attribute green building standard	All our homes are subject to UK building regulations which include standards for energy and water efficiency (criteria IF-HB-410a.1 and IF-HB-410a.2). With the phasing in of the new Part L from June 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 31% reduction in home energy use compared with our current specification. There are no current widely used third-party multi-attribute green building standards designed specifically for homes in the UK.
IF-HB-410a.4	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	Risks and opportunities relating to home energy and resource efficiency are considered as part of our climate change risk management processes which are outlined on pages 52 and 53. Our homes integrate features to help customers live a resource efficient lifestyle (see IF-HB-410a.1 and IF-HB-410a.2) and we are well prepared for the forthcoming changes to Building Regulations (see IF-HB-410a.3) and the Future Homes Standard (see page 17). We communicate the resource efficiency benefits of our new homes to potential customers, via our Sales Executives, our website, marketing materials, 'From House to Home' manual, Maintenance Guide and Touchpoint Portal. This includes the energy rating of their home and the energy savings they can expect to achieve in relation to an average second hand home. We also include information on how customers can further reduce home energy and water use and create a nature friendly garden. Our Sales Executives have been trained on how to communicate energy and resource efficiency benefits to our customers.
Community impacts of new developments		
IF-HB-410b.1	Description of how proximity and access to infrastructure, services, and economic centers affect site selection and development decisions	Proximity and access to infrastructure, services, and economic centres influence site selection and development decisions. For each scheme, we assess the current level of facilities and services to assess whether they are sufficient to support the scale of proposed development. We aim for future residents to have convenient access to local facilities and services via walking, cycling or public transport. Where the current level of facilities or services is not adequate, we contribute to improving local facilities. The UK's NPPF also requires consideration of the opportunities presented by existing or planned investment in infrastructure. During 2021, we contributed £418 million to local communities via planning obligations (2020: £287 million) to fund infrastructure and facilities including affordable housing, green spaces, community and leisure facilities, transport, educational funding, jobs for local people, heritage buildings and public art. Around 67% of our UK completions were within 500m of a public transport node and around 86% within 1,000m.
IF-HB-410b.2	Number of (1) lots and (2) homes delivered on infill sites	This data is not currently collected. However, the majority of brownfield land in the UK would meet the definition of an infill site. Brownfield land is previously developed land and most sites are served by existing physical installations such as roads, power lines, sewer and water. In 2021, 21% of completions (excluding joint ventures) were on brownfield land (2020: 25%).
IF-HB-410b.3	Number of homes delivered in compact developments and (2) average density	We believe that all our schemes meet the criteria for compact development.
Climate change adaptation		
IF-HB-420a.1	Number of lots located in 100-year flood zones	We don't currently collate this data but expect to be able to do so in future as we roll out our LEADR system for managing environmental site risks. 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 carry out a flood risk assessment on all our sites and do not buy land unless we can mitigate flood risk. Flood risk is controlled well in the UK through the planning process. Flood risk is one of the factors considered in our climate change scenario analysis, see pages 52 and 53.
IF-HB-420a.2	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Climate change risks have the potential to impact our business strategy through increased costs, reduced productivity and reputational damage. Our approach to governance, risk management, climate strategy and scenario analysis are outlined in detail on pages 48 to 53. Climate change is now included as a Principal Risk within 'Natural resources and climate change', see page 65. In 2021, we scored A- in our CDP Climate Change disclosure, and we are the only UK homebuilder to hold the Carbon Trust Standard for carbon management. Our carbon reduction target has been verified by the Science Based Targets initiative, see page 28.
Activity metrics		
IF-HB-000.A	Number of controlled lots	As at 31 December 2021, our short term landbank stood at c.85k plots (2020: c.77k plots). Our short term landbank is owned or controlled land with planning permission or a resolution to grant planning permission.
IF-HB-000.B	Number of homes delivered	Total home completions in the UK were 14,087 in 2021, including joint ventures.
IF-HB-000.C	Number of active selling communities	We traded from an average of 225 outlets in 2021 (2020: 240). Our net private sales rate per outlet per week for the year was 0.91 (2020: 0.76).

1. The developable area of land for each site is calculated using net hectares or net acres. This means the total land area that will be developed excluding public open space and land used for community facilities and some infrastructure.

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.

Performance Overview	Our policies	Our impact and related Principal Risks	Read more
Environmental matters			
Building a better world, our ambitious environment strategy, including our science-based carbon reduction target 50% reduction in direct carbon emissions intensity since 2013 100 sites included a hedgehog highway in 2021 97% of construction waste recycled	**Sustainability Policy –** Our commitment to balance long term growth 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	28 to 29
		Climate change risks and opportunities	48 to 55
		Creating a sustainable future	16 to 17
		Principal Risks and uncertainties	65
Employees			
95% of employees feel proud to work for Taylor Wimpey 96% of employees feel that they can be their authentic self at work 50% of plc Board positions held by women	**Equality, Diversity and Inclusion policy –** Outlines our commitment to create an inclusive workplace and a workforce that reflects the diversity of the communities in which we operate **Grievance and Harassment Policy –** Ensures that any reports are investigated and addressed appropriately	More information can be found within:	
		Our strategy and key performance indicators	26 to 27
		Stakeholders - Our employees	40 to 41
		Corporate governance - Equality, diversity and inclusion	93 to 97
		Principal Risks and uncertainties	63
Human rights			
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 human rights are respected and modern slavery is not taking place **Supply Chain Policy**	More information can be found within:	
		Stakeholders - Our partners	42 to 43
Social matters			
Contributed £418 million to communities via our planning obligations In 2021, around 18% 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	More information can be found within:	
		Stakeholder performance and priorities	34 to 35
		Stakeholders - Our partners	42 to 43
		Stakeholders - Our communities	46 to 47
Anti-bribery and anti-corruption			
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 can be found within:	
		Corporate governance - Board leadership and Company purpose	81
Business model			
c.14k new homes completed for customers in 2021 Strong short term landbank of c.85k plots, as at 31 December 2021	**Community Policy** **Sustainability Policy** **Customer service Policy –** Our approach and commitments to provide excellent customer service	More information can be found within:	
		Creating value through our business model	22 to 23
Non-financial KPIs			
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 214 in 2021	**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 **Policy embedding, due diligence and outcomes**	More information can be found within:	
		Our strategy and key performance indicators	24 to 27
		Building a better world	28 to 29
		Board leadership and Company Purpose	78 to 81
		Board Activities	82
		Audit Committee Report	98 to 104

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 the 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 a robust 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 March 2022, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk in December 2021, 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

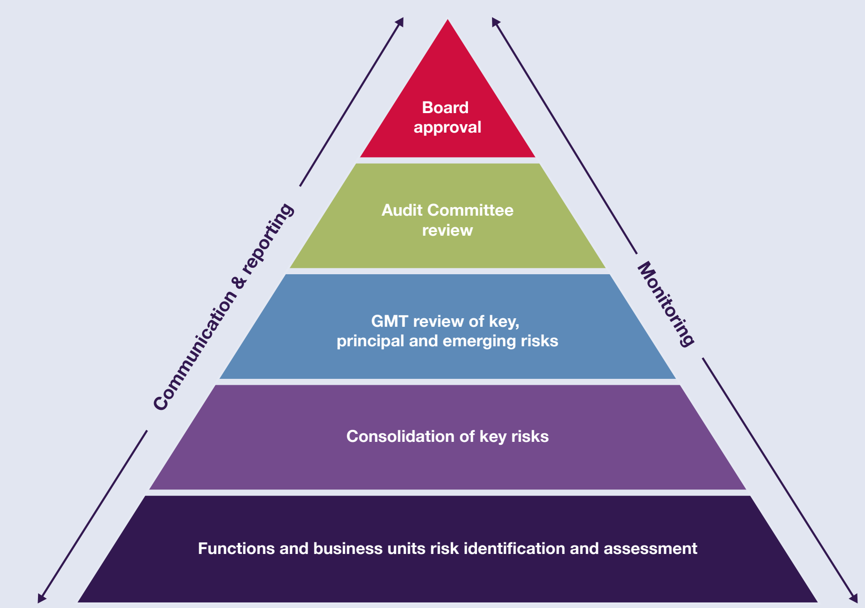
Our risk management and internal control frameworks define the procedures to manage and mitigate risks facing the business, rather than eliminate risk altogether and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 known to the Group are being actively monitored and appropriate mitigations / actions are in place to ensure each risk falls within the tolerance set by the Board.

Risk Management Framework

Our risk management approach involves a top-down review of risks by senior management and the Board, combined with a bottom-up review by each individual function and business unit.



Inputs (e.g. business change, external factors, workshops)

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, key and emerging 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 62 to 65. The residual risk ratings of all our Principal Risks continue to be within their respective established risk tolerance levels.

COVID-19

As a business, we continue to operate under our COVID-19 working protocols, to ensure the continued safety of our staff, customers, suppliers and subcontractors. The risks associated with the pandemic are reducing as the country progresses with its vaccination programme and lifts the restrictions on its economy. Nevertheless, the continuing effects of the pandemic, the potential for future variants, and the potential subsequent economic or operational disruption, remain built into the assessment of our individual risks.

Emerging risks

Emerging risks are defined as those where the extent and implications are not yet fully understood, with consideration given to the potential time frame of occurrence and velocity of impact that these could have on the Group. As part of our risk management process, these are monitored and reviewed on an ongoing basis and 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.

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

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. Whilst we continue to recognise the risks associated with leaving the EU and the effects of the COVID-19 pandemic, the Board views these potential risks as an integral part of our Principal Risks rather than as separate standalone risks. We continue to monitor and mitigate the impacts on our supply chain and labour force and the overall economic market impacting mortgage availability and demand.

Housing and fire safety continues to remain 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.

Our Principal Risks and uncertainties

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 62 to 65. During the year, two new Principal Risks have been added, reflecting an increase in their risk profile, as reflected in the table opposite and for which further details can be found on page 65.

Three of our existing Principal Risks have seen an increase in their residual rating following a review of the current industry and market dynamics and the introduction of the New Homes Ombudsman.

The Board has finalised its assessment of these risks and of any changes to the residual risk profile during the year.

Link to material issues

The Board recognises the importance of stakeholder engagement, the material issues that matter the most to them and the need for a strong linkage to risk management. To demonstrate this linkage, an exercise was performed during the year to align each of our material issues (as disclosed on page 31) to our Principal Risks, which is further detailed in the Principal Risks tables on pages 62 to 65.

		Our values	Strategic pillars	Risk change in year
A.	**Government policies, regulations and planning**			
B.	**Mortgage availability and housing demand**			
C.	**Availability and costs of materials and subcontractors**			
D.	**Attract and retain high-calibre employees**			
E.	**Land availability**			
F.	**Quality and reputation**			
G.	**Health, safety and environment**			
H.	**Natural resources and climate change (NEW)**			
I.	**Cyber security (NEW)**			

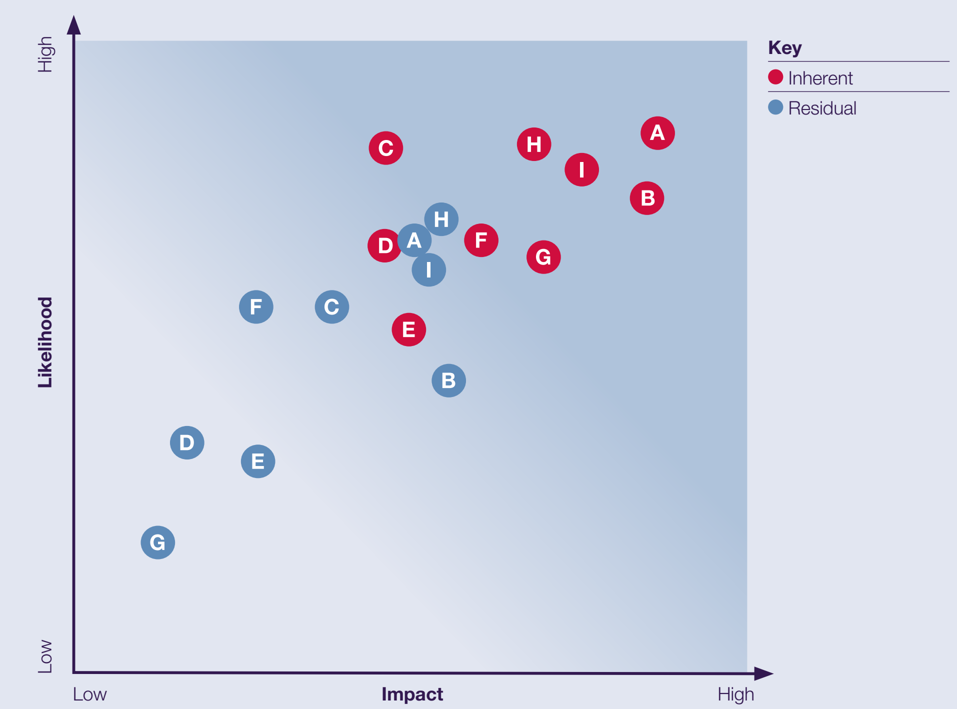
Key to strategic pillars
- Build quality
- Be the employer of choice in our industry
- Best in class efficient engine room
- Customers and communities
- Optimising our strong landbank

Key to our values
- Respectful and fair
- Take responsibility
- Better tomorrow
- Be proud

Key to risk change
- Increased risk
- No change
- Decreased risk

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, including the two new Principal Risks. Further information on our Principal Risks is detailed in the Principal Risk tables on pages 62 to 65.



A. Government policies, regulations and planning

Risk description

The industry in which we operate is becoming increasingly regulated. Failure to adhere to Government regulations could impact our operational performance and our ability to meet our strategic objectives.

Changes to the planning system or planning delays could result in missed opportunities to optimise our landbank, affecting profitability and production delivery.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low	– 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 – Cladding fire safety provision

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Governance and management Responsible sourcing			– Removal of Help to Buy – New Government regulations (e.g. around planning and climate) – Delays in planning – Sentiment towards the industry (e.g. Cladding fire safety remediation)	– 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. Mortgage availability and housing demand

Risk description

A decline in the economic environment, driven by sustained growth in interest rates, low wage inflation or increasing levels of unemployment, could result in tightened mortgage availability and challenge mortgage affordability for our customers resulting in a direct impact on our volume targets.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low	– UK Sales and Marketing Director – Regional Sales and Marketing Directors	– Evaluation of new outlet openings based on local market conditions – Pricing and incentives review – Review of external data (e.g. HBF, mortgage lenders)

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Sustainable homes and communities Responsible sourcing			– 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. Availability and costs of materials and subcontractors

Risk description

Increase in housing demand and production or a breakdown within the supply chain 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.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low-moderate	– Group Operations Director – Head of Procurement – Group Commercial Director	– Central procurement and key supplier agreements – Supplier and subcontractor relationships – Contingency plans for critical path products – Direct trade and apprenticeship programmes

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
People and skills Responsible sourcing			– 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. 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.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Low		Moderate	– Group HR Director – Every employee managing people	– Production Academy – Management training – Graduate programme – Apprenticeship programme – Enhanced remote working procedures – Educational masterclasses – Taylor Wimpey challenge

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
People and skills Charitable giving			– Employee engagement score – Number of, and time to fill, vacancies – Employee turnover levels	– To further develop in-house capability, expertise and knowledge

E. Land availability

Risk description

An inability to secure land at an appropriate cost, the purchase of land of poor quality or in the wrong location or the incorrect timing of land purchases in relation to the economic cycle could impact future profitability.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Low		Moderate	– Divisional Chairs – Regional Managing Directors – Regional Land and Planning Directors – Managing Director Group Strategic Land	– Critically assess opportunities – Land quality framework

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Land, planning and community engagement			– 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.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low	– Customer Director – UK Head of Production – Director of Design	– Customer-ready Home Quality Inspection (HQI) – Consistent Quality Approach (CQA) – Quality Managers in the business

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Governance and management Responsible sourcing Sustainable homes and communities Customer service and quality			– 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. Health, safety and environment

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.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Low		Low	– 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

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Health, safety and wellbeing Environment Sustainable homes and communities			– 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

H. Natural resources and climate change (NEW)

Risk description

An inability to reduce our environmental footprint, the challenges of a degraded environment including the impacts of climate change, nature loss and water scarcity on our business, supply chain scarcity due to environmental change and the increasing desire of our customers to live more sustainably could impact our reputation, ability to attract investment and obtain planning permission and the delivery of our strategic targets.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low	– Director of Sustainability – Regional Managing Directors	– Published environment strategy – Adoption of Science Based Targets – Climate change governance, including LEAF committee – Achievement of Carbon Trust Standard – HBF and investor liaison – Training and development in-house and in our supply chain – Data collection and management

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Sustainable homes and communities Environment			– Energy use and GHG emissions – % Biodiversity net gain – Construction waste generation and waste to landfill	– Sustainable homes and developments attractive to customers – A sustainable business of choice for investors – Advantageous planning positions

I. Cyber security (NEW)

Risk description

The Group places increasing reliance on IT to conduct its operations and the requirement to maintain the accuracy and confidentiality of its information systems and the data contained therein. A cyber-attack leading to the corruption, loss or theft of data could result in reputational and operational damage.

Residual rating	Residual risk change in year	Risk appetite	Accountability	Key mitigations
Moderate		Low-moderate	– IT Director	– Complex passwords policy – Multi-factor authentication for remote access – Regular security patching and penetration testing – Risky logins check – Intrusion detection and prevention systems – Suspected phishing emails process – Mandated cyber training for all staff – Embedding security in new project deliverables

Link to material issues	Link to strategy	Link to values	Example key risk indicators	Opportunities
Governance and management			– Number of devices with critical and high open vulnerabilities – Number of devices without latest patching in place – Phishing test results – Cyber Training completion statistics – Number of users with administrative privileges to critical systems	– Together with our service partners, provide a level of security to reinforce our reputation as a trusted partner

Focused on operational delivery and financial performance

In 2021, we have continued to prioritise returning the business to c.21-22% operating margin through focusing on cost, process simplification and standardisation.

Chris Carney
Group Finance Director

"During 2021, we have positioned the business for outlet-led volume growth from 2023, generating additional value and compelling investor returns."

Group financial review of operations

Income statement

The numbers referenced below are statutory numbers unless otherwise stated.

Group revenue increased to £4,284.9 million in 2021 (2020: £2,790.2 million), reflecting the increase in completions in the UK (excluding joint ventures) to 13,929 (2020: 9,412) with the comparative period impacted by site closures due to COVID-19. UK average selling prices rose 4.0% to £299.8k (2020: £288.3k) and average selling prices on private completions increased by 2.8% to £332.2k (2020: £323.2k) in the UK, primarily due to house price inflation partly offset by changes to product mix.

Group gross profit increased to £1,027.0 million (2020: £496.7 million), representing a gross margin of 24.0% (2020: 17.8%). The increase in margin over the prior year was mainly driven by the lack of COVID-19 costs (£60.3 million) seen in 2020 as well as fixed costs being absorbed across more completions in the current year.

Net operating expenses of £328.8 million (2020: £214.3 million) include £125.0 million of exceptional costs relating to the cladding fire safety provision, which is detailed below. Excluding these exceptional costs the net operating expenses were £203.8 million, which was predominantly made up of administrative costs of £211.0 million (2020: £206.8 million). These increased from the prior year as the savings in the current year from the restructuring that occurred in 2020 were more than offset by increases in performance based remuneration and share based payment charges that reflected the improved trading in the year.

This resulted in a profit on ordinary activities before net finance costs of £698.2 million (2020: £282.4 million), £823.2 million (2020: £292.4 million) excluding exceptional items.

During the year, completions from joint ventures were 158 (2020: 197). The total order book value of joint ventures as at 31 December 2021 was £74 million (31 December 2020: £51 million), representing 151 homes (31 December 2020: 118).

Our share of joint ventures profits in the year was £5.4 million (2020: £7.9 million). When including this in the profit on ordinary activities before net finance costs the resulting operating profit was £828.6 million (2020: £300.3 million), delivering an operating profit margin of 19.3% (2020: 10.8%).

In March 2021, we announced that we would cover the costs to bring all Taylor Wimpey apartment buildings going back 20 years from 1 January 2021, irrespective of height or whether we retain a legal interest, in line with current EWS1 guidance, covering cladding and the whole of the external wall systems including balconies. As a result of this the Group announced an additional £125.0 million provision to fund cladding fire safety improvement works which has been charged to exceptional items in line with our policy. The prior year exceptional charge of £10.0 million arose following a review of ongoing works to replace Aluminium Composite Material (ACM) cladding on a small number of legacy developments.

The net finance expense of £24.0 million (2020: £25.9 million) principally includes imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme. The decrease compared with the prior year is mainly due to a reduction in the net bank interest payable, which in 2020 reflected the full draw down of the previously unutilised £550 million revolving credit facility, which was fully repaid in the first half of 2020, following the temporary closure of sites. In addition, changes in foreign exchange rates in the year resulted in a small foreign exchange loss compared with a gain in the prior year.

Profit on ordinary activities before tax increased to £679.6 million (2020: £264.4 million). The pre-exceptional tax charge was £147.9 million (2020: £49.1 million). This represents an underlying tax rate of 18.4% (2020: 17.9%) which includes a £2.6 million credit (2020: £1.4 million credit) arising from the remeasurement, in part, of the Group's UK deferred tax assets at 25.0% following the changes to the corporation tax rates enacted by the UK Government in the first half of the year. A tax credit of £23.8 million was recognised in respect of the exceptional charge (2020: £1.7 million). This resulted in a total tax charge of £124.1 million (2020: £47.4 million), at a rate of 18.3% (2020: 17.9%).

As a result, profit for the year was £555.5 million (2020: £217.0 million).

Basic earnings per share was 15.3 pence (2020: 6.3 pence). The adjusted basic earnings per share†† was 18.0 pence (2020: 6.5 pence).

Spain

Our Spanish business primarily sells second homes to European and international customers, with a small proportion of sales being primary homes for Spanish occupiers. The business has continued to face market disruption as a result of international travel restrictions imposed during the COVID-19 pandemic. However, it has performed well against this backdrop and sales rates have recovered as restrictions have eased, with the 2021 sales rate comparable with 2019.

We completed 215 homes in 2021 (2020: 190) at an average selling price of €417k (2020: €375k), and our total order book as at 31 December 2021 of 324 homes (31 December 2020: 126 homes), reflects the recovery in the year as noted above. Gross margin decreased to 24.3% (2020: 31.1%), primarily due to the increased level of sales commissions incurred following the greater number of reservations compared with the prior year, and this flowed through to an operating profit of £14.6 million for 2021 (2020: £15.8 million) and an operating profit margin of 19.0% (2020: 25.0%).

The total plots in the landbank stood at 2,779 (31 December 2020: 2,819), with net operating assets at £108.9 million (31 December 2020: £111.5 million).

Balance sheet

Net assets at 31 December 2021 increased by 7.4% to £4,314.0 million (31 December 2020: £4,016.8 million), with net operating assets** increasing by £185.8 million to £3,450.6 million (31 December 2020: £3,264.8 million). Return on net operating assets** increased to 24.7% (2020: 9.9%) as the increase in average net operating assets over the year, compared with the prior year, was more than offset by the increase in operating profit over the same period. Group net operating asset turn*† was 1.28 times (2020: 0.92).

Land

Land at 31 December 2021 increased by £510.0 million in the year to £3,385.7 million as the Group continued to invest in land opportunities following the equity raise completed in June 2020. The increased land investment also meant that land creditors increased to £806.4 million (31 December 2020: £675.9 million) with new obligations exceeding payments in the period. Included within the gross land creditor balance is £59.0 million of UK land overage commitments (31 December 2020: £64.9 million). £314.2 million of the land creditors is expected to be paid within 12 months and £492.2 million thereafter.

At 31 December 2021 the UK short term landbank comprised 85,376 plots (31 December 2020: 77,435), with a net book value of £2.9 billion (31 December 2020: £2.5 billion). Short term owned land comprised £2.8 billion (31 December 2020: £2.4 billion), representing 62,660 plots (31 December 2020: 53,731). The controlled short term landbank represented 22,716 plots (31 December 2020: 23,704).

The value of long term owned land increased to £298 million (31 December 2020: £217 million), representing 37,425 plots (31 December 2020: 36,968), with a further total controlled strategic pipeline of 107,809 plots (31 December 2020: 101,676). Total potential revenue in the owned and controlled landbank increased to £59 billion in the year (31 December 2020: £54 billion).

Value distributed during 2021

Contribution to local communities via planning obligations
£417.7m
2020: £286.6m

Employment
£278.0m
2020: £264.9m

Net investment in land and WIP
£293.2m
2020: £362.2m

Pension contributions
£31.5m
2020: £52.3m

Taxes
£151.9m
2020: £136.4m

Dividends
£301.5m
2020: (nil)

2021 Group results

	UK	Spain	Group
Completions including joint ventures	14,087	215	14,302
Revenue (£m)	4,208.1	76.8	4,284.9
Operating profit (£m)	814.0	14.6	828.6
Operating profit margin (%)	19.3	19.0	19.3
Profit before tax and exceptional items (£m)			804.6
Profit for the year (£m)			555.5
Basic earnings per share (p)			15.3
Adjusted basic earnings per share (p)			18.0

Work in progress ('WIP')

Total WIP has reduced as completions originally planned for completion in Q4 2020 were delayed into the first half of the current year resulting in a greater WIP balance at the end of the prior year. Whilst the number of outlets at 31 December 2021 was lower than at the start of the year, the average WIP per UK outlet was broadly flat at £6.5 million (31 December 2020: £6.6 million), reflecting a continuing investment in build on active sites.

Provisions and deferred tax

Provisions increased to £245.1 million (31 December 2020: £130.5 million) due to the £125.0 million cladding fire safety provision recognised in the period. There was continued utilisation of the existing provision as works have been carried out as well as utilisation of the Ground Rent Review Assistance Scheme ('GRRAS') provision as claims have been received and processed. During the year the Group agreed voluntary undertakings with the CMA which built on the existing GRRAS scheme, the cost of these undertakings fall within the original provision made by the Group in 2017.

Our net deferred tax asset of £26.2 million (31 December 2020: £33.7 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. The decrease in the pension deficit in the period decreased the deferred tax asset recognised, with some offset as the deferred tax asset has been remeasured, in part, at 25.0% (31 December 2020: 19.0%) following the UK enacted change in rate in the period.

Pensions

Following the 31 December 2016 triennial valuation, the Group agreed a recovery plan with the Trustee to pay deficit reduction contributions of up to £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.

During 2020, the Group engaged with the Taylor Wimpey Pension Scheme ('TWPS') Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2019. In March 2021, a new funding arrangement was agreed with the Trustee that commits the Group to paying £20.0 million per annum into an escrow account between April 2021 and March 2024. The first six months of contributions between 1 April 2021 and 30 September 2021 were guaranteed. From 1 October 2021, payments into the escrow account are subject to a quarterly funding test with the first funding test having an effective date of 30 September 2021. Contributions to the escrow are suspended should the TWPS Technical Provisions funding position at any quarter end be 100% or more and would restart should the funding subsequently fall below 98%.

The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses in 2021 were £17.4 million (2020: £37.1 million) with a further £10.0 million paid into the escrow account (2020: nil). Further payments into escrow are subject to quarter-end funding tests and would amount to an additional £5.0 million being paid into escrow in 2022 each quarter if the funding test is not met at the respective quarter end.

The most recent funding test at December 2021 showed a surplus of £43 million and a funding level of 101.7% and as a result no payment into escrow is due in the first quarter of 2022.

At 31 December 2021, the IAS 19 valuation of the Scheme was a surplus of £149.9 million (31 December 2020: deficit of £89.1 million). Due to the rules of the TWPS, any surplus cannot be recovered by the Group and therefore a deficit has been recognised on the balance sheet under IFRIC14. The deficit being equal to the present value of the remaining committed payments under the 2019 triennial valuation. No such adjustment was recognised at 31 December 2020 since the deficit on an IAS 19 accounting basis exceeded the present value of committed payments at that time. Retirement benefit obligations of £37.3 million at 31 December 2021 (31 December 2020: £89.5 million) comprise a defined benefit pension liability of £37.0 million (31 December 2020: £89.1 million) and a post-retirement healthcare liability of £0.3 million (31 December 2020: £0.4 million).

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

Net cash and financing position

Net cash increased to £837.0 million at 31 December 2021 from £719.4 million at 31 December 2020, due to strong cash generation from operating activities being partially offset by an increase in land investment, and the payment of dividends in the year.

Final dividend pence per share

4.44

(2020: 4.14)

2022 share buyback

c.£150m

Average net cash for the year was £788.1 million (31 December 2020: £399.3 million).

In the year to 31 December 2021, the inflow of cash from operations as a result of the improved trading led to cash conversion of 69.4% of operating profit (2020: (54.9)%).

Net cash, combined with land creditors, resulted in an adjusted gearing‡‡‡‡ of (0.7)% (31 December 2020: (1.1)%).

At 31 December 2021 our committed borrowing facilities were £634 million of which £550 million was undrawn. The average maturity of the committed borrowing facilities at 31 December 2021 was 2.9 years (31 December 2020: 3.8 years).

Dividends

Subject to shareholder approval at the AGM scheduled for 26 April 2022 the 2021 final ordinary dividend of 4.44 pence per share will be paid on 13 May 2022 to shareholders on the register at the close of business on 1 April 2022 (2020 final dividend: 4.14 pence per share). In combination with the 2021 interim dividend of 4.14 pence per share this gives total ordinary dividends for the year of 8.58 pence per share (2020 ordinary dividend: 4.14 pence per share).

The 2021 final ordinary dividend will be paid as a cash dividend, and shareholders in the United Kingdom have the option to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which are available on our website www.taylorwimpey.co.uk/corporate.

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.

Following the strong performance of the business during 2021, we are today announcing our intention to return excess cash of c.£150 million in 2022 through the implementation of a share buyback programme, with an initial tranche of c.£75 million expected to be completed by no later than 3 June 2022.

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 (operating margin, return on net operating assets, 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.

Going concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provide both the necessary liquidity and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the financial statements are prepared on a going concern basis, see note 1 of the financial statements for further details of the assessment performed.

Chris Carney
Group Finance Director

Viability disclosure

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 Group for a period longer than the 12 months required for the purposes of 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; and
- Five years represents a reasonable estimate of the typical time between purchasing land, its progression through the planning cycle, building out the development and selling homes to customers from it.

Five years is also a reasonable period for consideration given the following broader external trends:

- The cyclical nature of the market in which the Group operates, which tends to follow the economic cycle;
- 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; and
- 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.

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 2 to 3) and the output from the annual business planning process and financing arrangements;
- The wider economic environment and mortgage market (further details of which are provided on pages 18 to 21), as well as changes to Government policies and regulations, including those influenced by sustainability, climate change and the environment, that could impact the Group's business model including the recent announcement on the Future Homes Standard (further details of which are provided on page 19) and Residential Property Developer Tax;
- Strategy and business model flexibility, including build quality, customer dynamics and approach to land investment. Further detail is provided on pages 22 to 27; and
- 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 GMT and Board in the current year. 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 full list of Principal Risks, including mitigations, can be found on pages 62 to 65 and are referenced 'A' to 'I'.

The Directors identified the Principal Risks that have the most impact on the longer-term prospects and viability of the Group, and as such these have been used in the modelling of a severe but plausible downside scenario, as:

- Government policies, regulations and planning (A);
- Mortgage availability and housing demand (B);
- Availability and costs of materials and subcontractors (C);
- Quality and reputation (F); and
- Cyber Security (I)

A range of sensitivity analysis for these risks together with likely mitigating actions that would be adopted in response to these circumstances were modelled, including a severe but plausible downside scenario in which the impacts were aggregated together.

The impact from 'Natural resources and climate change' (H) is not deemed to be material within the five year forecast period, albeit known costs from regulation have been included in the modelling (e.g. updates to Parts L&F of the building regulations in England and Future Homes Standard).

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 ('forecast').

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 forecast period. The forecast also incorporates the likely market impact of the planned changes to Help to Buy and considers the impact of the Government announcements for example on transitional arrangements for the Future Homes Standard and the Building Safety Levy. 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 from the updates to Parts L & F of the building regulations in England and the Future Homes Standard;
- Working capital requirements; and
- Capital repayment plan, where we have assumed the payment 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 as well as the distribution of excess capital to shareholders in 2022 via a share buyback.

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 severe but 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 2022 expectations in order to test the resilience of our business. As a result, we have stress tested our business against the following severe but plausible downside scenario which can be attributed back to the Group's Principal Risks that have been identified as having the most impact on the longer-term prospects and viability of the Group.

Volume (Principal Risk: A, B, C, F) a decline in total volumes of 20% from 2021, recovering by the end of the forecast period.

Price (Principal Risk: B) a reduction to current selling prices of 20%, recovering by the end of the forecast period.

Costs (Principal Risk: A, F, I) a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty (e.g. from a Cyber Security breach).

Within the scenario build costs are forecast to reduce with lower volumes reducing pressure on the availability of materials and resources and land cost remains flat as the possible increase in availability due to lower volumes is offset by a restriction in supply. An estimate for the cost of the Future Homes Standard has been assumed.

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 reducing our overhead base to reflect the lower volumes.

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

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,471 million at 31 December 2021. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis, individually and in aggregate.

Confirmation of viability

Based on the results of this analysis, the Directors have a reasonable expectation that the Group 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 on pages 2 to 71 was approved by the Board of Directors and signed on its behalf by

Pete Redfern
Chief Executive

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.

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

† Tangible net assets per share is defined as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of ordinary shares in issue at the end of 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 cash 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, with operating cash flow defined as cash generated from operations (which is before taxes paid, interest paid and payments related to exceptional charges).

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