Taylor Wimpey | plc

The Taylor Wimpey Difference

Annual Report and Accounts 2019

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

Our Company purpose is to deliver new homes within thriving communities, in a safe and environmentally responsible manner, with customers at the heart of our decision making and consideration of the potential impact on wider stakeholders.

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There are several ways you can get in touch with us or follow our news.

www.taylorwimpey.co.uk/corporate

www.twitter.com/taylorwimpeyplc

www.linkedin.com/company/taylor-wimpey

Navigating this report

The icons below help to signpost where you can find more information.

- Read more
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- BM Link to our business model
- % Link to our strategic goals
- PR Link to our Principal Risks
- MI Link to material issues
- SR Link to our Sustainability Report

We participate in various benchmarks and have been awarded a number of industry accreditations
We are a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices. We participate in the CDP Climate report and received a score of B in 2019 and in CDP Water, scoring B. We also participate in CDP Forests, disclosing our approach to timber sourcing. We received a C rating.

On the front cover is Rebecca Bowker, Project Manager for our Oxfordshire business unit, pictured at Great Western Park, Didcot.

The Taylor Wimpey difference

At Taylor Wimpey, we are a different kind of homebuilder. We aim to deliver our strategy in a way that makes a positive contribution to all stakeholders, particularly our employees, the communities we operate in and the environment. This will help build a sustainable advantage and deliver leading financial returns with strong and reliable cashflows through:

1. **Our strong culture and values**
2. **A renewed focus on sustainability**
3. **A well invested, quality landbank and strong balance sheet**
4. **Growth at the right time in the cycle**
5. **Cash generation, enabling significant and reliable returns to shareholders**

THE TAYLOR WIMPEY DIFFERENCE

1. Our strong culture and values

We have a culture embedded throughout the business of 'doing the right thing'. Our reputation is important to us and we will not compromise the character of the business. This is increasingly important in a politically sensitive industry and with increased scrutiny and customer expectations.

"We have diverse and hardworking people at Taylor Wimpey who are committed to doing the right thing by the business and our customers; it's what I have enjoyed most about working here."

Novraj Sidhu, Managing Director

Our values empower us to do the right thing

Respectful and fair

Take responsibility

Do the right thing

Better tomorrow

Be proud

Read more on pages 23 and 71 BM Read more on pages 30 to 31


Taylor
Wimpey
Taylor
Wimpey

THE TAYLOR WIMPEY DIFFERENCE

2. A renewed focus on sustainability

Whilst short term performance is important, we run the business for the long term. This underpins our approach to the investments into build quality and in developing our people. We also need to be prepared to respond to changes in our regulatory environment and want to play our part in tackling climate change. In an industry with a well-known skills shortage we see a long term benefit in our apprentice and direct labour programmes.

"I was thrilled to receive a coveted NHBC Pride in the Job Regional Award in 2019. It's testament to all the hard work that has been put in by everyone on site and I for one am very proud of what we have achieved in raising the standards and quality of the homes we build."

Dean Chinsky, Project Manager

SR Read more in our 2019 Sustainability Report

THE TAYLOR WIMPEY DIFFERENCE

3. A well invested, quality landbank and strong balance sheet

Our high-quality landbank remains a key competitive advantage and an important driver of value as it enables us to build and sell the right product, create the right community and deliver the right service to our customers. We have an excellent short term landbank and strategic land pipeline, as measured by scale, quality of location and embedded margin. This gives us flexibility and options. Together, with our strong and well capitalised balance sheet, this means we can be very resilient through the cycle.

"One of the best parts of my job is completing and opening new infrastructure on a development, such as play areas and shops, which I know will make a huge difference to the local residents and help bring the place to life."

Rebecca Bowker, Project Manager

Read more on page 27


Taylor
Wimpey

THE TAYLOR WIMPEY DIFFERENCE

4. Growth at the right time in the cycle

We have the ability to grow, without compromising on quality or adding meaningful market risk at the right time in the cycle. Our factory approach to build can drive faster and more controlled growth which can be scaled up to deliver increases in volumes and cashflow on existing assets, depending on market conditions. Our differentiated approach to apprentices and direct labour provides us with a different kind of workforce that is flexible, high quality and part of the Taylor Wimpey culture, offering a route to high-quality growth.

> “We have our own dedicated apprentice area on site which has been great as we learn new skills. I have also become a qualified first-aider since starting with Taylor Wimpey. Eventually I would like to work my way up to become a Site Manager.”

Louis Mist, Carpentry Apprentice

Read more on page 28

THE TAYLOR WIMPEY DIFFERENCE

5. Cash generation, enabling significant and reliable returns to shareholders

We are a cash generative business and believe we can sustain this in times of market weakness, due to the strength of our balance sheet, the quality and length of our landbank and consequently the control we have over the timing of land investment. Our aim is to provide a reliable income stream to our shareholders.

"Being the first person a customer meets on their homebuying journey is a real privilege. My first home was a Taylor Wimpey home and we just recently moved up into our second! It's given me a great insight into how and why customer experience matters so much, as a customer, employee and as a shareholder."

M Preston

Melissa Preston, Sales Executive

S Read more on pages 40 and 41 % Read more on page 24

The Taylor Wimpey difference

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We aim to deliver our strategy in a way that makes a positive contribution to all stakeholders, particularly our employees, the communities we operate in and the environment. This will help build a sustainable advantage and deliver leading financial returns with strong and reliable cashflows through:

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We have a culture embedded throughout the business of 'doing the right thing'. Our reputation is important to us and we will not compromise the character of the business. This is increasingly important in a politically sensitive industry and with increased scrutiny and customer expectations.

2. A renewed focus on sustainability

Whilst short term performance is important, we run the business for the long term. This underpins our approach to the investments into build quality and in developing our people. We also need to be prepared to respond to changes in our regulatory environment and want to play our part in tackling climate change. In an industry with a well-known skills shortage we see a long term benefit in our apprentice and direct labour programmes.

3. A well invested, quality landbank and strong balance sheet

Our high-quality landbank remains a key competitive advantage and an important driver of value as it enables us to build and sell the right product, create the right community and deliver the right service to our customers. We have an excellent short term landbank and strategic land pipeline, as measured by scale, quality of location and embedded margin. This gives us flexibility and options. Together, with our strong and well capitalised balance sheet, this means we can be very resilient through the cycle.

4. Growth at the right time in the cycle

We have the ability to grow, without compromising on quality or adding meaningful market risk at the right time in the cycle. Whilst volumes for 2020 are expected to be slightly down on 2019, our factory approach to build can drive faster and more controlled growth which can be scaled up to deliver increases in volumes and cashflow on existing assets, depending on market conditions. Our differentiated approach to apprentices and direct labour provides us with a different kind of workforce that is flexible, high quality and part of the Taylor Wimpey culture, offering a route to high-quality growth.

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We have been named in the top 50 places to work in the UK for 2020, by Glassdoor, as voted for by employees for the third consecutive year	Employee engagement rate	Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	Voluntary employee turnover
	93%	156	12.9%
		2018: 228	2018: 14.5%

We are a member of the NextGeneration benchmark and were awarded Silver in 2019	Construction Quality Review score	Number of people recruited into early talent programmes	Directly employed key trades, including trade apprentices
	4.13	116	1,169
	2018: 3.93	2018: 175	2018: 748

Strategic land pipeline – potential plots	Land cost as a % of average selling price on approvals	Short term landbank – plots	% of completions from strategically sourced land
c.140k	16.2%	c.76k	56%
2018: c.127k	2018: 19.2%	2018: c.76k	2018: 58%

Net private sales rate per outlet per week	Orderbook value	Private legal completions per outlet	Landbank years
0.96	£2,176m	48.2	c.4.8
2018: 0.80	2018: £1,782m	2018: 41.8	2018: c.5.1

Return on net operating assets**	Cash conversion‡‡	Net cash‡
31.4%	82.6%	£545.7m
2018: 33.4%	2018: 92.6%	2018: £644.1m

Definitions and reconciliations of our Alternative Performance Measures (APMs) to the equivalent statutory measures are included in Note 32 of the financial statements

S Read more about our stakeholders on pages 32 to 43

SR Read more in our 2019 Sustainability Report

Our approach to paying dividends

Subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 7.5% of Group net assets, which will be at least £250 million per annum. This is intended to provide a reliable minimum annual return to shareholders throughout the cycle, including through a 'normal downturn', and will be paid equally as a final dividend (in May) and as an interim dividend (in November). This Ordinary Dividend Policy was subject to prudent and comprehensive stress testing against various downside scenarios, which also included a reduction of 20% in average selling prices and a 30% reduction in volumes.

The payment of ordinary dividends will continue to be supplemented by additional significant special dividends at appropriate times in the cycle. Our Special Dividend Policy will pay out to shareholders the free cash generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the medium term, and once the Group's ordinary dividends have been met. We have paid a special dividend in each of the last six years. Over the past six years we have paid a total of £2.3 billion in ordinary and special dividends to our shareholders.

As previously announced, subject to shareholder approval at the 2020 AGM scheduled for 23 April 2020, we intend to pay a minimum ordinary dividend of £250 million per annum (c.7.6 pence) (2019: £250 million) and c.£360 million (10.99 pence) to shareholders in July 2020 by way of a special dividend (2019: £350 million).

Accordingly, subject to shareholder approval, in 2020 shareholders will receive a total dividend of c.£610 million (c.18.6 pence per share).

2019 paid to shareholders

Annual ordinary dividend	Special dividend
£249.8m	£349.9m

Total dividends

£599.7m

2020 subject to shareholder approval

Annual ordinary dividend	Special dividend
c.£250m	c.£360m

Total dividends

c.£610m

Reflecting on my time as Chair of Taylor Wimpey

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

2019 in review

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

Taylor Wimpey 2019 financial performance

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

Key milestones since 2010

2010
Completed the early refinancing of existing debt facilities.

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

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

2013
Launched first Sustainability Strategy.

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

"It is only possible to deliver our strategy with highly engaged, talented employees."

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

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

Customers at the forefront

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

Health and safety

Health and safety continues to be our non-negotiable, number one priority and forms part of every single Board meeting throughout the business. This year's Annual Injury Incidence Rate per 100,000 employees and contractors was 156 (2018: 228), which was well below the HBF Home Builder Average and the Health and Safety Executive Construction Industry Average. Although benchmarking is important, we see no level of injury as acceptable on our sites, so whilst accidents occur, we will always continue to learn lessons and prioritise improvements in our operating practices.

Environmental, Social and Governance (ESG)

We are widely recognised as being a responsible company with strong governance which makes a substantial social contribution. However, we recognise that we can, and should, challenge ourselves to make further positive impacts on environmental issues which impact our stakeholders. The roll out of our environmental strategy is a focus for 2020 which will formalise the work we have ongoing in the business and go further in committing to more ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint. We plan to develop a science-based carbon reduction target by the end of 2020. You can read more about our approach to sustainability throughout this report and in our 2019 Sustainability Report.

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

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

Taylor Wimpey employees and values

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

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

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

2017
Implemented a direct labour pilot involving six business units.

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

glassdoor BEST PLACES TO WORK 2020 EMPLOYEES' CHOICE

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

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

Board changes

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

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

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

Taylor Wimpey in 2019 and beyond

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

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

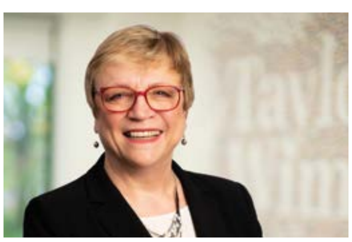
During my tenure, we have built 126,435 homes in the UK, increasing annual completions by 56% from 9,927 in 2010 to 15,520 in 2019, grown profitability to over 2.5 times 2010 levels and built an excellent short term landbank of c.76k plots with a further c.140k potential plots in the strategic pipeline,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

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

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

Kevin Beeston
Chair

NEW CHAIR-DESIGNATE



Irene Dorner
Chair-designate

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

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

Energised for the year ahead

Group Management Team

Pete Redfern
Chief Executive

Chris Carney
Group Finance Director

Jennie Daly
Group Operations Director

Alice Marsden
Group General Counsel and Company Secretary

Anne Billson-Ross
Group Human Resources Director

Nigel Holland
Divisional Chair, Central and South West

Daniel McGowan
Divisional Chair, North

Ingrid Osborne
Divisional Chair, London and South East

Lee Bishop
Major Developments Director

Read more about our GMT at www.taylorwimpey.co.uk/corporate

Q What are the key priorities for 2020?

A **JD** In 2019, our teams achieved an industry-leading sales rate, delivering a 5% increase in home completions whilst at the same time improving quality, no mean feat. They have been busy implementing several initiatives over the past three years so, in 2020, our priority is embedding these improvements across the business. That said, one of our values is 'better tomorrow' so the Board has set a manageable number of new priorities for 2020. These are: increased focus on costs and process simplification, supporting our apprentice and direct labour programmes, outlining our environmental strategy and work on smoothing the completions profile to prevent bottlenecks and improve our customers' experience. We will also work on specific medium term planning to deal with life post-Help to Buy and really test and challenge the cost base and specification of our new house type range, before we roll it out to our businesses and for our customers.

Q In an improved land market, what are the benefits of a large strategic land pipeline?

A **DM** Under certain conditions in the cycle, strategic land can provide a margin advantage but the benefits of a large pipeline are broader. We have a record strategic pipeline of c.140k potential plots in areas we believe customers want to live. We have an excellent track record of converting these plots through the planning system, and for several years over half of our completions have been through strategic land. Therefore, the key benefits of our strategic pipeline are the advantage it gives us when planning our business and the significant competitive advantage of having exclusive opportunities to develop in locations where our customers want to live, close to local economies and amenities, supported by good transportation links. Strategically, good visibility of land coming through our pipeline enables us to plan great, sustainable places to live, maintaining strong buying discipline and so protecting our margin.

Q How will you manage market uncertainty?

A **IO** Monitoring market conditions is a constant focus. As well as our live internal operating information, the GMT closely monitors market conditions across a range of metrics including market transactions, house pricing, materials pricing, affordability, planning permissions and land transactions. We are cautiously run with a strong balance sheet. We have built robustness and flexibility into our 24 regional businesses and are well positioned for all market conditions. Our Principal Risks (outlined on page 48) are closely monitored and discussed at Board and GMT meetings. This year we have refreshed our approach to explaining risks in a way which we hope is more helpful to our stakeholders.

Q What are your key employee challenges?

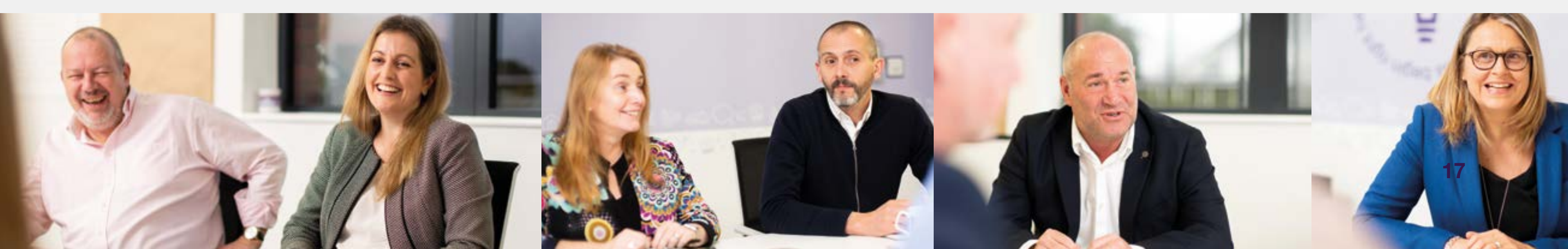
A **ABR** You will see employee quotes throughout this report taken from responses to our 2019 values campaign, and they show we are fortunate to have a motivated and engaged workforce. Our 2019 employee engagement survey was very positive, and Glassdoor identifies us as one of the UK's top 50 places to work for a third successive year (as voted for by our employees). Retaining our talent is always a focus and we are committed to training and personal development plans to help everyone reach their potential and continue to advance initiatives to improve diversity and inclusivity (see our online Gender Pay Gap Report). Developing our pool of directly employed key trades is a key priority for 2020 to build in flexibility and establish a workforce with a customer focus and Taylor Wimpey values. As an industry leader in developing new trade apprentices, it is vital we have the supporting structures and teams of experienced colleagues in place to support them once they qualify.

Q What is your response to climate change?

A **LB** We acknowledge the serious threat posed by climate change and biodiversity loss and the need for urgent action. The development of our environmental strategy and introduction of a science-based carbon reduction target by the end of 2020 is about formalising the good practices put in place throughout the business by our site teams and Sustainability Champions. We are pleased to have reduced our direct emissions intensity by 43% since 2013 and are on track for our targeted 50% reduction by 2023. We have also achieved an absolute reduction in emissions of 19% since 2013, even with a 42% increase in completed floor area. Taking action on the environment helps us to create better places to live for our customers and strengthens our relationships with employees and other stakeholders. It also reduces costs and risks to the business, with climate change and biodiversity identified as key risks and monitored by the Board.

Q Are large sites still important?

A **NH** Our 'strategy for larger sites' should not be confused with us having a 'large site strategy' (prioritising larger sites over all others), we need a mix of site sizes for our planning and to better react to changing market circumstances. Large sites, where we generally operate from an earlier stage, offer us a great opportunity to shape and improve placemaking (design, facilities, biodiversity, landscaping) which is a key part of helping our customers develop new communities, a key focus for the Group. Sites such as Great Western Park (Didcot) and Somerdale (Keynsham) are excellent examples of what is possible in terms of creating attractive green spaces and excellent community facilities.



Our place in the housing market

To understand how our market impacts our operations we start by considering our place in the wider housing market. We completed 15.7k homes this year and are one of the UK's largest homebuilders.

To put that in context, UK new build transactions for the year to March 2019 were around 203k, putting our share of the new homes market at around 8%. However, we are also part of a much larger market which sees around 1.2m in annual housing transactions of which around 83% relate to second hand or existing housing. Being a small but important part of a much larger market has clear implications for our strategy, particularly in terms of market positioning and pricing power.

In recent years the relative performance of second hand and new build transactions has diverged. The second hand market has undergone a difficult period owing to political uncertainty, particularly in higher priced areas such as London and the South East where sales have been sluggish. Over the same time period demand for new homes has been robust and we have grown our UK new home completions by 8% since 2017.

This divergence is partly explained by the different customer drivers impacting each market. Second hand house sales tend to be more discretionary, as sellers, and some buyers already own property and are often more willing to defer sales and purchases than first time buyers, who may be adults living with parents or those starting new families.

In addition, the Help to Buy Equity Loan scheme introduced in 2013, which has assisted many buyers to access housing, is only available for new build homes. Under the current scheme the Government will lend up to 20% of the value of a new build home via an equity loan (interest free for five years) to homebuyers outside Greater London (40% within Greater London) who are able to meet certain criteria, including raising a 5% deposit.

Total housing completions 2018-2019

c.1.2m

New build completions 2018-2019

c.203k

Sources: HMRC, ONS.

Key customer drivers

The key drivers of our market; house prices, inflation and interest rates, mortgage affordability and availability, and employment and consumer confidence, are interlinked. The minimum deposit requirements of mortgage providers plays a key role in our customers' ability to access home ownership, particularly in the case of first time buyers. For this reason, the Help to Buy scheme has been important for the sector.

For those able to achieve the necessary deposit to buy a home, affordability is good. Current low interest rates and widespread availability of mortgages at competitive rates mean that, on average, today's new owners can expect to pay a lower proportion of average household income towards their mortgage than they would have back in 1984 (see chart on page 19).

Interest rates

Impacts
- Affordability (mortgage rates)

Contributing factors
- Inflation
- Economic growth
- Consumer confidence

Medium term expectation
- Remain low
- Potential for modest basis points moves in either direction

Long term expectation
- Dependent on UK economy
- Likely to rise steadily from low base

Mortgage availability

Impacts
- Credit availability for house purchases
- Mandated deposit requirements of lenders

Contributing factors
- Interest rates
- Liquidity of banks
- Economy

Medium term expectation
- Remain low

Long term factors
- Dependent on UK economy

Employment

Impacts
- Consumer confidence
- Wage growth

Contributing factors
- UK economic performance
- Business confidence

Medium term expectation
- Record employment levels
- Dependent on public and private investment outlook
- Dependent on inflation

Long term expectation
- Dependent on UK economy
- Dependent on impacts of trade deal with EU
- Dependent on global economy

Help to Buy

Impacts
- Affordability for homebuyers

Contributing factors
- Adaptability of lenders to provide alternative products

Medium term expectation
- Price caps in place from 2021 and restricted to first time buyers with scheme to phase out by 2023
- Potential market adjustments as scheme ends
- Dependent on alternative financing options available

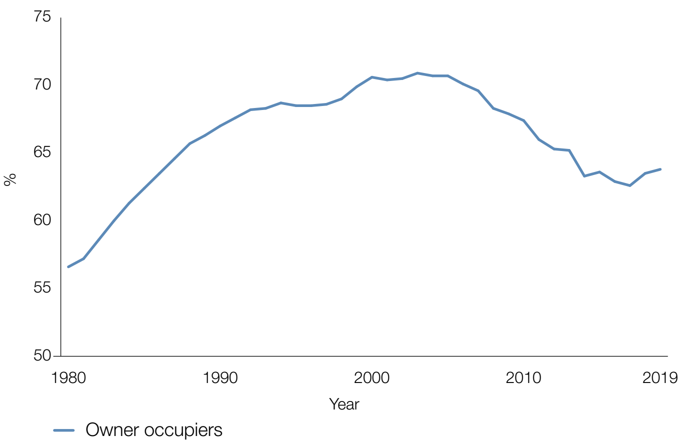
Long term factors
- Dependent on UK economy
- Structural undersupply should underpin market demand

PR Read more on pages 48 to 53

Unsatisfied demand for homes

For the medium to long term, demographic factors such as changes to population and household formations and the rate of home ownership will impact demand from our customers. The rate of home ownership has fallen from its peak in the early 2000s of c.70% to c.64% in 2018. This reflects stretched affordability, and according to HSBC, the average age of first time buyers in July 2019 was 33 and could rise to 40 in the next decade. This suggests that accessibility to home ownership remains an issue, something we are keen to address, and that underlying demand for housing overall is likely to continue to outpace supply for some years.

The home ownership rate in England



Source: Ministry of Housing, Communities and Local Government.

Affordability and mortgage availability

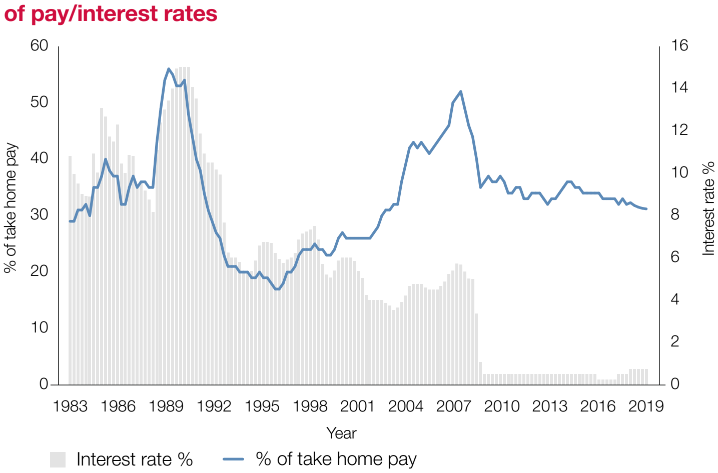
Homebuyers who are able to raise a deposit often find monthly mortgage costs lower than the alternative cost of rental for comparable properties (on average £666 per month versus £722 per month[1]). The relative cost of buying to renting depends on interest rates and, while there are no imminent signs of major rises, in the longer term we would expect interest rates to rise, albeit gradually and well signalled, from historic lows.

By other traditional metrics, affordability of housing, be it buying or renting is more stretched. The housing to average earnings ratio, important in determining how much lending a mortgage company will provide, was 6.7 times in August 2019[2] having eased back, yet remained close to the 2007 peak.

The UK Government led the Mortgage Market Review (MMR) in 2009 following the financial crisis. The MMR found prior instances of high-risk lending to people unable to afford their mortgages. New measures to regulate lending came into force in 2014 and stricter criteria impacted upon the ability for some people to gain access to housing. Overall availability of mortgage products remains healthy and UK mortgage approvals for December 2019 were at their highest rate since 2015.

1. Sources: Halifax, BM Solutions, ONS.
2. Sources: Zoopla, ONS.

UK first time buyers mortgage payments as a percentage of pay/interest rates



Sources: Nationwide, Bank of England.

Our performance in 2019

Despite wider macro-economic and political uncertainty, the UK new build housing market remained stable during 2019, albeit with more challenging conditions in London and the South East and at higher price points. Customer demand for new build homes continued to be robust, underpinned by low interest rates, a wide choice of mortgage products and the Government's Help to Buy scheme. During the year, we saw good levels of demand throughout the country, which converted into strong sales rates across the business.

In 2019, total home completions increased by 5% to 15,719, including joint ventures (2018: 14,933). During 2019, we delivered 3,548 affordable homes (2018: 3,416), including joint ventures, equating to 23% of total completions (2018: 23%). Average selling prices on private completions increased by 1% to £305k (2018: £302k), with the overall average selling price increasing to £269k (2018: £264k).

We estimate that market-led house price growth for our regional mix was c.1% in the 12 months to 31 December 2019 (2018: c.3%).

Our net private sales rate for 2019 remained strong at 0.96 homes per outlet per week (2018: 0.80). Consistent with our strategy to optimise our large sites, and our long term approach to reducing cyclical risk by maintaining a strong order book, we achieved a strong sales rate of 0.92 in the second half of the year (H2 2018: 0.76). Cancellation rates remained low at 15% (2018: 14%). First time buyers accounted for 34% of total sales in 2019 (2018: 34%). Investor sales continued to be at a low level of c.5% (2018: c.5%).

Strong forward orders

We ended 2019 with a record total order book valued at £2,176 million as at 31 December 2019 (31 December 2018: £1,782 million), excluding joint ventures, which represents 9,725 homes (31 December 2018: 8,304 homes). We traded from an average of 250 outlets in 2019 (2018: 273) and enter 2020 with 240 outlets (31 December 2018: 256). As previously guided, we expect 2020 outlet numbers to be broadly similar to 2019.

Help to Buy

During 2019, approximately 34% of total sales used the Help to Buy scheme, and we worked with 5,693 households to take the first step to home ownership or to move up the housing ladder (2018: 36% and 5,828). Approximately 76% of sales through Help to Buy in 2019 were to first time buyers (2018: 77%) at an average price of £277k (2018: £270k). During the year 30% of sales in the London market used Help to Buy London (2018: 29%).

We welcome the Government's announcement within the Autumn Budget 2018 to introduce tapering measures to the Help to Buy scheme as the Equity Loan Scheme transitions to a close in 2023. Help to Buy has been popular with our customers and has supported them in getting onto and moving up the housing ladder, however, we believe that the changes announced are appropriate and are in the best long term interests of the housing market and homebuyers.

Industry structural factors

There are a number of structural factors that impact our industry. Structural factors are conditions that have built up over decades and may take many more to resolve, such as the availability of skilled labour (e.g. a UK workforce aligned to other areas such as finance, the service sector, social sciences and public and private sector administration) and a shortage of housing supply (due to growing population, changing UK demographics, years of underinvestment in housing). The land and planning environment has structurally changed this cycle.

The housing market cycle

Despite structural undersupply, which underpins our long term prospects, we continue to view the market as cyclical. Therefore, in our view, it is a question of when, not if, there is a period of market weakness.

It is worth considering what has happened in previous cycles and what has changed since then.

UK house prices rose by 34% and 74% in the four years leading up to the 1990 house price crash and the 2008 financial crisis. Over the last four years prices have increased by around 15%, and this year, house price growth has been outstripped by wage inflation, a small positive for affordability.

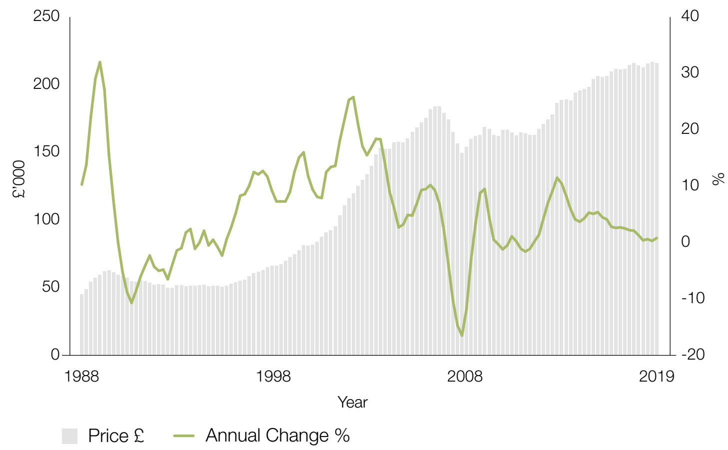
It isn't possible to predict what will happen to price and the extent of any future correction, but it is reasonable to suggest that the last few years have not replicated the 'bubble' characteristics that marked the end of previous cycles.

Changing land environment

UK housebuilders are more than just builders, we invest in land and develop it through a number of planning and regulatory stages. The time from land purchase to sale of completed homes can vary from 1.5 years in the case of short term land, with some form of planning for residential development, to over 10 years in some cases for strategic land, without planning for residential development.

The land backdrop has seen marked changes in this cycle following the introduction of the 2012 National Planning Policy Framework (NPPF). Subsequent updates to NPPF continue to confirm the importance of housing delivery and supply through both the Local Plan process and the five-year land supply balance.

House price inflation



Source: Nationwide.

The land and planning environment is structurally different in this cycle due to a generally good level of housing land availability, and is more balanced and effective today than at any point over the last 30 years. We are confident that, barring a fundamental change in Government policy, this will continue to be the case for the foreseeable future.

Given the strength of the landbank, and in light of the wider political and economic uncertainty, during 2019 we took a precautionary view of land investment and acquired new land on broadly a replacement basis, maintaining our strong locational discipline and focus on strategic land conversion.

More limited availability of land with planning under the old (pre NPPF) framework was a factor in the significant land price inflation, which amplified the impact of previous downturns. This was particularly evident during the housing market crash of the late 1980s and the housing crash during the financial crisis of 2007-2009.

Housing availability

Impacts
- Supply and demand factors
- Rate of housebuilding in industry

Contributing factors
- Availability of labour and materials
- Government intervention / planning backdrop
- Land availability

Medium term expectation
- Shortfall against 300k Government target

Long term factors
- Gradual easing of shortage but long term demand for our product

Land and planning regime

Impacts
- Availability of land
- Planning

Contributing factors
- Time taken for planning decisions
- Cost of planning obligations
- Viability of land

Medium term expectation
- Pressure on: minimum prices, options premium, cost caps
- Increasing focus on one-to-one opportunities through structured site searches
- Councils reporting climate emergency related delays

Long term factors
- Policy dependent
- Continued benign outlook

BM Read more on pages 30 to 31

Regulatory backdrop

Impacts
- Ease of building
- Cost of building

Contributing factors
- Planning environment / reforms
- Health, safety and environment (HSE) and quality requirements

Medium to long term factors
- Changes after consultations on fire safety / access
- Energy, ventilation, electric vehicle charging
- Environmental Bill, including Biodiversity Net Gain
- Further devolution of planning
- Social housing proposals
- National Model Design Code

Labour and materials

Impacts
- Pace of build
- Availability of skilled labour

Contributing factors
- Training our apprentices to offset skills shortage
- UK construction levels
- UK employment levels

Medium term expectation
- Build cost inflation expected to be c.3% this year
- Future years depend on: industry output; EU trade deal; UK immigration policy

Long term factors
- Depends on UK economy
- Dependent on education and industry training

S Read more on pages 36 to 37

PR Read more on pages 48 to 53

Our performance in 2019

Land market

Our short term landbank stands at c.76k plots (2018: c.76k plots), which has been sourced using strict criteria, including location quality. 54% of this short term landbank has been strategically sourced (2018: 51%), since 2009.

We currently have c.4.8 years of land supply at current completion levels in towns, villages and cities where customers aspire to live. During 2019 we acquired 7,268 plots (2018: 8,841 plots).

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.9% (2018: 15.2%). The average selling price in the short term owned landbank in 2019 increased by 1.4% to £285k (2018: £281k).

A key strength of Taylor Wimpey is our strategic land pipeline. This is an important input to the short term landbank and provides an enhanced supply of land with greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at a record of c.140k potential plots as at 31 December 2019 (31 December 2018: c.127k potential plots). During 2019, we converted a further c.8k plots from the strategic pipeline to the short term landbank (2018: c.8k plots). We continue to seek new opportunities and added a net 21.2k new potential plots to the strategic pipeline in 2019 (2018: 17.8k). In the year, 56% of our completions were sourced from the strategic pipeline (2018: 58%).

Build cost

Build cost inflation in 2019 was c.4.5% (2018: 3.5%). As stated in November 2019, since the final quarter of 2019 we have seen a softening in the cost pressures experienced earlier in 2019. At this stage, we anticipate lower overall build cost inflation in 2020, though this is dependent on industry-wide production levels as well as house price inflation and expect build cost inflation of around 3%.

Current trading to February 2020

We have made a positive start to 2020 coming into the spring selling season and, with a clearer political outlook, customer confidence has improved. The net private sales rate for the year to date (w/e 23 February 2020) was 0.97 (2019: 0.99). The underlying net private sales rate for the year to date, and the equivalent period, excluding bulk deals, was 0.92 (2019: 0.90). To date we have achieved selling price growth of c.1.5% against budget. As at 23 February 2020, we were c.49% forward sold for private completions for 2020 (2019: 47%), with a total order book value of £2,606 million (2019: £2,170 million), excluding joint ventures. This order book represents 10,901 homes (2019: 9,622). In Central London c.84% of private completions for 2020 are forward sold, as at 23 February 2020 (2019: c.50%).

Outlook

Short term

The easing in build cost pressures seen in late 2019 has been maintained, and we expect build cost inflation in 2020 to be around 3%. We are focused on reducing underlying costs to mitigate future build cost inflation. This very clear focus on cost, simplification and value has been well received by the business, with employees engaged at every level. Volumes for 2020 are expected to be slightly lower and we will be targeting a slightly lower sales rate as we focus on capturing value. We aim to maintain 2020 operating profit margin broadly in line with 2019. Operating profit margin in the first half of the year will show pressure from 2019 build cost inflation and selling prices and long term investment in quality and business improvement, with margin improvement expected in the second half as cost initiatives improve performance. Margin remains a key priority for the Group and we have reconfirmed our medium term target to deliver operating profit margins of c.21-22%, assuming market conditions remain stable.

During a period of wider macro-economic uncertainty, the new build market has proved to be resilient and house prices have remained stable. We remain supportive of Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and to help raise standards in the wider industry.

Whilst we recognise that the ongoing trade discussions with the European Union may create some volatility in sentiment in the housing market in the near term, we see the clearer political outlook as providing a longer period of stability for our customers. We are mindful of the changing regulatory environment for the sector in the short to medium term and will continue to monitor this closely to ensure we are able to respond.

In line with our strategy, as we continue to build a sustainable advantage, we remain committed to investment in areas that will drive long term benefits and future value for customers and investors, such as our investment in apprentices, our direct labour recruitment and our strategy for large sites. We are also committed to further strengthening our environmental, social and governance (ESG) strategy and will set out further ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint, including developing a science-based carbon reduction target by the end of 2020.

We will continue our focus on cash generation, cost discipline and the financial returns of our business. We returned a record £599.7 million in cash to shareholders in 2019 and have previously announced our intention to return a further c.£610 million this year, subject to shareholder approval.

Medium to longer term

As we look ahead, we see the removal of Help to Buy as a continued risk, but having had visibility of, and time to plan for the changes, we consider it as one that can be managed.

Whilst it is difficult to predict the longer term outlook, there will continue to be strong demand for the homes we provide, given it is widely recognised there remains a supply and demand imbalance.

Whilst market conditions have improved markedly since the great recession, we still believe we operate in a cyclical market and we must operate prudently to be ready to absorb changes in market conditions that may lead to a price or demand correction or present opportunities to buy land at attractive prices. For this reason, we have built flexibility into our sustainable operating model, underpinned by healthy cash generation and a strong balance sheet.

Read more on pages 12 to 13

Building a sustainable advantage

In 2019, we completed 15,520 homes in the UK, excluding joint ventures, a record for Taylor Wimpey, and achieved a very strong sales rate of 0.96 sales per outlet per week, in line with our strategy. We were particularly pleased to do that at the same time as increasing build quality, as measured by the independent NHBC Construction Quality Review (CQR). This has been a key area of focus for Taylor Wimpey and we are proud to lead the volume housebuilders in this important measure.

However, 2019 has not been without its challenges. In fact, I would say that, in many ways, it has been one of the toughest we have faced in our recent past. In an environment where the political and economic outlook has been uncertain, sales prices have remained flat, but build cost inflation has increased. During this time, we have also continued to invest in processes and commit to areas that will benefit the long term business, including a significant increase in apprentices. We absolutely believe this is the right thing to do, but together with the increasing cost pressure, there was an impact on margins, reducing operating profit margin to 19.6%, down from 21.6% in 2018. We will continue to embed the improvements we have been making across the business, but there is no doubt that we come into 2020 with a renewed focus on cost discipline and process simplification.

Customers

Our customers have told us what matters to them: service, delivery timing and finishing quality; underlying build quality and consistency; and the creation of outstanding places and communities, and we have listened. This very consistent feedback has shaped what we do and what we invest in and measure. As a management team, we track a basket of measures relating to customer service, as no one measure encompasses all aspects of a customer's journey with us. This includes the Home Builders Federation (HBF) 9-month 'would you recommend' customer service score and the CQR score, which has continued to improve but, as measured by the HBF 8-week 'would you recommend' customer score, we have dipped to a four-star builder in 2019 (down from a five-star in 2018). The cut-off for five-star is 90% recommendation and we achieved 89.4%. Whilst we missed this by a very small amount, we have to be honest with ourselves that this isn't good enough, and having put a lot of time and resource into improving our customers' experience, we are disappointed. We are aiming to achieve the five-star rating, year after year and are pleased to be back operating at above 90% levels of customer satisfaction once again, as measured by recent surveys. As I said though, it's not just about one measure, and so we will be aiming to increase our 9-month customer service score to 80% and continue to deliver quality homes measured by a CQR score of at least four in each of our regional businesses.

Total dividend paid in 2019

£599.7m

2018: £499.5m

Return on net operating assets in 2019

31.4%

2018: 33.4%

Net private sales rate per outlet per week in 2019

0.96

2018: 0.80

Sustainability

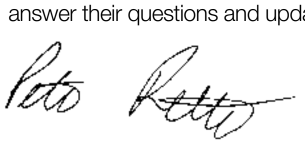
By integrating sustainability into the way we work, we firmly believe that we create a stronger business for the long term and generate more value for our customers, communities, people, shareholders and suppliers. Our separate Sustainability Report (which can be found on our website) sets out what we do in this area, but you will also see examples of this all the way through this report. Our commitment to sustainability is one of the ways we live our values (which we set out in more detail on page 2): taking responsibility for our impacts; treating our customers and stakeholders fairly; building communities we can be proud of; and contributing to a better tomorrow through our efforts to protect the environment. Environmental, social and governance (ESG) has always been an important part of working for Taylor Wimpey, and the social and governance aspects of the framework are very much seen as 'business as usual' by our teams, including our contributions and involvement in local communities, but in the area of the environment we can and should be doing more. The roll out of our environmental strategy is a focus for 2020, which will formalise the work we have ongoing in the business and go further in committing to more ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint. We also plan to develop a science-based carbon reduction target by the end of 2020.

Health and safety

Health and safety is a shared responsibility in our business. Whilst cost and process simplification is a key priority for our business in 2020, health and safety is not an area that we are prepared to compromise on. We are pleased that our Annual Injury Incidence Rate (per 100,000 employees and contractors) has reduced further to 156 in 2019 (2018: 228), but we cannot afford to be complacent. This is the area of our business which must, and will, always come first, not just for Site Managers and employees on site, but for the whole business.

2020 priorities

2020 will be a year of renewed focus on simplification, delivery and cost efficiency. Our goals remain being a customer led, high-quality business and the employer of choice, in our sector. Key to all of this, is the underlying objective of doing the right thing for our customers and building a strong and resilient business, which will perform well during the cycle, in all market conditions. We have seen real improvement in key areas of investment (that range from technology on site, to placemaking and production improvements) but no matter how necessary they have been, they inevitably take us away from the 'day job'. We don't want to lose the good things we have been doing and that are now very much business as usual, but by reducing new change, the focus on 2020 switches from implementing these processes to really making sure we deliver the value from the changes we have made. Employee buy in is key and we continue to have very engaged and hardworking employees at every level in the business. This very clear focus on cost and value has been very well received by the business. I am looking forward to visiting all the regional businesses this year, alongside some of our senior team, to listen to their feedback, answer their questions and update the teams on our progress.



Pete Redfern
Chief Executive

OUR PRIORITIES FOR 2020

- Cost and simplification focus
- Apprentice and direct labour programmes
- Continuing to plan for the reduction and removal of Help to Buy
- Smoothing (e.g. delivering a more even profile of completions through the year)
- New house type range
- Customer service
- Focus on value
- Environmental strategy

What makes Taylor Wimpey different

Our culture makes us stand out. Our employee engagement survey highlighted a number of high scoring areas. We received responses from 67% of employees invited to take the survey. A total of 97% of these employees agree we are committed to being an ethical and responsible company, 98% agree we take health and safety seriously, 96% agree we are committed to delivering the best customer experience, and 95% believe we are committed to being a more inclusive organisation. The survey also highlighted a number of areas where our employees think we have room for improvement. These included how teams collaborate and work together, our personal development planning process, and giving employees the tools and technology to do their job effectively.

During the year, we ran an internal campaign, asking our people what our new simplified values mean to them personally. This was very successful with numerous videos, posts and images posted on our internal communication channel. Some of these people are featured throughout the Annual Report, setting out in their own words what makes Taylor Wimpey different.

Read more about how the Board monitors culture on page 71

Progress against our strategy

Our mission is enriching the lives of customers and communities by putting them at the heart of our decisions.

Our vision is working together to build dreams.

Our mission and vision drive us to deliver on our strategy and achieve operational success. The following section details how we are progressing against our 2023 strategic goals and our key performance indicators (KPIs).

Read more about our Company purpose on page 69

Delivering against our 2023 strategic goals

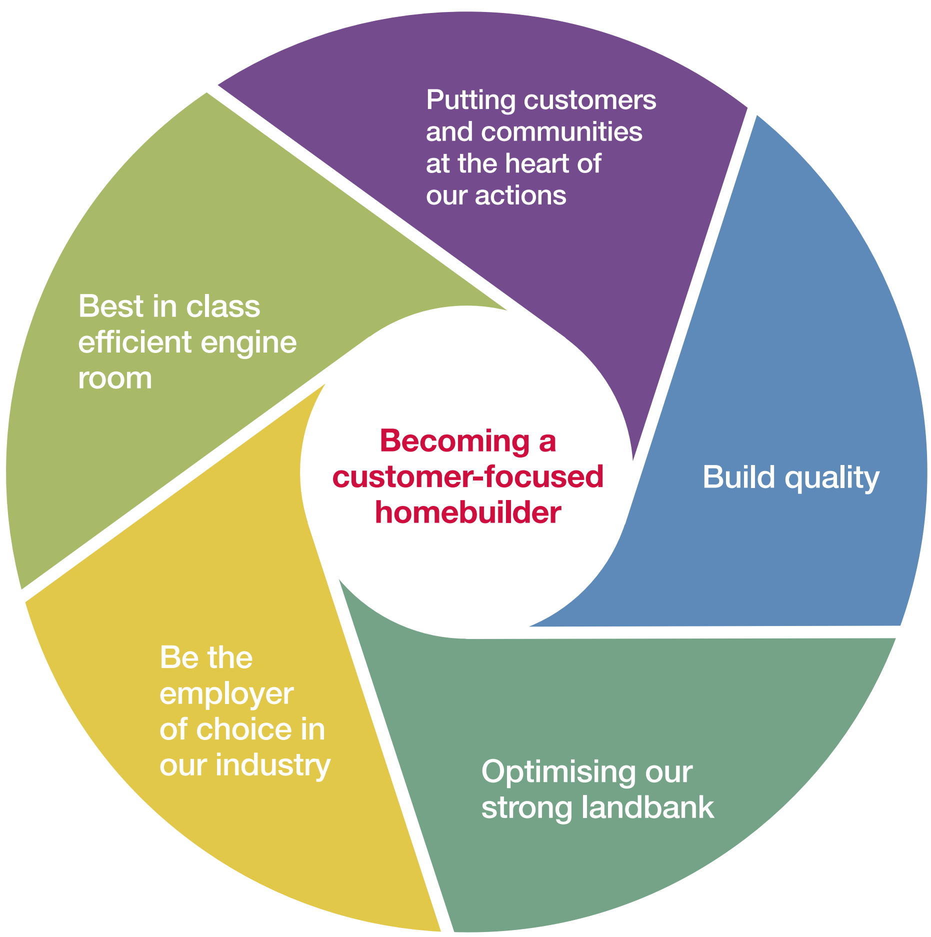
Return on net operating assets £
31.4%
Working towards our target of 35%
(2018: 33.4%)

Operating profit margin £
19.6%
Working towards our target of c.21-22%
(2018: 21.6%)

Cash conversion £
82.6%
Within our target of 70-100%
(2018: 92.6%)

Short term landbank
c.4.8 years
Nearing our target of 4-4.5 years
(2018: c.5.1 years)

We monitor our progress through a balanced basket of KPIs across our five strategic pillars. Getting these right will help us deliver on our strategy. These are: putting customers and communities at the heart of our actions; build quality; optimising our strong landbank; be the employer of choice in our industry and; best in class efficient engine room. Performance against our KPIs is outlined on the following pages.



Putting customers and communities at the heart of our actions

Principal Risks

PR Read more on pages 48 to 52

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

Performance in 2019

Customer satisfaction (Would you recommend?) 8-week score

Our 'would you recommend' score of 89.4% was just below the 90% five-star level in 2019. Whilst we missed this by a very small margin, we are disappointed to have missed this important target and are committed to achieving a five-star rating on an annual basis.

Customer satisfaction (Would you recommend?) 9-month score

Although it is common in the sector generally to see this measure trend at significantly lower levels, when compared to the 8-week survey 'would you recommend?' score, we were pleased to see an increase in this measure. This measure is important in helping us to understand longer term customer satisfaction.

Priorities going forward

Customer satisfaction (Would you recommend?) 8-week score

Focus on bedding in new build processes to improve reliability of move in dates for our customers and continue to deliver a quality product. We aim to achieve a five-star rating on an annual basis.

For 2020, a key focus is ease of doing business with us, looking at how we work and what our customer facing teams look like. We will also launch our new customer facing website which will help customers and potential customers better understand what we do and our values.

Customer satisfaction (Would you recommend?) 9-month score

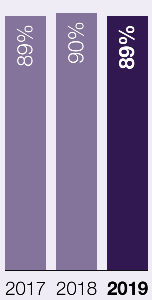
Remain proactive with our actions and processes to ensure customers are satisfied once they are settled in their homes. This includes helping our customers establish a community so that after nine months in their home they are calling our developments their communities. We continue to focus on build quality to ensure our customers remain happy in their new homes and minimal remediation is required. We aim to improve our 9-month customer satisfaction survey score to a consistent 80%.

KPIs

£ Read more on pages 108 and 109 S Read more on pages 34 and 35

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

89%



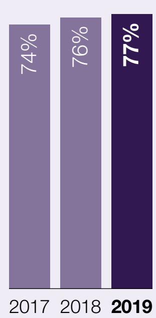
Objective: We strive to achieve 90% or above in this question, which equates to a five-star rating.

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.

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

77%



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: Our mission to enrich the lives of customers and communities by putting them at the heart of our decisions means we have to 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 central to our strategy.

Note: The 8-week 'would you recommend' score for 2019 relates to customers who legally completed between October 2018 and September 2019, with the comparators relating to the same period in the prior years. The 9-month 'would you recommend' score for 2019 relates to customers who legally completed between October 2017 and September 2018, with the comparator relating to the same period in the prior years.

Principal Risks key:

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

Build quality

Principal Risks

PR Read more on pages 48 to 52

A, C, D, F, G

Performance in 2019

Construction Quality Review

We are pleased that the NHBC Construction Quality Review measure indicates we lead the volume housebuilders in terms of build quality.

In addition to significant year on year progress, we have also achieved the objective we set out last year to increase our score to four.

Continuing to embed our Consistent Quality Approach to ensure that our finishing standards are above the NHBC standard has helped us to achieve the improved score. In 2019, we employed Quality Managers across the business to address build quality issues, support Site Managers and promote best practice across the Group to allow for continuous improvement.

Average reportable items

In 2019, we maintained the average number of reportable items found per plot.

Priorities going forward

Construction Quality Review

Continue to embed all quality assurance processes to ensure consistent and high-quality build. In 2020, we will look to fully embed our Quality Managers within the business and drive improved build quality through constantly improving processes and systems.

We will target a CQR score of at least four in each of our regional businesses by 2020.

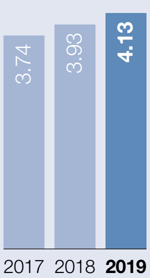
Average reportable items

Going forward, we aim to utilise internal processes to ensure quality improvements in order to reduce defects at every stage. Embedding Quality Managers in their role will allow the sharing of data relating to defects, at every stage of the build, across the business, helping us to improve our processes. Reducing defects will also help to lower remediation costs driving additional value for our stakeholders.

KPIs

Construction Quality Review

4.13



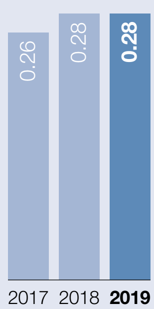
Objective: To achieve an average score of four out of six across Taylor Wimpey by 2020.

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

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

Average reportable items per inspection

0.28



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.

£ Read more on pages 108 and 109

Optimising our strong landbank

Principal Risks

PR Read more on pages 48 to 52

A, D, E

Performance in 2019

Strategically sourced completions

Increased strategic land pipeline to a record of c.140k potential plots. Maintained strategically sourced completions well above the 40% minimum objective.

Land cost as % of average selling price on approvals

We met our target of decreasing the land cost as a percentage of average selling price. This reflects our work acquiring land at high margins as well as the benefit of our strategic land pipeline.

Landbank years

In 2019, our landbank length reduced from c.5.1 to c.4.8 years as we operated a broadly replacement approach to our landbank and successfully converted our strategic pipeline.

Priorities going forward

Strategically sourced completions

Our aim is to continue to effectively utilise our strategic pipeline which aids our visibility and helps maintain the correct balance of sites across the business. This gives us the flexibility to enter the short term land market when it is right for us, reducing our exposure to short term fluctuations.

Land cost as % of average selling price on approvals

Acquire land which is commercially viable and at high contribution margins to ensure costs remain low to drive value for all of our stakeholders.

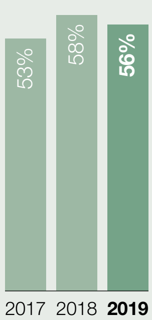
Landbank years

We will continue to focus on taking opportunities in the land market to optimise and maintain a strong landbank, remaining responsive to the local land markets in which we operate. Land purchasing decisions remain dynamic to reflect changes we see in the market. We continue to prioritise holding a landbank in places people want to live, both now and in the future, to create value for all of our stakeholders.

KPIs

Strategically sourced completions

56%



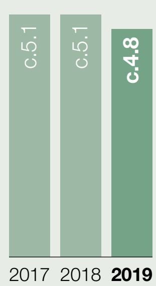
Objective: We aim to source more than 40% of our completions from the strategic pipeline per annum in the medium term.

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 %

c.4.8



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

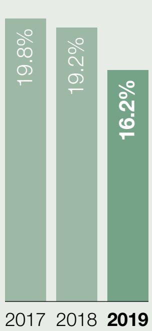
Definition: The years of land supply in our short term landbank based at current completion levels.

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

Read more on pages 20 and 21

Land cost as % of average selling price on approvals

16.2%



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.

Be the employer of choice in our industry

Principal Risks

PR Read more on pages 48 to 52

D, F, G

Performance in 2019

Voluntary employee turnover

We were pleased to see our employee turnover reduce, having enjoyed comparatively low levels of turnover compared to our industry for several years.

Number recruited into early talent programmes

Throughout the year, we have ensured that recruitment into early talent programmes is appropriate to the skill sets required across the business, with the reduction a result of the strong talent pipeline we have developed, showing our ability to retain those we have invested in as they successfully progress into years two and three of the schemes.

Directly employed key tradespeople, including trade apprentices

Throughout 2019, we have made good progress in increasing our directly employed key tradespeople. This has allowed us greater flexibility within our workforce in addition to ensuring our values are embedded with site teams.

Health and Safety Annual Injury Incidence Rate (AIIR)

This year we have reduced our AIIR and have rolled out a number of health and safety initiatives, including a new fall prevention and protection system and scaffold exclusion zones whilst scaffolding is being erected or dismantled.

Priorities going forward

Voluntary employee turnover

We recognise that there is a skills shortage within the industry and continue to improve our employee offering to ensure a stable and dedicated workforce who feel supported and valued by Taylor Wimpey. This supports our strong culture and values.

Number recruited into early talent programmes

We continue to see value in developing skills from within and will continue to utilise early talent programmes to recruit a workforce appropriate to each regional business.

Directly employed key tradespeople, including trade apprentices

We will continue to develop and grow our directly employed key tradespeople through a variety of channels with the aim of also promoting diversity. This will improve the long term sustainability of the business.

Health and Safety Annual Injury Incidence Rate

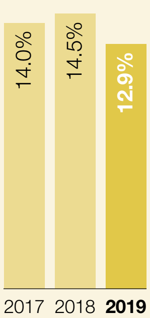
Continue to embed and expand on measures implemented throughout the year and work with site management teams, employees and contractors to ensure their understanding of measures and controls in place.

KPIs

S Read more on pages 36 and 37

Voluntary employee turnover

12.9%



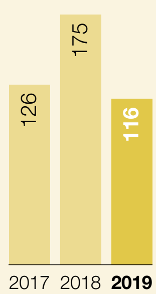
Objective: We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential. We aim to keep this within a range of 5-15%.

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.

Number recruited into early talent programmes

116



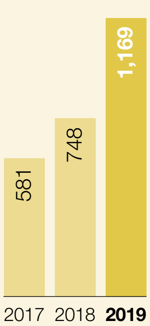
Objective: To reduce the impact of the industry skills shortage and future-proof our business.

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.

Directly employed key tradespeople, including trade apprentices

1,169



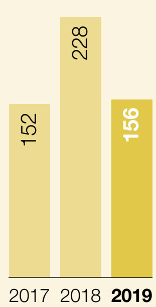
Objective: To improve quality, reduce bottlenecks in key trade supply, reduce the impact of the industry skills shortage and future-proof the business.

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 are investing heavily and consistently to future-proof our workforce.

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

156



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

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

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

Best in class efficient engine room

Principal Risks

PR Read more on pages 48 to 52

A, C, D, E, F, G

Performance in 2019

Net private sales rate

Throughout 2019, we have demonstrated that it is possible to increase sales rates above historic averages, demonstrating the success of our strategy and how we run large sites and showing that it is possible to step up build rates in line with higher sales rates without compromising on quality.

Private legal completions per outlet

In 2019, we embedded new processes to ensure efficiency resulting in a 15% increase in the number of legal completions per outlet year on year.

Order book volume and value

In an uncertain environment we have prioritised building a strong order book for the future.

Priorities going forward

Net private sales rate

Across the business we can see that targeting and supporting a higher sales rate is possible. This allows for growth at the right time in the cycle. In 2020, our priority is to optimise the balance between volume and price.

Private legal completions per outlet

We aim to continue to embed efficiency processes to ensure that we can reach our target of having a best in class efficient engine room to increase the number of legal completions per outlet, maximising returns for our shareholders.

Order book volume and value

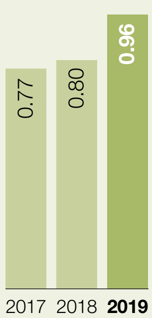
We aim to strike a balance between having the security of a large order book and also being able to accurately forecast move in dates to continue to improve customer service.

KPIs

S Read more on pages 40 and 41

Net private sales rate

0.96



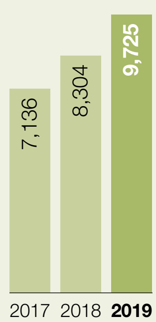
Objective: We want to break our historic sales rate barrier by thinking differently about how we deliver a home and to better capture demand.

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

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

Order book volume

9,725



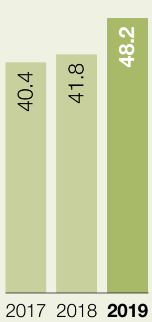
Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

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

48.2



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

£2,176m

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.

£ Read more on pages 108 and 109

We deliver on our strategy through our customer-focused business model

What we do

Our people

Our people are the backbone of our customer-focused approach. Through our culture and values we create value for our customers at each stage of the homebuilding and buying process.

We are focused on growing talent from within and are committed to the learning and development of our people. We will continue to invest in our entry level programmes including our key trade apprentices. We are increasing our directly employed key trades on site through direct labour and apprentice programs. This is key to creating the next generation of leaders, with the same focus on customer values.

PR Read more on our ability to attract and retain high-calibre employees on page 50

Our values empower us to do the right thing

Respectful and fair

Take responsibility

Do the right thing

Better tomorrow

Be proud

Customer service

Enhancing our customers' journey

By enhancing every step of our customers' buying and after service experience, and building homes which are right first time and right for our customers' income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders. We aim to deliver an excellent customer experience from start to finish.

Whilst the majority of our customers would recommend us to their friends, we acknowledge that we do not always get it right and sometimes fall short of our high standards. Where this is the case, we put issues right and learn from our mistakes.

PR Read more on quality and reputation on page 51

Selecting land

Strengthening the quality of our landbank

Land is our key raw ingredient and its selection is important to both our offering for customers and the return we achieve for our shareholders. The landbank remains an important driver of value as it enables us to build and sell the right product, create the right community and deliver the right service to our customers.

Location is key when buying a home and we have focused our landbuying in quality locations where customers want to live. We believe this will be a key determinant through all market conditions.

PR Read more on land purchasing on page 51

How we build our customers' dreams in the words of our customers…

"I want to feel valued, respected and important when it comes to buying a new home."

"Location is a key factor for us; I have a short drive to work and I love that we can walk to our local shops."

Managing the planning and community engagement process

Involving communities at every stage

We aim to be the industry leader in all aspects of the planning process and to obtain the right planning consents that enable us to respond to a changing market, reflect the desires of our customer base and deliver the quality homes we want to build, whilst meeting our financial objectives.

We believe that local communities should have a say in development. This enables us to achieve the right planning permissions and ensure our developments are valued by their local communities.

PR Read more on Government policy and planning regulations on page 49

Getting the homebuilding basics right

Applying effective processes across our business

We work with selected subcontractors and build using carefully sourced materials to ensure the homes that we sell are of a high quality and are built safely, efficiently, cost effectively and with minimal impact on the environment.

There is nothing more important to us than providing a safe place in which our employees and subcontractors can work. We have robust supply chain standards and suppliers must comply with our supplier code of conduct.

The building process is carefully managed by our site-based and regional production teams to ensure quality, minimise disruption to residents in the surrounding areas, and to protect and enhance the value of each site.

PR Read more on material costs and availability of subcontractors on page 50, quality and reputation on page 51, and site and product safety on page 52

Optimising value

Delivering for our stakeholders at every stage

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns. This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level, from procurement through to delivery. We also aim to add value to the charities we support and to our wider partnerships.

PR Read more on quality and reputation on page 51

…and create value for all of our stakeholders

(please turn the page to find out how)

Above image: Cambourne, Cambridgeshire
Quotes: Feedback from customers

Making a difference for our stakeholders

Stakeholders | **Key issues**

Our customers

- Affordability and supply of housing
- Placemaking, design and community infrastructure
- Efficient homes
- Innovation
- Customer service
- Climate change mitigation and adaption
- Sustainable transport
- Air quality
- Responsible sourcing

Our employees

- Customer service
- Health, safety and wellbeing
- Site environment and remediation
- Diversity and inclusion
- Access to skills
- Employee engagement
- Labour relations
- Taxation and remuneration policies

Our partners

- Land, planning and community engagement
- Health, safety and wellbeing
- Responsible sourcing
- Diversity and inclusion
- Access to skills
- Labour relations
- Public policy
- Charitable giving

Our investors

- Climate change mitigation and adaption
- Business ethics and corporate governance
- Taxation and remuneration policies
- Public policy
- Customer service
- Employee engagement

Our communities

- Affordability and supply of housing
- Placemaking, design and community infrastructure
- Efficient homes
- Innovation
- Land, planning and community engagement
- Climate change mitigation and adaption
- Site environment and remediation
- Sustainable transport
- Air quality
- Biodiversity
- Brownfield and greenbelt development
- Charitable giving

Our material issues

Engaging with and understanding the needs of our stakeholders helps us identify and focus on the key issues that matter most to them. We have prioritised these as our material issues under the following sustainability areas of focus. MI

- **Building sustainable communities**
- **Managing land, planning and engagement**
- **A great service for customers**
- **A safe place to work**

Section 172 Directors' Duties

The Directors continue to have regard to the interests of the Company's wider stakeholders, in accordance with s172 of the Companies Act. The content on stakeholder engagement on pages 34 to 43 and 76 to 81 highlight key actions in this area. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 60 to 85.

How we engage	Outcomes	Value created
We engage directly with customers at our developments, via our customer portal (Touchpoint), through social media, and we monitor their views through focus groups, satisfaction surveys and post-occupancy research.	Whilst the majority of our customers would recommend us to their friends, part of becoming a truly customer-focused business is recognising that we don't always get it right. We are disappointed that our HBF customer satisfaction 8-week 'Would you recommend?' score slipped slightly to 89.4% (2018: 90%) in 2019. We were pleased to increase completions by 5% in 2019, while increasing our quality of build as measured by the independent NHBC CQR score.	**15.7k** number of homes completed in UK in 2019
We engage with our employees and seek their views through a range of formal and informal channels, including meetings, conferences, appraisals, employee surveys, our internal magazine and newsletter, focus groups, Yammer and our national and regional employee forums.	We have a voluntary employee turnover of 12.9%, one of the lowest in our peer group. Our employees returned a very high engagement score of over 90% and we were rated by them as one of the UK's top 50 places to work for a third successive year, via Glassdoor.	**£337.5m** paid in employment and pensions
We engage with our partners on a wide range of initiatives through meetings, workshops, our membership of the Supply Chain Sustainability School, trade associations, local plans and consultations, and through our local and national charity partnerships.	We have developed trusted relationships with many suppliers of labour and materials that are able to deliver our high standards. Together with our partners we continue to drive standards of health and safety and sustainability on our developments.	**156** Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors), a 32% reduction on 2018
We engage with investors throughout the year at one to one and group meetings, full and half year presentations, regulatory reporting including the Annual Report and Accounts, investor roadshows, our Annual General Meeting, site visits, conference calls, by participating in sustainability benchmarks and disclosure initiatives and through our corporate website.	We have a regular dialogue with our investors enabling us to establish the issues that are most important to them. We have recently sought our investors' opinions on material issues in relation to sustainability, as part of our annual sustainability reporting process and executive management meet key institutions throughout the year to update them on all areas of our progress.	**£599.7m** total dividends paid in 2019
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 aim to use natural resources efficiently and to reduce our impact on the environment. We have a responsibility to our stakeholders to operate and act in a sustainable manner and, on a day to day basis seek to be a positive agent of change in the communities in which we operate.	Establishing and maintaining good community relations is highly important. Not only is this the right thing to do but, as our developments are often extended, having a constructive working relationship with local communities is important for future phases. We are pleased to have reduced our direct emissions intensity (tonnes of CO_2e per 100 sqm of homes built) by 43% since 2013, putting us on track towards our target of 50% reduction in direct emissions intensity (scope 1 and 2) by 2023.	**£447m** contribution to local communities

Cutting our environmental footprint

Sourcing responsibly

Our people

Partnering with charities

Governance and management

SR Read more in our 2019 Sustainability Report

Our customers

Buying a home is a major financial and emotional investment and it is critical that we give our customers the right experience.

OUR FOCUS

Progress for 2019

- Improved CQR score to 4.13, once again leading the volume housebuilders
- Recruited Quality Managers in regional businesses
- Worked with leading architects to create our new standard house type range

Priorities for 2020

- Test our new house type range ahead of roll out to our regional businesses
- Achieve a recommend score of at least 90% in the HBF 8-week survey, which equates to a five-star rating
- Produce a customer-version of our Consistent Quality Approach document so customers are clear what they can expect from us
- Improve our website design, features and accessibility

BM Read more on page 30

Read more on page 25

What we do

Our customer proposition centres on delivering great quality homes and communities consistently, and making it easy for our customers to do business with us. Our customers can trust us to do the right thing.

Our approach is important both for our customer proposition and ensuring good relationships with other stakeholders.

Whilst the majority of our customers would recommend us to their friends, we acknowledge that we do not always get it right for our customers and sometimes fall short of our targeted standards. This remains a key area of focus for the Group and we are committed to working closely with our customers to put this right and learn from our mistakes.

Why is it important for all our stakeholders?

The Board and the employees of Taylor Wimpey believe fundamentally that by identifying and responding to our customers' needs, we will be a better business for all our stakeholders. 96% of employees believe that we strive to offer the best customer experience.

We believe that investment in quality upfront effectively benefits all stakeholders as getting it right first time saves significant time, cost and energy in putting things right. We have made good progress throughout 2019 improving our quality and our customer offering. In the year, we introduced, additional quality checks and added Quality Managers to support Site Managers across our business.

What our customers want

There are three key areas that our customers have told us are priorities for them: service, delivery timing and finishing quality; underlying build quality and consistency; and the creation of outstanding places and communities. We have invested, and will continue to invest, in improving our offer across each of these areas, and measuring that improvement.

Trust and transparency

We are supportive of Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry. We are a signatory to the UK Consumer Code for Home Builders which aims to improve information and protect the rights of buyers. We engaged in discussions with the HBF and other housebuilders about how to improve the complaints process for customers. We encourage customers to leave reviews on Trustpilot. At the end of 2019, we had a 4 out of 5 star rating with a trust score of 3.9 out of 5.

Following the tragic fire at Grenfell Tower in June 2017, we conducted a detailed review of all relevant legacy and current buildings with Aluminium Composite Material (ACM) cladding and also worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, we have in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support our customers both financially and practically with the removal and replacement of ACM, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. We took this decision for buildings we constructed recently because we believe that it is morally right not because it is legally required. At the 2019 year end, replacement works had been completed on three developments and were underway on another. Since the year end, we have commenced work on a further three developments.

Striving to improve

We track a basket of measures relating to customer service, as no one measure encompasses all aspects of a customer's journey with us. This includes the Home Builders Federation (HBF) 9-month score and the NHBC CQR score, which has continued to improve. However, as measured by the HBF 8-week customer survey, we dipped to a four-star builder in the latest survey covering October 2018 to September 2019, from a five-star in the prior survey covering October 2017 to September 2018.

Material issue:
A great service for customers MI

> "Great company and great staff, me and my partner are buying a house through Taylor Wimpey and couldn't be happier."

Customer, Trustpilot review 2020

From House to Home

All our customers receive information on their new home via our 'From House to Home' manual. This was updated in 2019 and we added advice on living sustainably, including tips to help customers save energy, reduce waste, and encourage nature in their gardens. We also give all our customers details on how to use and maintain the environmental features in their homes through our Maintenance Guide.

SR Read more in our 2019 Sustainability Report

The cut-off for five-star is 90% and we achieved 89.4%. Whilst we missed this by a very small margin, we are disappointed to have missed this important target and are committed to achieving a five-star rating on an annual basis. We are pleased that we are now once again operating at above 90% levels of customer satisfaction.

New house type range

Led by our design team and technical teams, we have been working on our new house type range over the past year. The new range has a key role to play in delivering our improved customer proposition and builds upon customer feedback from surveys and focus groups as well as the lessons learnt from developing our Project 2020 prototype house types last year. The new house type range reflects customers' lifestyle choices such as layout, use of light and space and will also help us deliver efficiencies and process simplification. This year, we will focus on testing the new range ahead of a full roll out to the business.

Despite the cost pressures experienced during the year, we also maintained our high construction and sales specification, in order to meet our customers' high expectations.

Build quality

We lead the volume housebuilders in build quality as measured by the NHBC CQR score, which measures build quality at key build stages. In 2019, we scored an average of 4.13 (2018: 3.93) from a possible score of 6. This compares with an industry average score of 4.01. We are fifth nationally when ranked against all housebuilders who have more than 100 build stages (which excludes self build and very small housebuilders). We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build. Our target is to achieve at least a four rating by 2020 in each regional business.

The build quality programmes incorporate additional resources on site, including greater depth of Site Managers, Quality Managers and directly employed finishing trades, plus the introduction and implementation of a set of national build quality standards. Quality Managers were introduced in our regional businesses during 2019. These Quality Managers will provide additional resource to site management teams to ensure each home is completed to our high standards.

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

Our employees

We aim to be the employer of choice in the industry, making Taylor Wimpey a different place to work – a better place to work.

OUR FOCUS

Progress for 2019

- Glassdoor top 50 best places to work for third year running
- Almost doubled our key trade apprentice recruitment
- Maintained very high employee engagement rates
- Successfully launched new values
- Rolled out 'Young Persons HSE Safety Passports', which track the health and safety training and risk assessments that each apprentice and management trainee has received
- Defibrillators installed on every site and business unit and CPR training delivered to employees

Priorities for 2020

- Continue to develop our apprenticeship and direct labour programmes
- Launch a career returners programme to encourage applications from parents and others who have been out of the workforce on a career break
- Increase BAME representation in our workforce to align with the UK population by 2022
- Launch induction programme
- Roll out of health and safety training to management teams across the business to reinforce that health and safety is everyone's responsibility

BM Read more on page 30

PR Read more on page 50

What we do

Our culture makes us stand out. We aspire to be the employer of choice in our sector, offering a unique and valued employee experience, and something different to the rest of the industry. We can only become a truly customer-focused business through the efforts of our talented employees who are aligned with our values. Our shared values mean that our employees go above and beyond for each other and our customers, as evidenced by our employee survey where over 98% of our employees would go the extra mile for their team and Taylor Wimpey, and 96% agree we are committed to delivering the best customer experience. We have been named in the top 50 places to work in the UK for 2020 by Glassdoor, as voted for by employees, for the third consecutive year.

During 2019, we directly employed, on average, 5,796 people across the UK (2018: 5,358) and provided opportunities for over 14.6k further operatives on our sites. Our voluntary employee turnover rate remained low at 12.9% (2018: 14.5%).

Why is it important for all our stakeholders?

We may be a national homebuilder, but for customers, it is their interactions with the local site and sales team and regional office that count. Embedding our approach to customers and getting buy in and commitment from our employees has been a key part of our strategy.

Against industry-wide skills shortages, we continue to invest in order to future-proof our workforce and deliver on our strategy. We believe that having a direct labour model is a key way to do this, increasing flexibility and offering a route to high-quality growth.

We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise on ensuring that everyone leaves our sites safe and well. We not only create homes that our customers want to live in, we want to ensure that every step of the way, health and safety is at the forefront.

Early talent development

During 2019, we recruited 116 people into our early talent programmes which includes graduates, management trainees and site management trainees (2018: 175), with the reduction a result of the strong talent pipeline we have developed, showing our ability to retain those we have invested in as they successfully progress into years two and three of the schemes.

Our direct labour model aims to increase the number of tradespeople we hire directly (as well as through subcontractors). This is focused on five key trades: bricklayers, carpenters, scaffolders, painters and joiners. This includes both experienced tradespeople and new recruits to the industry, such as apprentices and people looking for a career change.

We currently directly employ 1,169 key trades including apprentices (2018: 748), a 56% increase on 2018. Our approach includes recruiting a greater diversity of candidates to join our apprenticeship schemes. This includes working with St Mungo's, one of our national charities, to support their long term unemployed clients to transition from their Train and Trade scheme into paid employment.

Diversity and inclusivity

Diversity and inclusion is an important priority for our business. It enables us to better understand our customer base, widens our potential talent pool and makes for productive and effective teams. We are making progress on our diversity and inclusion strategy but have further to go before our workforce reflects the communities we work in. We were pleased to have been commended for our Gender Pay Gap report in 2019 by The Chartered Governance Institute (ICSA). We aim to be an inclusive employer and to attract, retain and promote employees from all backgrounds. We have developed a Diversity and Inclusion Strategy that focuses on the impact of leadership for creating and maintaining a diverse and inclusive culture; improving how diversity and inclusion are embedded into our policies and procedures. As at 31 December 2019, we employed 1,784 females and 4,338 males within Taylor Wimpey. As at 31 December 2019, we had five females and five males on our Board of Directors, including our recently joined Chair-designate, Irene Dorner, and four females and five males on our Group Management Team.

Recognition

In 2019, our Site Managers were once again recognised in the NHBC Pride in the Job Awards, achieving a total of 66 Quality Awards (2018: 67), 16 Seal of Excellence Awards (2018: 19) and two Regional Awards in 2019 (2018: three).

Health and safety

Health and safety is a shared responsibility and the number one priority in our business. Whilst cost and process simplification is a key priority for our business in 2020, health and safety is not an area that we are prepared to compromise on. This is the area of our business which must, and will always, come first, not just for Site Managers and employees on site but for the whole business. Building sites are, by their very nature, dangerous and so we do everything we possibly can to minimise those risks. We embed a safety culture through training, awareness and visible health and safety leadership. We are pleased that our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors has reduced further to 156 in 2019 (2018: 228) and remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, but we cannot afford to be complacent and we will continue to seek to improve this. Our AIIR for major injuries per 100,000 employees and contractors was 44 in 2019 (2018: 64).

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as business conduct, equal opportunities, anti-corruption and whistleblowing. We do not consider this a material issue in our business.

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

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

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

Material issue:
Our people MI

"I wanted to work at Taylor Wimpey because of the ethics and values of the business, and the emphasis on supporting employee development."

Graduate scheme participant

SR Read more in our 2019 Sustainability Report

Supporting apprenticeships in West Scotland

Taylor Wimpey West Scotland has appointed 54 trade apprentices, as well as three site management trainees. Apprentices are recruited from schools, colleges and the armed forces. To help ensure the success of the apprenticeships, the business has appointed three Trade Development Managers and an Apprentice and Direct Trade Manager to work alongside the apprentices – supplementing their training and monitoring their progress. In 2018, four pre-apprentices were recruited via local charity, First Steps Future Training, who provide practical training for disadvantaged people. Three of these have gone on to join the business as apprentices.

Our partners

We work in collaboration with our partners to deliver greater quality and drive efficiency to our mutual benefit.

OUR FOCUS

Progress for 2019

- Our suppliers accessed resources and training on sustainability via the Supply Chain Sustainability School
- Engaged with local and central government on issues relating to planning and sustainability including proposals relating to biodiversity, home energy efficiency and electric vehicle charging
- Donated and fundraised £1.1 million for charities and £129k for local community causes

Priorities for 2020

- Health, safety and environment (HSE) coaching workshops for our business unit and site management teams to help them engage their teams on continuous health and safety improvement
- Introduce health and safety (H&S) passports for trade operatives on our sites
- Driving further cost efficiencies while maintaining quality and specification

SR Read more in our 2019 Sustainability Report

What we do

We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations.

Why is it important for all stakeholders?

We believe in the value of working together with our partners, suppliers and other stakeholders and are committed to supporting charities and local community groups.

Subcontractors

Most people working on our sites are contractors so it is essential that we collaborate on safety issues. Before we agree to work with a contractor, we require details of their risk assessment and safety management arrangements and procedures for their area of activity. We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our HSE site induction and is supported by regular poster campaigns and site safe briefings.

Suppliers

Our scale affords us the benefit of strong purchasing power, and we have a number of national agreements with suppliers. We want to work in collaboration with our supply chain to deliver greater quality and efficiency together. This will have benefits and the potential for 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 continue to work to improve our relationships with our supply chain, both in procurement and via Taylor Wimpey Logistics, to deliver solutions to build quality and efficiency issues on an ongoing basis. Taylor Wimpey Logistics plays an important part in our supply chain management, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the build process.

Modern methods of construction involve more than modular build and we are prioritising research and development, seeking out new processes and products that can improve efficiency and sustainability, and also improve quality and the final product for customers.

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and takes its responsibilities under the Act very seriously. As part of this we have strengthened oversight of standards in our supply chain to make sure we are selecting partners who share our commitment to responsible business. We published our first Modern Slavery Act Statement on our website in March 2017. Further information can be found on our website.

We aim to establish long term partnerships with suppliers and to collaborate on issues like safety, skills and the environment. This reduces risks to the business and helps to ensure a secure supply of essential materials and labour. We want to work with suppliers who meet high standards in areas such as safety, quality, ethics, human rights and the environment. Our standards are explained in our Supply Chain Policy and Supplier Code of Conduct which are embedded into our framework agreements (contracts) with suppliers.

Supply Chain Sustainability School

We set clear standards on safety, quality, ethics, human rights and the environment through our policies and procedures, and engage with suppliers on sustainability including through the Supply Chain Sustainability School.

Charities

We partner with charities to support the communities where we work and to help address issues relating to homelessness, education and aspiration. We provide financial support as well as sharing expertise and getting our people involved as fundraisers and volunteers. Our primary goal is to genuinely improve the position of the causes that we support. The secondary goal is to engage our employees in these activities as we recognise it is good for their development and self-awareness. Whilst there are a large number of worthy projects and causes, we have to focus to make sure that we are effective.

Material issue:
Partnering with charities MI

> "The support we have received from Taylor Wimpey in recent years has been absolutely fantastic."

Mark Davey, CEO Youth Adventure Trust

Taylor Wimpey Challenge 2019

Our annual Taylor Wimpey Challenge saw 420 colleagues take on hiking and biking challenges across the Brecon Beacons, raising £206k for charity, of which £138k went to the Youth Adventure Trust. This is the sixth year in a row that we have supported the Youth Adventure Trust, a charity which uses outdoor adventure to inspire vulnerable young people.

SR Read more in our 2019 Sustainability Report

During 2019, we continued our partnership with our national charities as well as local charity partners across the UK. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. Our national charity partners are selected by our Charity Committee, with regional charities selected by our regional businesses.

In total, during 2019 we donated and fundraised over £1.1 million for registered charities (2018: over £1.1 million), which includes £206k raised by our employees on the annual Taylor Wimpey Challenge. More information about our charity partnerships and local sponsorships can be found within our Sustainability Report.

Local authorities and central Government

We are first and foremost a local business. We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), the Ministry of Housing, Communities & Local Government and other public sector organisations to understand their priorities and share their views. As well as site specific engagement, we also participate in the development of strategic frameworks, Local Plans and Neighbourhood Plans. This is particularly important for land in our strategic pipeline, where preparation or review of the Development Plan is the first step in the planning process.

We engage and respond to Government directly and through our membership of industry organisations.

In 2019, this included biodiversity net gain, the Future Homes Standard, electric vehicle charging and technical standards review.

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

We also engage with Government through our membership of industry organisations such as the Home Builders Federation (HBF) and the British Property Federation (BPF). In 2019, for example, we participated in focus groups on changes to viability assessments. Regional businesses are also members of trade associations, for example our Scottish businesses are members of Homes for Scotland.

Our investors

We are focused on delivering strong financial performance, in the right way.

OUR FOCUS

Progress for 2019

- Continued to report in line with best practice disclosure
- Embedded strategy within the business
- Continued to deliver cost and efficiency programme
- Returned £599.7 million to shareholders via total dividends in 2019

Priorities for 2020

- Simplification, delivery and cost efficiency
- Roll out of our environmental strategy
- Develop a science-based carbon reduction target
- Previously announced c.£610 million to be paid to shareholders, subject to shareholder approval

% Read more on page 24

PR Read more on pages 45 to 53

What we do

Our Company purpose is to deliver new homes within thriving communities, in a safe and environmentally responsible manner, with customers at the heart of our decision making and consideration of the potential impact on wider stakeholders.

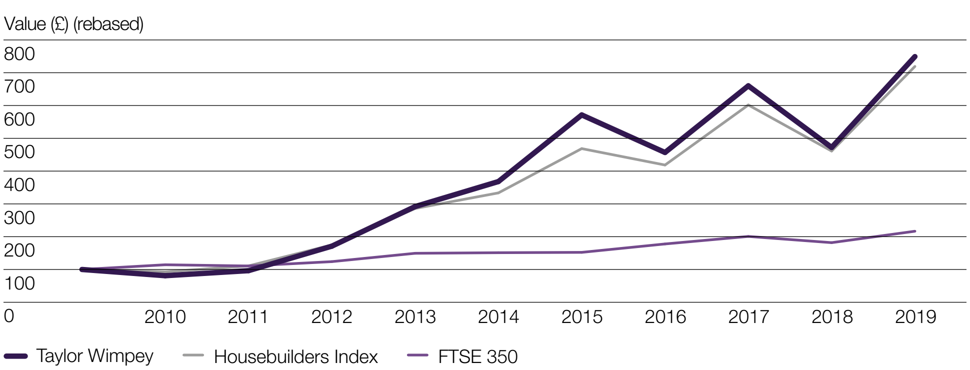
Our shareholders own a business which has a strong, well capitalised balance sheet with a high-quality landbank and experienced management team, which provides a reliable annual income stream, via an ordinary dividend of at least £250 million and additional special dividends at the appropriate time in the cycle. Putting our customers' needs and desires at the heart of our business will help build a sustainable advantage and deliver leading financial returns with strong and reliable cashflows. We run the business for the long term, not for short term gain, and whilst we seek to maximise opportunities, it is weighed up against our cautious and disciplined nature. We are focused on delivering strong financial performance, in the right way.

Why is it important for all stakeholders?

Our customer-focused approach will offer further scope for differentiation and will add additional value to our shareholders and other stakeholders.

Our Annual Report and Accounts sets out our investment case, as told by our employees in their own words. More details can be found on what makes Taylor Wimpey different on pages 1 to 13.

Total shareholder return



Source: Thomson Reuters Datastream.

£ Read more on pages 108 and 109

It remains our belief that homebuilding is inherently cyclical, and we remain committed to retaining a strong balance sheet, not over stretching investment and maintaining financial discipline.

Dividends and returns

We are a cash generative business and believe we can sustain this in times of market weakness, due to the strength of our balance sheet, the quality and length of our landbank and consequently the control we have over the timing of land investment. Our aim is to provide a reliable income stream to our shareholders.

Subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 7.5% of Group net assets, which will be at least £250 million per annum. This is intended to provide a reliable minimum annual return to shareholders throughout the cycle, including through a 'normal downturn', and will be paid equally as a final dividend (in May) and as an interim dividend (in November). This Ordinary Dividend Policy was subject to prudent and comprehensive stress testing against various downside scenarios, which also included a reduction of 20% in average selling prices and a 30% reduction in volumes.

The payment of ordinary dividends will continue to be supplemented by additional significant special dividends at appropriate times in the cycle. Our Special Dividend Policy will pay out to shareholders the free cash generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the medium term, and once the Group's ordinary dividends have been met. We have paid a special dividend in each of the last six years. Over the past six years we have paid a total of £2.3 billion in ordinary and special dividends to our shareholders.

As previously announced, subject to shareholder approval at the 2020 AGM scheduled for 23 April 2020, we intend to pay a minimum ordinary dividend of £250 million per annum (c.7.6 pence) (2019: £250 million) and c.£360 million (10.99 pence) to shareholders in July 2020 by way of a special dividend (2019: £350 million).

Accordingly, subject to shareholder approval, in 2020 shareholders will receive a total dividend of c.£610 million (c.18.6 pence per share).

Progress, challenges and priorities

We had a number of successes in 2019 but also challenges. In an environment where the political and economic outlook has been uncertain, sales prices have remained flat, but build costs have increased. During this time, we have also continued to invest in processes and commit to areas to benefit the long term business, including a significant increase in apprentices, but together with the increasing cost pressure, there has inevitably been a short term impact on margins.

In 2019, we implemented many of the steps, outlined in our strategy to improve our customer proposition, increase the quality and consistency of our homes and underpin the long term sustainability of our business. Our teams produced an industry leading sales rate, our highest ever, whilst at the same time increasing our quality as independently measured by the NHBC. We have made good progress throughout 2019 improving our quality and our customer offering. In the year, we introduced additional quality checks and added Quality Managers to support Site Managers across our business and increased our apprentices to over 630 as part of our direct labour initiative. These measures have upfront and ongoing costs but will lead to future benefits and are important to the long term success of the business.

2020 will be a year of renewed focus on simplification, delivery and cost efficiency. The easing in build cost pressures seen in late 2019 has been maintained, and we expect build cost inflation in 2020 to be around 3%. We are focused on reducing underlying costs to mitigate future build cost inflation. This very clear focus on cost, simplification and value has been well received by the business with employees engaged at every level. Volumes for 2020 are expected to be slightly lower and we will be targeting a slightly lower sales rate as we focus on capturing value. We aim to maintain 2020 operating profit margin broadly in line with 2019. Operating profit margin in the first half of the year will show pressure from 2019 build cost inflation and selling prices and long term investment in quality and business improvement, with margin improvement expected in the second half as cost initiatives improve performance. Margin remains a key priority for the Group and we have reconfirmed our medium term target to deliver operating profit margins of c.21-22%, assuming market conditions remain stable.

Read more on page 21

Material issue:
Governance and management MI

"For a stable, well managed, well capitalised business like Taylor Wimpey it does pay to put yourself slightly ahead – it shows progressive thinking and a management team that is aware of the risks."

Investor feedback from materiality assessment 2019

SR Read more in our 2019 Sustainability Report

During 2019 we conducted a materiality assessment to help us to identify and focus on the sustainability issues that matter most to our business and our stakeholders. Our investors told us that environmental, social and governance (ESG) are high on their agenda.

The roll out of our environmental strategy is a focus for 2020 which will formalise the work we have ongoing in the business and go further in committing to more ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint. We plan to develop a science-based carbon reduction target by the end of 2020.

Our communities

We aim to be the industry leader in managing the planning and community engagement process.

OUR FOCUS

Progress for 2019

- Updated our Political and Community Engagement Toolkit to help us communicate our plans in a clear and consistent way
- Launched our updated Community Communication Plan to ensure consistent communication throughout the life of a development
- Every one of our sites has a tailored planning and community engagement strategy
- Launched a pilot to explore how we can accelerate the creation of communities on our sites

Priorities for 2020

- Complete our connected community trials at two sites and assess the findings
- Roll out of our environmental strategy and development of a science-based carbon reduction target

SR Read more in our 2019 Sustainability Report

What we do

We want communities to welcome Taylor Wimpey to their area and recognise the value we can bring and the contribution we can make to the existing community, as well as trusting us with the responsibility of creating a new one. We actively seek the views of local communities and other stakeholders. We develop a tailored planning and community engagement strategy for each site and work closely with communities and other local stakeholders throughout all aspects of the planning process. We aim to be the industry leader in all aspects of planning and to obtain the right planning consents that enable us to respond to a changing market, reflect the desires of our customer base and deliver the quality homes we want to build, whilst meeting our financial objectives.

Why is it important for all our stakeholders?

We believe that local communities should have a say in development. This enables us to achieve the right planning permissions and ensure our developments are valued by their local communities. We know housebuilding, particularly in its early stages, can be disruptive. In order to mitigate this we seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments. Our customers have a very strong desire to become part of a community and to do so quickly after they move in. Our research showed that customers believe we should play a more active role in facilitating the relationship between the new residents, their new community and their neighbours.

We have a responsibility to our stakeholders to operate and act in a sustainable manner and, on a day to day basis seek to be a positive agent of change in the communities in which we operate. We acknowledge the serious threat posed by climate change and biodiversity loss and the need for urgent action to address these challenges – and we want to play our part. Taking action on the environment helps us to create better places to live for our customers and strengthens our relationships with employees and other stakeholders. It also reduces costs and risks to the business, with climate change and biodiversity identified as key risks monitored by the Board.

Placemaking

Our customers want to buy a great home in a thriving community – somewhere they feel safe, supported and enriched and can enjoy a good quality of life. Our approach starts with placemaking – ensuring the design and layout of our sites promotes social, environmental and economic sustainability.

We ran our second internal design competition in 2019 – seeking out the best examples of placemaking from around the business, celebrating the good practice that already exists and it has inspired us to go further.

Installing infrastructure at an early stage can help in the successful development of a new community. It can also make new developments more desirable to prospective buyers, increasing sales. We are looking at how we can increase early delivery of community infrastructure to maximise its positive impact.

Investing in local communities

We invest in infrastructure and facilities that help make our developments great places to live over the long term. This includes affordable housing, green spaces, community and leisure facilities, transport infrastructure, educational funding, jobs for local people and public art. In 2019, we contributed £447 million to local communities in which we build across the UK via planning obligations (2018: £455 million). Our teams across the business get involved in local life, organising competitions with primary schools, inviting schools to site for health and safety training and sponsoring local sports clubs, as part of their daily working life. In addition, we contributed over £129k to other organisations, such as scout groups, local football teams and various local community causes (2018: c.£170k).

Connected Communities

The way we live, work and shop today often means fewer day to day opportunities to interact with the people who live nearby. We're exploring how we can accelerate the development of new communities on our schemes, so that our customers feel connected and have a strong sense of community from an early stage.

Material issue:
Managing land, planning and engagement MI

> "We want to work with housebuilders who can help us achieve our goals on climate change and health and wellbeing."

Local Authority

SR Read more in our 2019 Sustainability Report

Connecting residents at Lawley village

Residents in our 186 homes at Lawley Phase 8, part of the Lawley village community, have access to quality areas of public open space, and a good network of public transport including a bus route and extensive network of cycle paths. The scheme borders parkland and integrates 'pocket parks' which provide community areas, activity spaces and resting places.

The scheme was shortlisted for a National Design Award in 2019.

In 2019, we launched our Community Communications Plan. This toolkit will help our land, planning, sales and marketing teams organise activities and events that foster relationships between the new and existing community, and that make it easier for new residents to set down roots. It also emphasises the importance of providing good information for customers on the facilities, services and activities happening in their area. The toolkit covers the whole development process from planning to after construction finishes and will help us take a consistent approach across our sites.

Local consultation

We believe that local residents deserve a say in what happens in their local community. During 2019 we ran 187 community meetings and events, including public exhibitions.

We are proud of our approach to community engagement and the way that our employees deliver it. We have a comprehensive community engagement framework which applies to every stage of the development timeline, from pre-planning consultation to ongoing communication with existing and new residents during and after construction. Our approach goes well beyond regulatory requirements, with engagement starting before we submit a planning application and continuing throughout the development process. Wherever possible, we use the feedback obtained as part of our community engagement to develop and improve our design proposals. To fully understand local views, it is important that we reach a wide range of stakeholders from residents, property owners and local authorities, to businesses, schools, residents' associations and other groups. We are committed to publishing information on proposed developments online so that members of local communities and other interested parties can easily find out what we are planning and where.

Sustainability

We aim to use natural resources efficiently and to reduce our impact on the environment. We are pleased to have reduced our direct emissions intensity (tonnes of CO_2e per 100 sqm of homes built) by 43% since 2013, putting us on track towards our target of 50% reduction in direct emissions intensity (scope 1 and 2) by 2023. We have also achieved an absolute reduction in emissions of 19% since 2013, even with a 42% increase in completed floor area.

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.

Environmental matters

Our performance

		2019	2018	2017
Scope 1 GHG emissions – combustion of fuel	tonnes CO_2e	**21,018**	20,328	18,889
Scope 2 GHG emissions – market based	tonnes CO_2e	**3,563**	4,509	4,794
Total scopes 1 and 2 – market based	tonnes CO_2e	**24,581**	24,837	23,683
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO_2e/ 100 sqm	**1.62**	1.73	1.73
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	**101,352**	95,170	89,550
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh/100 sqm	**6.8**	6.8	6.5

Read more on page 138

Our policies

Sustainability Policy
Climate Policy
Health Safety and Environmental Policy
Supply Chain Policy
Waste and Resource Use Policy

Our impact and related Principal Risks	Read more
We report our approach to climate change governance, strategy and risk management as well as our greenhouse gas emissions within:	
Making a difference for our stakeholders – our communities	42-43
Our approach to identifying and managing risk	47

Employees

Our performance

95% of employees believe we are committed to being a more inclusive organisation.
Voted by employees as one of the top 50 places to work in the UK for 2020.

Our policies

Business Conduct Policy
Diversity Policy

Our impact and related Principal Risks	Read more
More information on our employees can be found within:	
Our strategy and key performance indicators	28
Making a difference for our stakeholders – our employees	36-37
Principal Risks and Uncertainties	50
Engaging with our stakeholders – our employees	78-79

Human rights

Our performance

Continue to train employees to identify signs of modern slavery and human trafficking for which we operate a zero tolerance policy.

Our policies

Anti-Slavery, Human Trafficking and Human Rights Policy
Supplier Code of Conduct
Supply Chain Policy

Our impact and related Principal Risks	Read more
More information on our approach to human rights can be found within:	
Making a difference for our stakeholders – our employees	36-37
Making a difference for our stakeholders – our partners	38-39

Social matters

Our performance

Contributed £447 million to communities via our planning obligations.

Our policies

Community Policy
Donations Policy
Charity and Community Support Policy
Sustainability Policy

Our impact and related Principal Risks	Read more
More information on how we engage with our communities and social matters can be found within:	
Making a difference for our stakeholders – our communities	42-43

Anti-bribery and anti-corruption

Our performance

Training for all impacted employees.
Strict rules in relation to recording, giving or receiving of gifts.

Our policies

Business Conduct Policy
Anti-Corruption Policy
Fraud Mitigation and Response Policy
Whistleblowing Protected Disclosure Policy

Our impact and related Principal Risks	Read more
More information on anti-bribery and anti-corruption can be found within:	
Corporate governance – Board activities	70-75

Business model

Our performance

Delivered a record sales rate of 0.96 per outlet per week, demonstrating our operational efficiency.
Improved independently measured quality.

Our policies

Community Policy
Sustainability Policy
Customer Service Policy

Our impact and related Principal Risks	Read more
More information on our business model and its links to our strategy and stakeholders can be found within:	
Our business model	30-31

Non-financial KPIs

Our performance

Customer satisfaction 8-week ‘would you recommend?’ score of 89%, slightly below last year but improvement in 9-month ‘would you recommend?’ score.
32% reduction in Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors).

Our policies

Customer Service Policy
Health Safety and Environmental Policy
Communications and Investor Relations Policy

Our impact and related Principal Risks	Read more
Our non-financial KPIs can be found within:	
Our strategy and key performance indicators	24-29

Risk management

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

Governance

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

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

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

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

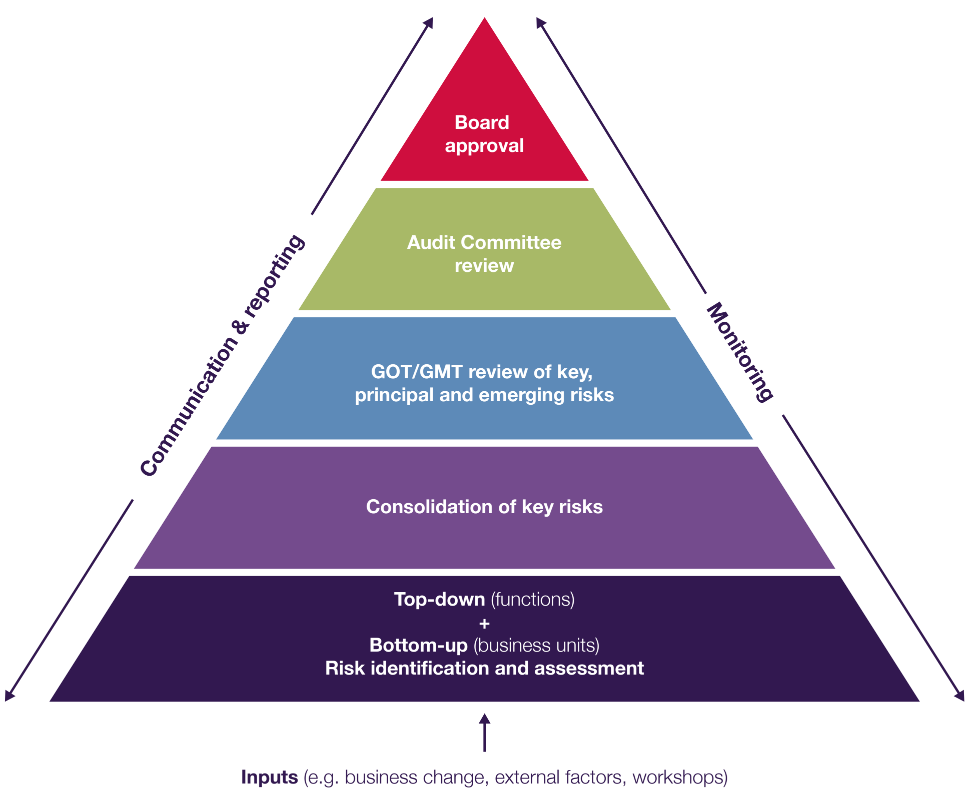
The Chief Executive is primarily responsible for the management of the risks, with the support of the Group Management Team (GMT) and other senior managers located in the business. In line with the 2018 UK Corporate Governance Code, the Board holds formal risk reviews at least half yearly and routinely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

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

At the Board meeting in February 2020, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk in December 2019, which was supported by a detailed risk assessment by the GMT and their review of the effectiveness of internal controls.

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

Risk Management Framework



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 Group Operations Team (GOT), GMT and Audit Committee before being presented to the Board, ensuring all key risks to the Group are known and are being actively monitored and appropriate mitigations / actions are in place to ensure risk falls within the tolerance set by the Board.

Evaluation of risks

A risk scoring matrix is used to ensure risks are evaluated on a consistent basis. Our matrix considers likelihood based on probability of occurrence and impact based on financial, reputation, customer, health & safety, employees, environment, operational, legal & 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 score equal to or greater than 12 and these are reviewed and monitored by the Board as part of a bi-annual risk assessment process.

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

Management of risks

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

Risk appetite

The risk appetite for the Group is set by the Board. In defining this, 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 changing building regulations.

Agreed risk appetite and risk tolerance levels for each of our Principal Risks are detailed in the table below. The residual risk ratings of all our Principal Risks are within our established risk tolerance levels.

Principal Risk	Risk Appetite	Risk Tolerance	Commentary
A. Government policy and planning regulations	Low	Low to moderate	We operate in an increasingly regulatory and compliance based environment impacting all aspects of our business operations. We are committed to ensure we 'do the right thing' in this respect and as such we have a low risk appetite in this area, using this to set us apart from competitors.
B. Impact of the market environment on mortgage availability and housing demand	Low	Low to moderate	During the year there was heightened political uncertainty and the short-medium term implications remain unknown. We continue to keep a watching brief over the situation and we have a low risk appetite in this area, due to the impact changes could have on the business.
C. Material costs and availability of subcontractors	Low to moderate	Moderate	Economic and political factors impact this risk but we believe the actions we have put in place provide us with strong foundations going forward, therefore we have a low to moderate risk appetite in this area.
D. Ability to attract and retain high-calibre employees	Moderate	Moderate	People are the foundation of our organisation. To deliver our objectives we need the right calibre of employees and we have implemented a number of initiatives in this area. These and other existing mechanisms to retain and develop our employees leads us to having a moderate risk appetite in this area.
E. Land purchasing	Moderate	Moderate	We continue to have a strong landbank, including our strategic pipeline. We continue to look for opportunities in the right location that optimise our value and we have a moderate risk appetite in this area.
F. Quality and reputation	Low	Low to moderate	Fundamental to our business model is the quality of our build and maintaining our strong reputation. Conscious that there are an ever-increasing number of sources that could have a detrimental impact on our reputation, starting with build quality, we have a low risk appetite in this area.
G. Site and product safety	Low	Low	Safety of our staff, indirect and direct, and in the products we supply and fit is of paramount importance not only to our business but also to our values, therefore we have a very low risk appetite in this area.

Emerging risks

In accordance with the 2018 UK Corporate Governance Code, we are including a section on our process around emerging risks. A formal risk workshop was held in November 2019 with the Group's senior management teams with the aim of identifying emerging risks to the Group. The emerging risks are defined as those where the extent and implications are not yet fully understood, and consideration is given to the potential timeframe and velocity of impact that these could have on the Group. As part of our risk management process, these were discussed and agreed by the Board.

These emerging risks were grouped into the following categories:

- Environmental / climate
- Operational / build
- Political / economic
- Technological
- Social
- Governmental

These will be monitored and reviewed as part of the ongoing risk assessment process.

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 are in addition to its identified Principal Risks. These include risks from a wider technology, cyber and climate perspective. We also give consideration to widespread emerging health risks and monitor accordingly. At the time of writing we do not consider coronavirus to pose an immediate risk to our business, but we will continue to monitor closely with our supplier base. We continue to improve and invest in our information technology to mitigate ever-increasing cyber threats and data loss, theft or corruption. Our Sustainability and Climate Change Risk and Opportunity Register highlights the material risks and opportunities facing the Group in relation to sustainability and climate change as well as those monitored on the Group Risk Register. In addition, our climate change related risks and opportunities are available as part of our 2019 CDP submission. More information is available at www.taylorwimpey.co.uk/corporate

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

Housing remains high on the agendas of the Government and the main political parties. The sector faces increasing scrutiny and pressure from social media and pressure groups, together with greater oversight from Government through a planned Design Champion and 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.

Climate change governance, strategy and risk

Our current target is to achieve a 50% reduction in our direct emissions (scope 1 and 2) intensity by 2023 against our 2013 baseline (tonnes of CO_2 per 100sq metres of completed homes).

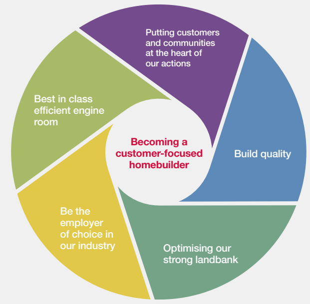
Last year we conducted a review of our target. We identified that deeper emission cuts are needed to align with climate science and the rules governing the setting of science-based targets, whilst also allowing for the construction of more much-needed homes in line with Government plans. We plan to develop a science-based carbon reduction target by the end of 2020.

We support the aims of the Task Force on Climate-related Financial Disclosures and aim to increase our disclosure in line with its recommendations. We have summarised our approach below. Further details are included in our Sustainability Report and submission to CDP, both available on our website.

Our approach to managing climate change-related risk

Governance	Our Legacy, Engagement and Action for the Future (LEAF) committee, chaired by a member of our Group Management Team (GMT), is responsible for reviewing climate strategy, risks and opportunities and meets four times a year. The LEAF Chair reports to the Board twice a year. Ultimate responsibility for our approach to climate change resides with our Chief Executive. Below Board level, the Director of Sustainability is responsible for monitoring climate-related issues as part of the overall risk management process. They report on risk and progress against targets to the GMT on a monthly basis. Our Audit Committee reviews financial and non-financial risks included in the Group Risk Register, which includes climate change. They receive an update on sustainability risks every six months.
Strategy	Climate change risks have the potential to impact our business strategy through increased costs, reduced productivity and reputational damage. We assess climate risks to the business using short (0-5 years), medium (6-10 years) and long term (11+ years) horizons. The most material climate-related risks are: changes in weather patterns and an increase in severe weather events which could affect the availability and cost of raw materials, impact energy and water use, increase flood risk and impact productivity; and increased regulation and taxation. The most material opportunities in the short term relate to the financial benefits associated with our use of low carbon goods and services as well as shifts in consumer preference to favour low carbon homes and products. In the longer term, the most material opportunity relates to improved business resilience due to implementation of climate change adaptation measures. We have conducted analysis on increased flood risk relating to climate change and are exploring the potential to conduct further scenario analyses.
Risk management	Climate change and biodiversity are included as key risks in our consolidated Group Risk Register. Sustainability risks are also integrated into our corporate risk management framework, through function risk registers and our Climate Change and Sustainability Risk and Opportunity Register. Our Climate Change Register guides the climate change adaptation of our business practices and the homes we build. For each climate-related risk and opportunity the register identifies: risk driver, description of risk, potential impact, timeframe, whether the risk or opportunity is direct or indirect, likelihood and magnitude of impact. This is a standing item on every LEAF committee agenda. The committee makes recommendations to the GMT on how to mitigate, transfer, accept, or control climate-related risks. We prioritise our climate change risks and opportunities based on their materiality to our business, measured in % of profit before tax (PBT). A % PBT greater than 20% is considered a major impact. A large risk in terms of likelihood is a greater than 50% chance.
Metrics and targets	We have set a reduction target for our scope 1 and 2 emissions and report progress on a range of key performance indicators, covering our direct and value chain emissions. We will set a science-based carbon reduction target by the end of 2020.

Our principal risks and uncertainties



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

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 49 to 52. The Board has finalised its assessment of these risks and how the residual risk profile risk has changed in the year.

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

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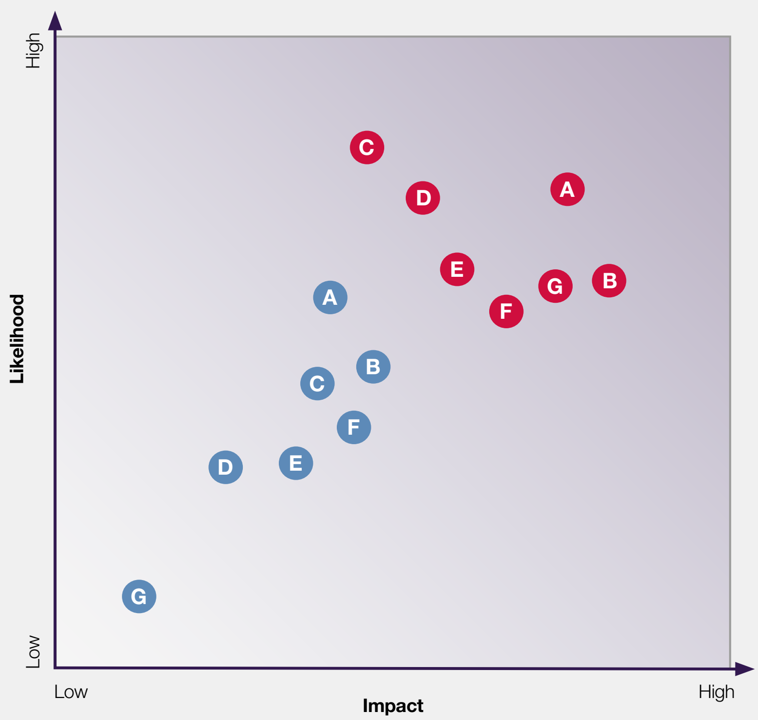
Principal Risks heat map

The heat map illustrates the relative inherent and residual positioning of our Principal Risks from an impact and likelihood perspective. As an outcome of our risk management process a new Principal Risk was agreed by the Board around 'Quality and reputation', recognising that both elements are fundamental to the achievement of our strategy. Further details on our Principal Risks can be found on the following pages.



Key

Residual Inherent

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
A. Government policy and planning regulations The industry in which we operate is becoming increasingly regulated. Any adverse changes to Government policy, for example around changes to building regulations, could impact our ability to effectively meet our strategic objectives. Planning delays could result in missed opportunities to optimise our landbank, affecting profitability and production delivery.	– Group Operations Director – Regional Managing Directors	– Ground Rent Review Assistance Scheme – Ongoing and regular review of building regulations – Consultation with Government agencies	2019 saw heightened economic and political uncertainty. There were also a number of new and proposed policies on climate targets and future home standards and the short-medium term implications remain unknown. As we look ahead we see the removal of Help to Buy as a continued risk but having had visibility of, and time to plan for the changes, we consider that this risk can be managed. Overall, we see an increase in both the inherent and residual risk profile.	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.
Link to strategy	**Link to values**	**Residual rating** Moderate	**Risk appetite** Low	**Example key risk indicators** – Removal of Help to Buy – New Government regulations (e.g. around planning and climate) – Delays in planning

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
B. Impact of the market environment on mortgage availability and housing demand Sustained growth in interest rates, together with low wage inflation or reduced confidence in continued employment, could challenge mortgage affordability resulting in a direct impact on our volume targets.	– 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)	Despite wider macro-economic and political uncertainty, the UK market for new build housing remained stable during 2019. Affordability remains good with low interest rates and widespread availability of mortgages. Page 19 provides further analysis of these key drivers and our medium term expectations.	To continue to develop strong working relationships with established mainstream lenders and those wishing to increase volume in the new build market.
Link to strategy	**Link to values**	**Residual rating** Moderate	**Risk appetite** Low	**Example key risk indicators** – Interest rate increases – Levels of unemployment – Volume of enquiries / people visiting our developments – UK household spending – Loan to value metrics

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
C. Material costs and availability of subcontractors A continued increase in housing demand and production may further strain the availability of skilled subcontractors and materials and put pressure on utility firms to keep up with the pace of installation resulting in increased costs and construction delays.	– Group Operations Director – Head of Procurement – Regional Commercial Directors	– Key supplier agreements – Trials of build methods – Direct trade and apprenticeship programmes	There continues to be pressure on the availability of certain build materials and a shortage of skilled labour in the housebuilding industry. However, we consider the inherent risk around this to be unchanged and, based on the mitigations in place, so too the residual risk.	To develop and implement different build methods as alternatives to conventional brick and block. To continue to develop our direct trade and apprenticeship schemes to build further expertise and capability in the business.
Link to strategy	**Link to values**	**Residual rating**	**Risk appetite**	**Example key risk indicators**
		Moderate	Low-moderate	– Material and trade shortages – Material and trade price increases – Level of build quality and waste produced from sites – Longer build times – Number of skilled trades

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
D. Ability to attract and retain high-calibre employees 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.	– Group HR Director – Every employee managing people	– Production Academy – Management training – Graduate programme – Apprenticeship programme	People are the foundation of our business and whilst the inherent risk may have increased slightly, the strong mechanisms we have established enable us to consider that the residual risk remains unchanged.	To further develop in-house capability, expertise and knowledge.
Link to strategy	**Link to values**	**Residual rating**	**Risk appetite**	**Example key risk indicators**
		Low	Moderate	– Employee engagement score – Number of, and time to fill, vacancies – Employee turnover levels

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Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
E. Land purchasing The purchase of land of poor quality, at too high a price, or the incorrect timing of land purchases in relation to the economic cycle could impact future profitability.	– Divisional Managing Directors – Regional Managing Directors – Regional Land and Planning Directors – Strategic Land Managing Directors	– Critically assess opportunities – Land quality framework	We continue to hold a strong landbank, including our strategic land pipeline and consider both the inherent and residual risk levels to remain unchanged.	A strong balance sheet allows us to invest when land market conditions are attractive.
Link to strategy	**Link to values**	**Residual rating**	**Risk appetite**	**Example key risk indicators**
		Low	Moderate	– Movement in landbank years – Number of land approvals – Timing of conversions from strategically sourced land

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
F. Quality and reputation 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.	– Customer Director – UK Production Director – Group Director of Design	– Customer-ready Home Quality Inspection (HQI) – Consistent Quality Approach (CQA) – Quality Managers in the business	This is a new Principal Risk identified in 2019, recognising the fundamental nature of maintaining both our quality and reputation in the delivery of our strategy and their importance to our customers and stakeholders.	To better understand the needs of our customers enabling clearer transparency of our build profile. To lead the industry in quality standards (our Construction Quality Review score) and reduce the number of reportable items identified through monitoring defects at every stage of build.
Link to strategy	**Link to values**	**Residual rating**	**Risk appetite**	**Example key risk indicators**
		Moderate	Low	– Customer satisfaction metrics (9 month and 8 weeks) – Number of NHBC claims – CQR scores – Average reportable items per inspection

Principal Risk	Accountability	Key mitigations	Residual risk change in year	Opportunity
G. Site and product safety 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	– Director of Health, Safety and Environment – Group Operations Director – Group Director of Design – Every employee and subcontractor	– Embedded HSE system – HSE training and inductions	No change in risk in year. This is an ever-present risk in our industry and the inherent risk remains unchanged. This is an area where we continue to maintain the highest possible standards and we consider the mitigations we have implemented enable us to determine the residual risk being unchanged.	To lead the industry in health and safety and to reduce the amount and level of incidents.

Link to strategy	Link to values	Residual rating	Risk appetite	Example key risk indicators
		Low	Low	– Increase in near misses and fatalities – Health and safety audit outcomes – Number of reportable health and safety incidents

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Viability Statement

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

Time period

The Directors have assessed the viability of the Group over a five-year period, taking account of the Group's current financial position 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:

- Five years is a reasonable estimate of the typical time between purchasing land (obtaining planning permission, putting in place infrastructure and commencing build) and selling homes to customers from a development
- Our Group strategy is underpinned by our short term landbank, which supports c.4.8 years of development at current completion levels

The time period is challenged annually to ensure that it remains appropriate. In determining the appropriate time period the Directors also considered:

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

Assessment of prospects

We consider the long term prospects of the Group in light of our business model. Our strategy to deliver sustainable value is achieved through delivering high-quality homes in the locations where people want to live, with excellent customer service, whilst carefully managing our cost base and the Group's balance sheet.

Management re-evaluates the medium to long term strategy, in light of external, economic and industry changes. If appropriate, management adapts the strategy accordingly, in light of changes; for example, for material changes in planning and the wider housing market fundamentals.

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

- The Group's **current market position and performance**, this includes the current year performance (pages 18 to 21), the output from the annual business planning process and financing arrangements

- **Strategy and business model flexibility**, including build quality, customer dynamics and approach to land investment. Further detail is provided on pages 24 to 29
- **Principal Risks** associated with the Group's strategy and those risks that could most impact our ability to remain in operation and meet our liabilities as they fall due and how we have taken these into consideration when making our assessment of the Group's viability

Principal Risks

The schedule of Principal Risks is routinely subject to a comprehensive review by the executive committee and Board. Consideration is given to the risk likelihood based on the probability of occurrence and potential impact on our business, together with the effectiveness of mitigations. The quality of our product and the strength of our reputation are key to our strategy and the Board has identified a new standalone Principal Risk of 'Quality and reputation' to reflect this (page 51). It was agreed that none of the changes in risks, their likelihood or probability during the year had a significant impact on the Group's viability.

The Directors have considered the impact of the Principal Risks (see pages 48-52 for full details of the Group's Principal Risks) on the viability of the business by performing a range of sensitivity analyses including severe but plausible scenarios together with the likely effectiveness of mitigating actions by the Directors. The Directors identified the Principal Risk relating to the potential impact of an economic downturn on mortgage availability and demand as most important in the assessment of the Group's viability. The following Principal Risks; 'Quality and reputation' and 'Government policy and planning regulations' were also considered to have the potential to impact on customer demand and, in turn, the volume and price of our sales and this was also factored into the scenario analysis.

Assessment of viability

The Group adopts a disciplined annual business planning process which involves the management teams of the 24 business units and senior management and is built from a bottom up basis. This planning process comprises a budget for the next financial year, together with a forecast for the following four financial years.

The financial planning process considers the Group's profitability and Income Statement, Balance Sheet including landbank, gearing and debt covenants, cash flows and other key financial metrics over the plan period.

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
- Working capital requirements
- Capital repayment plan continues to operate with an ordinary dividend at a minimum of £250 million or 7.5% of the Group Net Assets and special dividends where free cash is generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the near term and after the payment of the Group's ordinary dividend
- In February 2020, the Group's £550 million revolving credit facility was extended by one further year to mature February 2025

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.

This downside scenario reflects the potential impact of a sharp decline in customer confidence, disposable incomes, and higher mortgage interest rates. To arrive at our stress test we have drawn on experience gained managing the business through previous economic downturns. We have applied the sensitivities encountered at those times as well as the mitigations adopted to our 2020 expectation in order to test the resilience of our business. As a result, we have stress tested our business against the following downside scenarios;

- **Volume** – reduced volumes from 2019 levels by 30% with no recovery
- **Price** – reduced selling prices by 20% with no recovery
- **Cost** – build cost reductions at a modest 5% and inclusion of a one-off exceptional charge and cash cost of £150 million for an unanticipated event or fine

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

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,180 million at 31 December 2019. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis. If these scenarios were to occur, we have a range of additional options to maintain our financial strength, including; reduction in capital expenditure; the sale of assets; raising debt; and reducing the dividend.

Confirmation of viability

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

Group completions including joint ventures

16,042

2018: 15,275

Revenue

£4,341.3m

2018: £4,082.0m

Operating profit

£850.5m

2018: £880.2m

Profit for the year

£673.9m

2018: £656.6m

Increased focus on cost discipline and process simplification

In 2019, we made good progress implementing operational improvements across the business. This year, as we embed recent initiatives, our focus is on cost and process simplification.

Group financial review of operations

Income statement

Group revenue increased by 6.4% to £4,341.3 million in 2019 (2018: £4,082.0 million). This growth was driven by increased completions in the UK (excluding joint ventures), up 4.7% to 15,520 (2018: 14,822) and an improvement in the average UK selling price, up 1.8% to £268.6k (2018: £263.9k), primarily the result of an increase in the average size per completion of 1.3%. The average selling price on UK private completions was £305.4k (2018: £301.8k).

The UK land cost per completed unit, at £42.9k, was 2.9% higher than the prior year (2018: £41.7k). The UK land cost per completion as a percentage of selling price was 16.0% (2018: 15.8%), resulting from the proportion of affordable homes decreasing slightly to 22.4% (2018: 22.9%).

Average build cost per unit in the UK increased to £156.6k (2018: £147.4k), driven by the impact of build cost inflation and our continued investment in build quality and customer experience. Underlying annual build cost inflation was c.4.5% year on year (2018: c.3.5%). Direct selling expenses per unit decreased marginally to £5.7k (2018: £5.9k), due to further sales efficiencies achieved in the year.

Group gross profit of £1,044.1 million (2018: £1,074.5 million) decreased by 2.8% and included a positive contribution from previously written down inventory of £10.1 million (2018: £7.7 million).

Value distributed during 2019 (£m)

£447.3m
Contribution to local communities
2018: £455.3m

£275.9m
Employment
2018: £258.0m

£61.6m
Pension contributions
2018: £46.5m

£178.8m
Taxes
2018: £167.3m

£21.7m
Net investment in land & WIP
2018: £1.7m

£6.4m
Interest paid
2018: £8.6m

£599.7m
Dividends
2018: £499.5m

As a result of the increases in UK land and build cost exceeding the growth in revenue, the average UK gross profit per private completion reduced by 9.6% to £70.9k (2018: £78.4k) and the average UK blended gross profit per completion fell by 8.0% to £63.4k (2018: £68.9k).

During the year, completions from joint ventures were 199 (2018: 111), in line with the expected development plans. The total order book value of joint ventures as at 31 December 2019 increased to £62 million (31 December 2018: £22 million), representing 142 homes for completions in 2020 and 2021. Our share of results of joint ventures in the period was a profit of £8.0 million (2018: £5.3 million).

Group operating profit decreased to £850.5 million (2018: £880.2 million), delivering an operating profit margin of 19.6% (2018: 21.6%), the decrease principally due to build cost inflation exceeding house price growth. Profit on ordinary activities before net finance costs increased by 3.4% to £856.8 million (2018: £828.8 million). This was due to the year on year reduction in operating profit being more than offset by the change in exceptional items from a charge of £46.1 million in 2018 to a credit of £14.3 million in 2019.

Net finance costs for the period were £28.9 million (2018: £23.4 million). The increase was primarily due to a higher charge on unwinding of discount on land creditors and the net interest expense arising on the defined benefit pension scheme. The increase in the pension scheme interest was a result of the deficit increasing from £63.7 million at 1 January 2018 to £133.0 million at 1 January 2019, which drives the period's charge.

> **"Group revenue increased by 6.4% to £4,341.3 million in 2019."**

Profit before tax and exceptional items decreased by 4.1% to £821.6 million (2018: £856.8 million). The pre-exceptional tax charge was £159.3 million (2018: £162.3 million) with an underlying tax rate of 19.4% (2018: 18.9%) that largely reflects the statutory tax rate in the UK. This resulted in a profit, before exceptional items, for the year of £662.3 million (2018: £694.5 million), 4.6% lower than the prior year.

The Group discloses material financial impacts arising from events which are one-off or unusual in nature as exceptional items. An exceptional net credit of £14.3 million was recognised in the year (2018: £46.1 million charge). The current year exceptional credit arose on the implementation of a Pension Increase Exchange (PIE) for members of the Taylor Wimpey Pension Scheme which enables some pension scheme members to elect to exchange future pension increases on part of their pensions for a one-off increase in pension. The exceptional credit reflects a decrease in scheme liabilities and is shown net of costs incurred in relation to the implementation. An exceptional tax charge of £2.7 million was recognised in respect of the £14.3 million exceptional credit recognised in the year.

The prior year exceptional charge related to the £30.0 million Aluminium Composite Material (ACM) cladding provision and £16.1 million for equalisation of guaranteed minimum pensions following the legal judgement in 2018.

Profit on ordinary activities before tax increased to £835.9 million (2018: £810.7 million) as a result of the exceptional credit (2018: exceptional charge). Profit for the year was £673.9 million, up by 2.6% on 2018 (2018: £656.6 million).

Basic earnings per share was 20.6 pence (2018: 20.1 pence), an increase of 2.5%. The adjusted basic earnings per share† was 20.3 pence (2018: 21.3 pence), a reduction of 4.7%.

Spain

The Spanish market remained healthy throughout the year. We completed 323 homes in 2019 (2018: 342) at an average selling price of €429k (2018: €344k). The total order book as at 31 December 2019 stood at 217 homes (31 December 2018: 284 homes).

The Spanish business delivered an improved operating profit of £32.1 million for 2019 (2018: £29.2 million) and an operating profit margin of 26.7% (2018: 28.0%). Looking ahead, we expect volumes to be broadly stable in 2020 and, as previously guided, we would expect operating profit margins for Spain to moderate over time from a strong base.

Challenging ourselves to be better

We have made great progress in delivering our strategy this year by raising our build rate whilst at the same time improving our quality. However, we are always seeking to improve and, having launched a number of workstreams in the past two years that will benefit the long term sustainability of our business, we are increasing our focus on cost discipline and process simplification.

We will not make the mistake of reducing specification, damaging quality or stopping investment in areas that are vital to our long term sustainability, such as build quality, build capacity and our apprenticeship programme. However, as we focus on extracting the benefits of workstreams already in place, we are also scrutinising our current cost base to target savings where appropriate:

1. **Ensuring our overheads are appropriate to the operating environment.** We have made good progress applying a zero-base costing approach to our overheads, assessing each activity and cost against our objectives and allocating funds accordingly.
2. **Our cost and efficiency programme** involves multiple workstreams which are underway that will automate certain commercial and production processes and target efficiencies in procurement and product standardisation. These will begin to deliver savings in 2020 with further benefits expected in 2021 and 2022 as workstreams are fully deployed.
3. **Upgrades to some of our core systems** in 2019 allowed us to enhance our reporting of costs at every level of the business, helping operational management understand, explain and challenge cost increases more effectively. This has significantly improved visibility of cost drivers and allows for improved benchmarking across our most common standard house types.

Balance sheet

Net operating assets increased to £2,800.2 million (31 December 2018: £2,611.9 million) as a result of a reduction in the retirement benefit obligation reflecting the deficit contributions made in the period and provisions which fell to £128.4 million (31 December 2018: £170.3 million) as claims were made and processed through the Ground Rent Review Assistance Scheme and costs were incurred to replace ACM cladding.

Return on net operating assets decreased by two percentage points to 31.4% (2018: 33.4%). This was due to the reduced operating margin in the year offset partly by an increase in net operating asset turn†* to 1.60 times (2018: 1.55 times).

The investment in land and work in progress (WIP) has been maintained at £4,196.0 million (2018: £4,188.2 million). This included a UK short term landbank comprised of 75,612 plots (2018: 75,995), with a net book value of £2.4 billion (2018: £2.5 billion). This is split between short term owned land comprised of £2.3 billion (2018: £2.3 billion), representing 54,641 plots (2018: 53,279) and controlled short term landbank representing 20,971 plots (31 December 2018: 22,716).

The value of UK long term owned land decreased by 3% to £97 million (2018: £100 million), representing 33,329 plots (2018: 32,354), with a further total controlled strategic pipeline of 106,895 plots (31 December 2018: 95,063). Total potential revenue in the total UK owned and controlled landbank increased to £53 billion in the period (31 December 2018: £50 billion), reflecting the increase in the scale of the strategic land pipeline.

As at 31 December 2019, in the UK, 89% of the short term owned and controlled landbank was purchased after 2009, 60% of which was sourced through our strategic pipeline. This results in a land cost relative to average selling price in the short term owned landbank of 14.9% (31 December 2018: 15.2%).

Average WIP per UK outlet at 31 December 2019 increased by 7.4% to £5.8 million (2018: £5.4 million), consistent with the greater output per site we achieved in 2019. Also UK WIP turn†** increased to 3.06 times (2018: 2.95 times).

As at the balance sheet date, the Group held certain land and work in progress that had been written down by £68.6 million (31 December 2018: £83.0 million) to a net realisable value of £59.3 million (31 December 2018: £73.8 million). The balance of previously written down land and work in progress in the UK was £39.0 million (31 December 2018: £46.6 million), following the associated write-downs of £30.5 million (31 December 2018: £38.7 million).

Our net deferred tax asset of £29.8 million (31 December 2018: £40.7 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. The largest decrease, £9.2 million, relates to the pension deficit that decreased by £48.5 million following contributions made in the year.

Land creditors decreased to £729.2 million (31 December 2018: £738.6 million) and, combined with net cash, resulted in an adjusted gearing‡‡‡ of 5.5% (31 December 2018: 2.9%). Included within the land creditor balance is £56.4 million of UK land overage commitments (31 December 2018: £102.0 million). £339.9 million of the land creditors is expected to be paid within 12 months and £389.3 million thereafter.

2019 Group results	UK	Spain	Group
Completions including joint ventures	15,719	323	16,042
Revenue (£m)	4,220.9	120.4	4,341.3
Operating profit (£m)	818.4	32.1	850.5
Operating profit margin (%)	19.4	26.7	19.6
Profit before tax and exceptional items (£m)			821.6
Profit for the year (£m)			673.9
Basic earnings per share (p)			20.6
Adjusted basic earnings per share (p)			20.3
Total dividends paid per share (p)			18.3

More information on segmental reporting can be found in Note 5 to the consolidated financial statements.

Net assets at 31 December 2019 increased by 21.1% to £3,907.5 million before dividends paid in the year, and by 2.5% overall, after dividend payments of £599.7 million to £3,307.8 million (31 December 2018: £3,226.8 million). The net asset increase was driven by continued profitability in the year.

"In the 12 months to 31 December 2019 we converted 82.6% of operating profit into operating cash flow."

Pensions

Following the 31 December 2016 triennial valuation, we agreed a recovery plan with the Trustee for the period to December 2020. This included a contribution mechanism, tested quarterly, such that should the Taylor Wimpey Pension Scheme (TWPS) become fully funded on the Technical Provisions funding basis, further contributions would be suspended and only recommence if the funding level fell below 96%.

The quarterly funding test for 31 December 2018 showed that the TWPS funding level had fallen to 94%. The Group therefore recommenced regular contributions from January 2019. The most recent funding test at 31 December 2019 showed a funding level of 97% on the Technical Provisions funding basis. As a result, regular contributions will continue. The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses were £47.1 million in 2019 (2018: £34.1 million). Payments in 2020 are expected to be £47.1 million, assuming the TWPS remains less than 100% funded.

At 31 December 2019, the IAS 19 valuation of the Scheme remained in surplus at £100.5 million. Due to the rules of the TWPS, this surplus cannot be recovered by the Group and therefore a deficit has been recognised on the balance sheet under IFRIC14. This deficit is equal to the present value of the remaining committed payments under the 2016 triennial valuation. Total retirement benefit obligations of £85.0 million at 31 December 2019 (31 December 2018: £133.6 million) comprise a defined benefit pension liability of £84.5 million (31 December 2018: £133.0 million), with the decrease reflecting payments under the pension funding plan, and a post-retirement healthcare liability of £0.5 million (31 December 2018: £0.6 million).

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The underlying volatility of the TWPS remains low due to the c.£200 million buy in completed in 2014 (c.10% of the liabilities), combined with c.90% liability hedging against interest rates and inflation risk exposure on the Scheme's long term, 'self-sufficiency' basis.

Cash generation

Net cash decreased to £545.7 million at 31 December 2019 from £644.1 million at 31 December 2018. This is after returning £599.7 million to shareholders by way of dividends in the year (2018: £499.5 million), paying £29.9 million in relation to the Ground Rent Review Assistance Scheme set up to assist certain of our customers to move their ground rent escalating terms to less expensive terms and £5.9 million incurred to replace ACM cladding.

Net land spend, including the payment of land creditors, increased by £100.1 million to £681.5 million (2018: £581.4 million) and we invested £2,760.1 million in work in progress (2018: £2,406.6 million). This combined with an overall decrease in payables and lower operating profit resulted in a decrease in net cash from operating activities to £510.0 million (2018: £641.3 million).

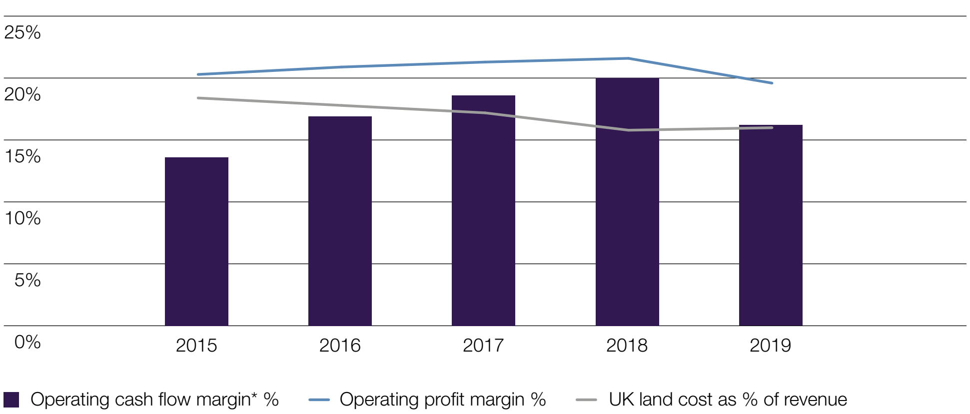
In addition, purchases of fixed assets and software increased to £12.6 million (2018: £2.4 million) following investment in equipment and systems as part of the workstreams to enhance productivity. Corporation tax payments increased to £149.0 million (2018: £139.6 million).

In the 12 months to 31 December 2019 we converted 82.6% of operating profit into operating cash flow*** (2018: 92.6%).

Financing structure

At 31 December 2019 our committed borrowing facilities were £635 million of which £550 million was undrawn. Average net cash for 2019 was £157.0 million (2018: £259.6 million net cash). At the start of 2020 we extended the term of the £550 million revolving credit facility by a further year to 2025 resulting in an average maturity of the committed borrowing facilities of 4.9 years.

Operating cash flow



* Cash generated by operations divided by revenue.

Dividends

Subject to shareholder approval at the AGM scheduled for 23 April 2020, the 2019 final ordinary dividend of 3.80 pence per share will be paid on 15 May 2020 to shareholders on the register at the close of business on 3 April 2020 (2018 final dividend: 3.80 pence per share). In combination with the 2019 interim dividend of 3.84 pence per share (2018 interim dividend: 2.44 pence per share) this gives a total ordinary dividend for the year of 7.64 pence (2018 ordinary dividend: 6.24 pence per share).

This dividend will be paid as a cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their ordinary dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and on our website. Elections to join the Plan must reach the Registrar by 23 April 2020 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk/corporate

In addition, on 12 July 2019, we returned £349.9 million to shareholders by way of a special dividend, equating to 10.70 pence per ordinary share. As previously announced in July 2019 we intend to return c.£360 million to shareholders in July 2020, equating to 10.99 pence per ordinary share, subject to shareholder approval at the AGM. This is proposed to be paid on 10 July 2020 as a cash dividend to all shareholders on the register at close of business on 5 June 2020. Shareholders will be offered the opportunity to reinvest all of their 2020 special cash dividend under the DRIP, for which elections to join the Plan must reach the Registrar by 19 June 2020.

The Board continues to keep the mechanics of how the Company will pay special dividends, including the merits of undertaking a share buyback at some point in the future should it become appropriate to do so, under regular review.

Going concern

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

Chris Carney
Group Finance Director

For our Viability statement see page 52

Approval of the Strategic Report

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

Pete Redfern
Chief Executive

Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators to assess underlying performance of the Group. The APMs used are widely used industry measures and form the measurement basis of the key strategic KPIs (return on net operating assets, operating profit margin and cash conversion). A portion of executive remuneration is also directly linked to some of the APMs. Definitions and reconciliations to the equivalent statutory measures are included in Note 32 of the financial statements.

Definitions

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

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

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

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

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

†** WIP turn is defined as total revenue divided by the average of opening and closing work in progress.

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

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

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

Directors' report: governance

Making a difference through good governance

"I am pleased to leave the business in great shape, with strong governance embedded, a determination for further improvement and the appropriate culture to achieve this."

Kevin Beeston
Chair

Governance highlights for 2019

- Fully compliant with all of the requirements of the 2018 UK Corporate Governance Code which applies to the Company for 2019 reporting. Read more on pages 65 and 132.
- Acted in accordance with the guidance applicable to the Company for 2019 set out in the Financial Reporting Council's Guidance on Risk, Internal Control and Related Financial and Business Reporting. Read more on pages 45-53 and 98-105.
- Made good progress towards achieving our strategy for improving diversity and inclusivity at all levels throughout the Group's businesses. Read more on pages 36 and 86-97.
- Conducted a comprehensive internally-facilitated Board evaluation exercise. Read more on pages 92-93.
- Further developed and enhanced the Company's succession and contingency plans and planning processes across the Group. Read more on pages 90-91.
- Took action to increase female representation in senior roles from Board level downwards, as highlighted in our Gender Pay Gap report, the latest edition of which appears on our website. Read more on pages 90-91.
- Further deepened processes and procedures across the business and its supply chain to protect against modern slavery. Read more on pages 38 and 137.
- Published the Company's half yearly statutory reports of payment terms during 2019, showing steady improvement.

Board attendance in 2019

Board members during 2019	Number of meetings attended in 2019
Kevin Beeston, Chair	8/8
Irene Dorner[a], Independent Non Executive Director and Chair-designate	1/1
Pete Redfern, Chief Executive	8/8
Chris Carney, Group Finance Director	8/8
Jennie Daly, Group Operations Director	8/8
James Jordan[b], Group Legal Director and Company Secretary	8/8
Kate Barker, Independent Non Executive Director	8/8
Gwyn Burr, Independent Non Executive Director	8/8
Angela Knight, Independent Non Executive Director	8/8
Robert Noel[c], Independent Non Executive Director	2/2
Humphrey Singer, Independent Non Executive Director	8/8

(a) Appointed 1 December 2019.
(b) Retired 31 December 2019.
(c) Appointed 1 October 2019.

Dear Shareholder

In my capacity as Chair of the Board, I am very pleased to have this opportunity to make what will be my final personal statement on the Company's approach to corporate governance, prior to my stepping down as Chair and as a Director on 26 February 2020.

Firstly, I would like to emphasise again that the Board continues to take corporate governance very seriously and has been able to demonstrate this over many years through full compliance with the 2018 UK Corporate Governance Code (the Code). The requirements of the Code are described throughout this report, together with explanations as to how we have complied with its requirements, and signposts directing you to the relevant page where more detail can be found on how the Company has complied with its various provisions.

The Company has consistently sought to comply with planned improvements and revisions to the Code, and with wider governance initiatives, often in advance of their formal application to our reporting years. The Board recognises the importance of considering the Company's responsibilities and duties to both its shareholders and its broader stakeholder group and this ethos has been part of our culture and decision-making process for many years. The Directors' duties under Section 172 of the Companies Act 2006 help to underpin the good governance which is at the heart of what we do. Details of how the Board has met its obligations in respect of Section 172 during 2019, by taking account of shareholder and wider stakeholder interests in its strategic planning and decision-making processes, are set out on pages 32-43 and 76-81 and support the formal statement of how the Board complied with this legal requirement, which appears on page 33.

We receive regular briefings and updates on corporate governance at our Board and Committee meetings and this report aims to explain in clear terms the governance-related processes and procedures that are in place at Taylor Wimpey and which we believe are essential for the delivery of the long term success of the Company. It is these processes that ensure we comply with all applicable laws and regulations as well as, of course, meeting the requirements of our relevant stakeholders, including shareholders and their representative bodies with whom we are always very pleased to engage. We very much appreciate their constructive and helpful approach and feedback.

Culture, values and ethics

The Board strongly believes that good governance should be focused not only on how the Board itself operates effectively but also, and very importantly, on the culture within which all of our businesses and employees operate and conduct themselves on a day to day basis. The culture, values and ethics set out on pages 2 and 69 are set and monitored by the Board as set out on page 71 and led in our operations by the Chief Executive and the rest of our Executive and senior management teams. The principles of good governance are embedded throughout Taylor Wimpey and manifest themselves in a number of different ways, including the following:

- An absolute and non-negotiable requirement throughout our business to ensure the health and safety of our employees, customers, subcontractors, suppliers and visitors to our offices and developments. Please see pages 15, 23, 37, 74 and 136.
- The requirement to observe good business practice, including abiding by all applicable laws and regulations that relate to our business. Please see pages 75 and 82.
- The provision of mandatory training to all of our businesses on key legislation and regulations relating to our areas of operation.
- Our Group-wide Operating Framework control document setting out common procedures, best practice and delegated authority limits.
- A system of controls and checks underpinned by a rigorous Internal Audit Department and in turn overseen by the Audit Committee.
- Regular and embedded risk assessment and monitoring processes. Please see pages 45-53 and 101-102.
- Encouraging and investigating any disclosures made either directly or through an independent third party whistleblowing hotline available to employees, subcontractors, suppliers, customers and the general public. Please see page 75.

During 2019, we re-focused our values to emphasise to the team how these values should translate into our behaviours; how we strive to be known for putting the customer at the centre of all our decisions; and our wider social responsibility to the customers and communities our business impacts upon.

Governance developments during the period

The Board received governance briefings during the year, encompassing all of the key legal and regulatory governance changes introduced during 2019, in addition to a specific briefing on the updated Code.

As noted in last year's Annual Report, we had taken note of the Government's proposals for corporate governance reforms, enabling us to take early action to address the application of the updated Code to the Company's reporting for 2019, including:

- Requiring annual reporting and commentary on CEO pay relative to the workforce and including CEO pay ratios (introduced early by the Company in its 2018 reporting and updated this year). Please see page 129.
- Demonstrating how the Directors met the requirement of Section 172 of the Companies Act, namely, for each of them to promote the success of the Company for its members whilst also having regard to: long term success; a broader range of other stakeholders' interests (customers, employees, partners, investors and the wider communities in which our business operates); the impact on the environment; and maintaining high standards of ethics. Please see pages 32-43 and 76-81 and the formal statement of compliance on page 33.
- Strengthening the voice of our employees at Board level through our National Employee Forum. Please see pages 63, 78-79 and 135.
- An increasing focus on the culture of the Company. Please see pages 69-71.
- Further requirements around Board composition and succession planning at Board level. Please see pages 90-91.
- Wider recommendations to promote good corporate governance, particularly around Executive pay. Please see page 65.
- Disclosing the impact on potential outcomes from LTIP awards (the Performance Share Plan or PSP) in the event of significant (up to 50%) appreciation in the Company's share price (introduced early by the Company in its 2018 reporting and updated this year in the scenario charts in the Remuneration Report on page 117).

The Government is also seeking to encourage companies to increase productivity, including through greater recognition of the importance of 'human capital' and a clearer focus on training and development. Details of our initiatives in this regard appear on pages 28, 36-38, 79 and 135-137.

The Company continues to improve its performance in the important areas of environmental, social and governance (ESG) responsibility and I am pleased to report that the Company has retained its membership of the FTSE4Good Index. In addition, the latest update of the Institutional Shareholder Services (ISS) Governance Quality Score for the Company's ESG performance indicates that the Company is level 1 – indicating lowest risk assessment for each of the Environment and Social categories; and for the Governance categories relating to shareholder rights; and audit & risk oversight.

The Board is also aware of the increasing level of investor interest in climate change risk and that consideration is being given to reassessing risk and asset values to reflect this in revised capital allocations. As reported on page 47, the Company commenced work during 2019 to align its operations and reporting with the aims of the Task Force on Climate-related Financial Disclosures. We are also considering whether this can be reflected in further improvement in sustainability reporting through adopting a revised standard, such as those proposed by the Sustainability Accounting Standards Board.

The Board reviewed and welcomed all of these initiatives which are designed to help provide shareholders and all of our stakeholders with increased assurance that the Company is being managed with their best interests firmly in mind, whilst also taking account of the Company's activities in, and impact, on the wider community, both at a local level and more broadly in respect of sustainability and climate change.

Appointments and succession

The Nomination Committee oversaw changes on the Board during 2019, and agreed plans for further change early in 2020.

On 1 December 2019, we were delighted to appoint Irene Dorner as an Independent Non Executive Director and Chair-designate, bringing over 30 years' executive experience, including most recently as CEO of HSBC in the US and as Group MD of HSBC Holdings. Irene also has considerable experience of the roles of non executive director and of Chair, being an independent non executive director of AXA SA and Rolls-Royce Holdings plc and as Chair of the Board of Control Risks Limited and previously Virgin Money Holdings (UK) plc. More details of her experience and the additional skills she brings to the Board and to the Nomination and Remuneration Committees appear in her biography on pages 66 and 196. I have been working closely with Irene to ensure that there is an effective handover of responsibilities with a view to her assuming the Chair following the announcement of the Company's 2019 results on 26 February 2020.

On 1 October 2019, we were delighted to appoint Robert Noel as an Independent Non Executive Director. Rob has over 30 years' experience in the property sector, and has been CEO of Land Securities Group PLC since 2012. He was previously Property Director of Great Portland Estates plc. More details of his experience and the additional skills he brings to the Board and to the Audit and Nomination Committees appear in his biography on pages 67 and 197.

On 4 November 2019, James Jordan handed over the Company Secretary responsibilities to Alice Marsden and on 31 December 2019 he stepped down from the Board. James joined George Wimpey as its Group General Counsel and Company Secretary in February 2002 and has been Secretary of Taylor Wimpey since the merger in July 2007. He was appointed to the Board as Group Legal Director in July 2011. During over 17 years' service, James has demonstrated outstanding commitment, dedicated service and wise counsel both to me and my predecessors as Chair, and to the Board as a whole, in addition to his other responsibilities as a senior executive of the Group. James remains employed by the Company until 31 March 2020 to ensure that there is an effective handover of his various responsibilities and will then retire. I thank him personally and on behalf of the Board, for his long, valued and dedicated service, and wish him a very happy retirement.

I was delighted to welcome Alice Marsden as our new Group General Counsel and Company Secretary on 4 November 2019 and am pleased to see how well she has settled into her role, both with the Board and as a member of the Group Management Team (GMT). Alice brings experience of the role as former Group General Counsel and Company Secretary of Thomas Cook Group plc and from her previous experience in the legal profession.

The Nomination Committee regularly reviews the composition, balance, skills and experience of the Board, together with related succession planning and concluded that, following the changes set out above, the balance and composition of the Board will continue to provide the right blend of experience, expertise and challenge to ensure good governance and enable the Company to successfully implement its strategy. During the year, in accordance with the Code at least half of the Board (excluding the Chair) were Independent Non Executive Directors.

Board evaluation

It is a key requirement of good governance that an annual evaluation is carried out to ensure that the Board, its Committees and each Director performs effectively. The Code requires that the evaluation is externally-facilitated at least every three years, most recently in 2017 by Manchester Square Partners, and the annual evaluation for 2019 was therefore internally-facilitated. The outcome of the evaluation was very positive and further details of the evaluation methodology and its outcomes are set out on pages 92-93.

Arrangements are in hand for a further externally-facilitated evaluation to be conducted later this year, the results and actions proposed from which will be reported in next year's Annual Report.

Diversity

Diversity and inclusivity have very rightly continued to be key items on the overall UK governance agenda during 2019. The Company has achieved the target introduced by Lord Davies of Abersoch's review for the proportion of women on each FTSE 350 company's board to increase from the current 25% target to 33% by 2020, with the Board's proportion of women members having increased during 2019 from 44% to 45%. This proportion further increased to 50% from the end of 2019 on the retirement of James Jordan and will have further increased to 56% (five out of nine) following my standing down from the Board on 26 February 2020.

The Board also welcomed the Hampton-Alexander Review, which proposes to increase Board and senior leadership diversity. As noted above, I am pleased to be able to report that the proportion of women increased during 2019 and to date on the Board (from 44% to 56%), and also on the direct reports to the Board, i.e. the members of the GMT, from 33% to 44%. More details of how these gender diversity improvements were achieved and the Board's plans for further improvements in diversity and inclusivity, are set out on pages 95-97. The Board very much welcomes these higher targets which are designed to give greater impetus to the progress of enhanced gender diversity on PLC boards. This, together with other diversity recommendations, such as the proposals from the Financial Reporting Council (FRC) to require greater consideration of ethnic and social diversity when planning Board appointments, and the Parker Report on ethnic diversity, is very much in the thinking of the Nomination Committee when reviewing the balance and composition of the Board and the structuring of talent development initiatives across the Group.

As reported last year, at the 2018 launch of the Hampton-Alexander Review into speeding up the pace of progress on increasing diversity on boards and the next two leadership levels immediately below the board, the Company was the third best performer in the FTSE at that time; was the only housebuilder in the top ten; and was amongst those commended for the progress made to date. We are proud of these achievements and pleased that we have been able to make further progress during 2019 and into 2020.

The Company is committed to supporting diversity and its policy is to appoint or promote, as appropriate, the best person for the role in question, without taking account of factors such as educational or professional backgrounds (save as appropriate for the position); age; gender; ethnicity; or disability. The objective of this policy is to ensure that diversity is built into the Company's appointment and promotion process and that only relevant factors are taken into account when considering such matters.

The policy has been implemented through training sessions on unconscious bias for management teams throughout the Company's business and its head office functions. Progress to date in this area is set out on pages 95-97 and continuing to improve our diversity across the Company will remain a priority for the Board.

Engagement with employees

During 2019, we conducted the latest of our biennial Employee Surveys. Over two-thirds of employees responded, with our commitment to health and safety; corporate responsibility; understanding of the Company's strategy; prioritising customer needs; and satisfaction with working for Taylor Wimpey and with their line manager, all scoring at or in excess of 90%. I believe that this demonstrates that our workforce has bought into our wider strategy; our culture; and our commitment to a customer focused approach. The survey also highlighted two areas where improvements can be made, and action plans are being developed to better integrate certain teams and further improve the principles of 'working together'. Detailed results of the survey are reported on pages 71, 78 and 135.

The National Employee Forum also continued its effective engagement with employees and their representatives across all levels of the Company. One meeting was attended by the Chief Executive who answered questions ranging from the possible impact of Brexit; interpretation of the feedback from the Employee Survey; dissemination of the Company's new values; and initiatives to improve facilities for agile working. In addition, the Group Finance Director and Group Legal Director and Company Secretary attended a meeting during 2019. More details of the Forum and the engagement with employees during 2019 appear on pages 36-37, 78-79 and 135-137.

Conclusion

I believe that your Board remains effective and continues to work very well. I am confident that the Board has the right balance of skills, expertise and professionalism to continue to deliver strong governance whilst allowing the Executive Directors to implement and deliver the strategy (as set out on pages 24-29) within the strong culture that we have worked hard to establish. Whilst I am also pleased with the Board's activity and approach with regard to corporate governance, we will continually look for ways to learn and improve.

My successor, Irene Dorner, will chair the Company's AGM on 23 April 2020 and I am sure she will be looking forward to meeting with our shareholders, as will all of your other Directors (who will all be present at the AGM), and they remain available to answer or respond to your questions, concerns and suggestions at any time.

As noted earlier, I am working with Irene to ensure that there is an effective handover of the responsibilities of the Chair on 26 February 2020, at which time I will stand down as your Chair and from the Board.

In this connection, Kate Barker, our longest-serving Non Executive Director, has kindly agreed to defer her stepping down from the Board on reaching the ninth anniversary of her appointment to the Board (on 20 April 2020). Following a recommendation from the Nomination Committee, the Board supports the deferral of Kate's departure from the Board until 31 July 2020 in order to support Irene as she takes on her new position and responsibilities and also to provide additional stability in the Board composition. Kate will step down from her role as Senior Independent Director and member of the Audit and Remuneration Committees on 20 April 2020. More details are set out in the Nomination Committee report on page 94 and in the Notice of AGM and the explanatory notes on pages 192 and 196.

I joined the Board in July 2010 and I have enjoyed my time as Chair of the Company immensely. It has been both an honour and a pleasure to serve as your Chair and I am pleased to leave the business in great shape, with a clear strategy and a strong leadership team to continue to take the Company forward.

I would like to take this opportunity to thank all of my Board colleagues, the Group Management Team and all of our employees across the business, for their dedication, loyalty and hard work which has underpinned our success and helped to make my tenure as Chair so enjoyable.

Kevin Beeston
Chair

25 February 2020

Statement of compliance

For the year ended 31 December 2019, the Company complied with all of the provisions of the Code; the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules sub-chapters 7.1 and 7.2 which set out certain mandatory disclosure requirements; the FCA's Listing Rules 9.8.6R, 9.8.7R and 9.8.7AR which include the 'comply or explain' requirement; and the BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. These regulations are publicly available as follows:

- The Code can be found at www.frc.org.uk
- The FCA's Disclosure and Transparency Rules as well as Listing Rules can be found at www.handbook.fca.org.uk
- The BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at www.gov.uk
- The FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting can be found at www.frc.org.uk

This 2019 Annual Report and Accounts

Your Directors have responsibility for preparing this 2019 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with Section 4, Principle N, Provision 27 of the Code the Board considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board was able to reach this conclusion after receiving advice from the Audit Committee. The processes of review and assessment followed by that Committee in that respect are set out on pages 104-105.

The Viability Statement, as required by the Code, appears on pages 52-53.

Q&A with Irene Dorner, Chair-designate

"I am proud to take on this appointment with a Company which marries together a historic past and a vibrant, exciting future."

How have you found your first months as a member of the Board?

I am personally grateful to my predecessor, Kevin, for his support and warm welcome since I joined the Board in December last year. It is testament to Kevin's stewardship as Chair that I have been made to feel so welcome by the rest of the Board, Management and all of the Taylor Wimpey employees who I have met so far and who have helped me through a very thorough induction process. The smooth transition in the succession plan reflects the progressive culture and mechanisms installed by Kevin and the Board and he can be proud to step down as Chair, knowing he leaves a business with a strong and highly effective oversight and control function, and an inclusive and forward-thinking culture. I know that his wisdom, knowledge and accessibility will be missed and I look forward to building on his legacy. I also know all within the Company will join me in thanking Kevin for his significant contribution to Taylor Wimpey and for his great stewardship during his nearly 10 years as Chair, as well as wishing him well in his future endeavours.

How have you learned about the business and the industry?

In addition to my own research prior to joining the Company, Taylor Wimpey has conducted a comprehensive induction process where, as well as meeting members of the Board and management, I was able to visit two regional businesses to better understand what we do as a Company. I have various induction activities planned throughout this year, to ensure that I get to see all parts of our business. The period of transition from my joining the Board until I took on the role of Chair has enabled me to spend invaluable time with Kevin to gain the benefit of his experience and to better understand the Board and Company operations under his tenure and to discuss the key challenges he sees facing the business and industry. We have a wealth of experience on the Board from a diverse range of industries including construction, business services, economics, politics, financial services, property and retail and I am grateful for the expertise and support of my Board colleagues. My priorities outside of Board meetings are to get to know the business better over the next few months and I will be travelling to meet with employees in a number of our business units.

What will you bring to the role?

I have spent much of my career in the financial services sector which is, rightly, a highly regulated industry. The regulation is there to protect customers and at Taylor Wimpey, we adopt a truly customer-focused approach, focusing on the critical issues, such as health and safety regulation. Housebuilders have a key role to play working with the Government to understand how we can address the national housing crisis as well as tackling key issues, such as sustainability and environmental responsibilities, affecting the wider industry.

What are your first impressions of Taylor Wimpey?

The success of Taylor Wimpey is evident in the strength of the business and its balance sheet. Our success is also evident in other, less quantifiable but no less meaningful ways, such as the excellent deeply embedded safety culture, and the trusted reputation Taylor Wimpey has with customers, suppliers, and within the housebuilding industry. I have also been impressed with the level of employee engagement and it is encouraging to see that regular dialogue exists between employee representatives and the Board through the NEF.

The latest Employee Survey shows that there is an understanding throughout the business of the key role each and every employee plays in the success of our business, as well as a commitment and a desire to 'do the right thing', which is very encouraging. Overall, I see a professionally run business with a strong purpose in its desire to put the customers at the centre of our offering and have seen first-hand the quality of product which our employees are proud to deliver to our customers.

How do you see the Company's performance and outlook from a governance standpoint?

There is a very strong culture of good governance at Taylor Wimpey, in the internal structures of the Board and through the main committees – Audit, Nomination and Remuneration, as well as other key areas of focus such as health and safety, risk and ESG issues. However, I have found that businesses function best when the 'tone from the top' is echoed at every level and I have been pleased to find there is a high degree of personal responsibility throughout Taylor Wimpey. From what I have seen so far, Taylor Wimpey management and employees go out of their way to take responsibility and to do the right thing, which is very encouraging for an incoming Chair.

What are the key challenges in the years ahead?

It is clear that we have experienced a very supportive market over recent years. However, we operate in a consumer focused industry which is subject to changes in demand, and we are currently uncertain how the political environment may impact on us, so we can never be complacent. When performing my due diligence pre-appointment, I was impressed by the mechanisms put in place to monitor the business' position within the cycle, as well as the conservative manner in which the business operated to prepare for changing market conditions. It will continue to be the Board's priority to ensure that management continue to drive our long term strategy, which is adaptable to the prevailing trading environment.

I very much look forward to meeting shareholders at the Company's 2020 AGM and to hearing their views on the Company's performance and prospects.

New skills on the board

Irene Dorner
Independent Non Executive Director and Chair-designate

Irene Dorner, as an experienced Non Executive Director, received an induction post-appointment that focused on the culture, operational structure and key challenges of Taylor Wimpey. As Chair-designate, she also worked closely with Kevin Beeston, our former Chair, in ensuring an effective handover of responsibilities.

Accordingly, her induction comprised:

- An introductory meeting with the Chair to discuss Board process and the Group's culture.
- A comprehensive document pack was provided which included analyst and broker reports.
- A meeting with the Company Secretary on governance.
- A series of meetings with the Divisional Chairs of the operating divisions of the Group. During each of these, the strategy; operating and financial performance; budget and forecasts; human resourcing, diversity and talent development progress and plans; challenges; risk; and medium term plans; for the business area, were discussed.
- A series of meetings with Heads of key functions including Health, Safety and Environmental; Internal Audit; Customer Services; and HR; during which Group-wide progress on initiatives; challenges; and plans for the future, were discussed.
- Visits to a selection of current development sites located in each of the operating Divisions, incorporating discussions with Divisional, Regional and Site Management on operational, financial, supplier and resourcing matters and local initiatives to manage them.
- Meetings with key governance advisers and the Company's stockbrokers; at which briefings were given on current shareholder issues, both generally and sector-specific.
- Meetings with the wider Taylor Wimpey team, including executives and representatives of all levels of the team during Regional and site visits.

During the course of her first year as Chair, Irene will also hold meetings with major shareholders and visit the Taylor Wimpey businesses in both Scotland and Spain to meet the teams and learn more about their operations.

Robert Noel
Independent Non Executive Director

Rob Noel, as an experienced Non Executive Director, received an induction post-appointment that focused on the culture, operational structure and key challenges of Taylor Wimpey.

Accordingly, his induction comprised:

- An introductory meeting with the Chair to discuss Board process and the Group's culture.
- A comprehensive document pack was provided which included analyst and broker reports.
- A meeting with the Company Secretary on governance.
- A series of meetings with the Divisional Chairs of the operating divisions of the Group. During each of these, the strategy; operating and financial performance; budget and forecasts; human resourcing, diversity and talent development progress and plans; challenges; and medium term plans; for the business area, were discussed.
- A series of meetings with Heads of key functions including Health, Safety and Environmental; Internal Audit; Customer Services; and HR; during which Group-wide progress on initiatives; challenges; and plans for the future, were discussed.
- Visits to a selection of current development sites located in two of the operating Divisions, incorporating discussions with Divisional, Regional and Site Management on operational, financial, supplier and resourcing matters and local initiatives to manage them.

How we comply with the 2018 UK Corporate Governance Code

The UK Financial Reporting Council promotes high-quality corporate governance and reporting through the 2018 UK Corporate Governance Code (the Code), with which all companies with a premium listing on the UK Stock Exchange are required to either comply in full; or explain why, and to what extent, they do not comply. The Corporate Governance section of this Annual Report explains how the Code principles have been applied, as set out below. In a new approach this year, we have grouped the sections explaining how the Company has complied with the provisions of the Code into each of the five areas into which the Code is subdivided, with page references for certain matters within each area:

Board Leadership and Company Purpose

Board of Directors

Chair

Kevin Beeston
Chair

Joined July 2010

Skills & experience

Kevin has significant experience of chairing boards and of being a non executive director of both public and private companies. He also brings a wealth of commercial, financial and high level management experience, including being a former CEO of a FTSE 100 company. He was formerly Chair of Equiniti Group plc; Serco Group plc and Domestic and General Limited; and a non executive director of IMI plc.

It has been announced that Kevin will stand down as Chair and as a Director following the Company's announcement of its 2019 results on 26 February 2020.

External appointments

Kevin is a non executive director of Severn Trent plc, Marston Corporate Limited, Elysium Limited and The Football Association Premier League Limited.

Executive Directors

Pete Redfern
Chief Executive

Joined July 2007

Skills & experience

Pete was previously Group Chief Executive of George Wimpey Plc, having successively held the posts of Finance Director and Chief Executive of George Wimpey's UK housing operations. He has full day to day operational responsibility for delivering the Company's strategy in a profitable, safe and environmentally responsible manner and has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. He was also, until 18 April 2019, a Trustee of the homelessness charity, Crisis.

External appointments

Pete is a non executive director of Travis Perkins plc, where he is also Chair of the Stay Safe Committee; a member of the Remuneration Committee; and the Employee Voice Committee. Pete is also Chair of the Youth Adventure Trust charity.

Chris Carney
Group Finance Director

Joined April 2018

Skills & experience

Chris is a Chartered Accountant and has worked in both private practice with Deloitte and for Associated British Foods plc. After joining Taylor Wimpey in 2006, he has successively held the roles of Group Financial Controller; Finance Director of Taylor Wimpey UK (the Group's main operating company); Managing Director of the Company's South Thames business unit; and Divisional Chair for the London and South East Division, where he oversaw significant progress in the operational and financial performance of the Division.

Appointed as Group Finance Director on 20 April 2018, he has operational responsibility for managing the Company's finances and also oversees the commercial, information technology and pension functions.

Jennie Daly
Group Operations Director

Joined April 2018

Skills & experience

Jennie has a wealth of experience in the housebuilding industry gained from roles which included strategic land oversight at Westbury plc and managing director of Harrow Estates Plc. She joined the Company in 2014 from Redrow plc, as UK Planning Director, before becoming UK Land Director in 2015. Jennie chairs the Group Operation Team; oversees our land, planning, design, technical and sustainability, production and supply chain functions; and manages the Taylor Wimpey Logistics business.

External appointments

Jennie is a non executive director of the Peabody Trust.

Independent Non Executive Directors

Irene Dorner
Independent Non Executive Director and Chair-designate

Joined 1 December 2019

Skills & experience

Irene has strong leadership skills and commercial experience gained during her career spanning more than 30 years in banking and also through her various non executive roles. Her long and distinguished career at HSBC included a number of senior positions, including CEO of HSBC Malaysia and CEO and President of HSBC in the United States. She retired from HSBC at the end of 2014 and was a Group Managing Director of HSBC Holdings and a member of the Group Management Board.

Irene will succeed to the Chair after the announcement of the Company's results on 26 February 2020 and will Chair the 2020 AGM.

Previously, Irene was Chair of Virgin Money (UK) plc prior to its acquisition in 2018.

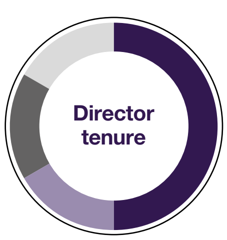
External appointments

Irene currently holds independent non executive roles at AXA SA and Rolls-Royce Holdings plc and she also chairs Control Risks Limited, a risk consultancy business. She is also a trustee of the South East Asia Rainforest Research Partnership and an Honorary Fellow of St. Anne's College, Oxford.

Board gender diversity

Executive	
Male:	2
Female:	1
Group Board	
Male:	5
Female:	5
Non Executive	
Male:	3
Female:	4

Non Executive Director tenure



0-2 years	3
3-4 years	1
5-6 years	1
7-8 years	1

Non Executive Director – areas of experience

Customer service	1
Economist	1
Financial services	3
Marketing	2
Public sector	2

Key

A Audit Committee
N Nomination Committee
R Remuneration Committee
Chairship of the Committee

Details of how each Directors' skill sets contributes to the Board's leadership of the Company's strategy development and operations, are set out on pages 196 to 197

Kate Barker DBE
Independent
Non Executive Director

Joined April 2011

Skills & experience

Kate is a business economist. She was a member of the Bank of England's Monetary Policy Committee from 2001 until 2010 and led two major policy reviews for the Government, on housing supply and on land use planning.

Kate is the Company's Senior Independent Director until 20 April 2020 when she will hand over to Robert Noel on the ninth anniversary of her appointment as a Non Executive Director.

External appointments

Kate is a Trustee Director and Chair of the British Coal Staff Superannuation Scheme; an Independent Consultant and member of the Investment Committee of Saunderson House; a non executive director of Man Group plc; a National Infrastructure Commissioner for HM Treasury; an Independent Commissioner of the UK Government's Geospatial Commission; and an external member of the Oxford University Council. It has also been announced that Kate will become Chair of the Universities Superannuation Scheme later this year.

Gwyn Burr
Independent
Non Executive Director

Joined February 2018

Skills & experience

Gwyn has over 25 years' executive experience, principally in marketing, HR and customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director at J Sainsbury plc. She previously held non executive positions with the Principality Building Society Limited, Sainsbury's Bank plc, Wembley National Stadium Limited and the Financial Ombudsman Service.

External appointments

Gwyn is the Senior Independent Director of Hammerson plc and her other non executive directorships include Metro AG (a German listed company) and Member of the Supervisory Board of Takeaway.com.

Angela Knight CBE
Independent
Non Executive Director

Joined November 2016

Skills & experience

Angela brings to the Board a wealth of experience gained at a senior level in both the public and private sectors. Previously, Angela was a Member of Parliament from 1992 to 1997, including two years as the Economic Secretary at HM Treasury, and Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019.

External appointments

Angela is Senior Independent Director of TPICAP Plc; and a non executive director of Arbuthnot Latham & Co; Provident Financial plc; and Encore Capital Group, Inc.

Robert Noel
Independent
Non Executive Director

Joined 1 October 2019

Skills & experience

Rob has over 30 years' experience in the property sector and has been Chief Executive of Land Securities Group PLC since 2012. Prior to joining Land Securities in 2010, he was Property Director at Great Portland Estates plc from 2002 to 2009. From 1992 to 2002, he was a Director of Nelson Bakewell, the property services group.

Rob will succeed Kate Barker as the Company's Senior Independent Director on 21 April 2020.

External appointments

Rob is a Trustee of the Natural History Museum and a Board member of The British Property Federation of which he was President from 2018 to 2019.

Humphrey Singer
Independent
Non Executive Director

Joined December 2015

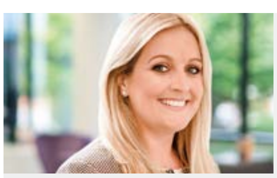
Skills & experience

Humphrey has a wealth of financial experience and expertise in the areas of both digital solutions and customer services. Previously he was Chief Finance Officer of Marks and Spencer Group plc; Group Finance Director of Dixons Carphone plc; Group Finance Director of Dixons Retail plc; and earlier held senior finance-related roles within Dixons and Coca Cola Enterprises.

External appointments

Humphrey is Chief Financial Officer of Belron Group.

Company Secretary



Alice Marsden
Group General Counsel
and Company Secretary

Joined 4 November 2019

Skills & experience

Alice, a solicitor, was previously the Group General Counsel and Company Secretary of Thomas Cook Group plc and has also worked in the legal profession. Alice oversees compliance with legal and regulatory obligations and also manages the Company's Legal and Secretariat Departments. She has significant legal, commercial, transactional and regulatory/corporate governance related experience.

Find out more

Read more on our governance and Board structure on pages 60-85

Read more on our Board activities on pages 70-75

Read more on our Board framework on pages 84-85

The Board and its Committees

As at the date of this Report, the Board consists of 10 Directors, namely: the Chair, three Executive Directors and six Independent Non Executive Directors. Their names, responsibilities and other details appear on pages 66-67, 83 and 196-197.

The role of the Independent Non Executive Directors is to offer advice and guidance to the Executive Directors, using their wide experience gained in business and from their diverse backgrounds, details of which are set out in their biographies on pages 66 to 67 and 196 to 197 and in the Board diversity analysis on page 66. They also provide constructive challenge, monitoring the overall direction and strategy of the Company; scrutinising the performance of the Executive Directors; and satisfying themselves as to the integrity of the financial information made available both to the Board and to the Company's shareholders. The Non Executive Directors also play an important part in the appointment or removal of Executive Directors and in general succession planning for the Board and other executive and senior management positions below Board level.

Board attendance

The Board met on eight occasions during 2019 and there was full attendance at all meetings by all Directors. The Board regularly considers the number of Board meetings that take place each year and has concluded that eight meetings remain appropriate but will keep the number under review. Additional Board meetings would be convened as and when necessary and there are also processes in place for approving transactions and other matters that may require approval in between Board meetings.

Directors make every effort to attend all Board and applicable Committee meetings, as evidenced by the strong attendance records over many years. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chair and / or the Secretary will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending by the Chair and / or the Secretary as appropriate. Details of the attendance of each Director at Board and Committee meetings are set out in the tables on pages 60, 86, 99 and 106.

In addition, and in line with the Code, the Chair and the Senior Independent Director, independently of each other, hold meetings at least annually with the Non Executive Directors without the Executive Directors present, and each did so on one occasion during 2019.

Board responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic direction; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

Information and professional development

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to different operations and at least one Board meeting per annum takes place either in, or at a nearby location with representatives from, a regional business unit over two days. In 2019, the Board visit, accompanied by the Group Management Team, encompassed presentations on the Major Developments business, increasing use of direct labour, product and placemaking, the strategy for large sites, building for the private rental and rent to buy markets, and on the performance of the Manchester business unit.

The Group General Counsel and Company Secretary acts as Secretary to the Board and its Committees and attends all meetings. It is Board policy that wherever possible a formal agenda and reports are issued electronically to Directors in respect of all Board and Committee meetings at least one week prior to the meeting, in order to allow sufficient time for detailed review and consideration beforehand. Formal minutes are prepared in respect of all Board and Committee meetings, circulated and submitted for approval at the next meeting. All Board papers are circulated electronically and Board meetings have been effectively paperless for several years, which has worked well and aided the overall efficiency of the wider Board process.

The Secretary provides regular briefings to the Board on regulatory and governance matters which are included as part of her formal regular reporting to the Board and are supplemented, as appropriate, by briefings from independent advisers. The Board also receives regular briefings and updates on environmental, social and governance (ESG) matters.

The ESG briefings allow the Board to assess the significant ESG risks to the Company's short and long term value and to identify any opportunities that may arise to enhance value. Details of ESG risks and value enhancement pursuits appear in the 2019 Sustainability Report, which is available on our website at www.taylorwimpey.co.uk/corporate/sustainability

The Chair, Chief Executive and Secretary meet sufficiently in advance of each Board meeting in order to ensure action points from previous meetings have been implemented and to prepare the agenda and matters to be covered at the next and at future Board and Committee meetings as appropriate. The agenda and minutes for the Audit, Nomination and Remuneration Committee meetings are agreed by the Secretary with the relevant Committee Chair.

Company culture

A healthy culture is extremely important and the Board fully agrees with the FRC that it both 'protects and generates value' and that culture should be the subject of a continuous focus rather than only in times of a crisis. The Board is responsible for the Company's culture and for defining and setting the Company's values and standards from the top. Culture is established by leadership and by example, but this also needs to be underpinned by clear policies and codes of conduct which ensure that the Company's obligations to its shareholders and other stakeholders are clearly understood and met.

The Company's approach is described in more detail on page 71. The Board is led in these respects by the Chair, who ensures the Board operates correctly, setting its own culture and, by extension, that of the Company in its operations and its dealings with all stakeholders. The observance of that culture throughout business operations is led by the Chief Executive with the assistance of the other Executive Directors and the Group Management Team.

During the course of 2019 and into 2020, the Board actively reviewed and monitored several key areas that it considers are important indicators of the Company culture, including health, safety and environmental matters (as set out on pages 28 and 37), customer service, land, risk strategy, and diversity and inclusivity.

The Board took a number of actions designed to address the findings of these cultural indicators:

- Initiatives commenced in response to the outcome of the 2019 Employee Survey are described on page 135.
- Actions taken in response to employee consultation are set out on page 78.
- The NEF was consulted on proposals introduced during 2019 in the areas of agile working and the revised induction process for new starters.
- The roll-out of new information technology was discussed with the NEF.
- Wider use was made of social media to inform employees.

The Board will keep all of these areas under regular review.

Company purpose

The Company's purpose is to deliver new homes within thriving communities, in a safe and environmentally responsible manner, with customers at the heart of its decision making and consideration of the potential impact on wider stakeholders.

The Board's leadership towards achieving this purpose during 2019 is set out on pages 70 and 73 and includes information on pages 76-81 on key stakeholders and the ways in which consideration of their interests informed the Board's thinking.

Board activities during the year

This Report seeks to explain the role of your Board of Directors and describes how it is responsible for setting the culture and values of the Company, ensuring that the Company is run in the best interests of its shareholders as well as other stakeholders, and how it interacts with its shareholders in explaining the Company's strategic goals and its performance against them.

From a governance perspective, it is not just a case of what is done but also, and just as importantly, how it is done. In light of this, we try to avoid a 'box ticking' approach to corporate governance, preferring our own governance to be something that is properly embedded in our people, processes and decision making at all levels and vested in the personal values of all Directors and senior management.

As a Board, we review health, safety and environmental performance at every Board meeting as the first substantive agenda item. We also regularly review: our business strategy; key risks; the market; operational matters; customer service; diversity and inclusivity; corporate responsibility; our financial position and performance; governance, compliance and legal matters, including whistleblowing; and stakeholder-related matters, including the make up of our share register and investor relations programme; community engagement; and human resources and wider employee matters. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through regular reports and presentations from our senior management and external advisers.

The Board and individual Directors also undertake regular visits to our regional businesses and their development sites, which have proved to be both very useful and informative.

Special topics considered during the year at Board meetings included those listed in the timeline opposite.

How the Board led and monitored the strategic direction

February
In its February meeting, the Board considered the possibility of, and scenarios arising from, Brexit together with a business update and future strategy plans from the London and South East Division, and the 2018 risk assessment.

April
In its April meeting, the Board considered presentations on customer service, customer focus and the potential implications for the UK homebuilding industry of Brexit and wider political developments.

May
At its May meeting, the Board considered an update on the business and future strategy plans of the North Division and a presentation on plans for sales and marketing across the business.

June
At its June meeting, the Board debated a strategy update and identified and agreed the key priorities together with progress made to date and activities planned going forward. It also received an update on the business and future strategy for the Major Developments business.

September
At its September Board 'away day' in the Company's Manchester business, the Board considered a presentation on sustainability in relation to Group operations and the supply chain and received a breakfast briefing from external speakers on Artificial Intelligence.

October
In its October meeting, the Board considered updates on progress and future strategy in the areas of land and human resourcing, including for the latter, recruitment and induction plans, and the strategy for further improving diversity and inclusiveness.

December
At its December meeting, the Board considered the strategy for further improving performance in the areas of risk review and mitigation measures, health, safety, environment and sustainability.

How our Board monitors culture

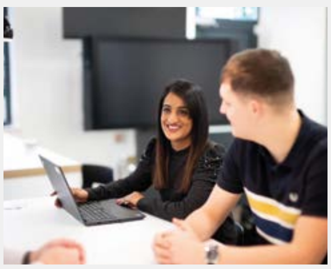
The Board sets the culture of the Group, as described on pages 2, 61 and 69, and uses a number of indicators to inform its regular assessment of whether the culture continues to be appropriate and whether there are any further actions that are necessary.

These indicators cover a range of in-house and independent monitors, as set out below:

Employee survey

The Employee Survey is conducted every two years and the results for 2019, in which over two-thirds of employees participated, showed over 90% considered that:

- Their work gave them active engagement in the Group's performance and prospects.
- They understood, supported and actively promoted the Group's strategy.
- They understood, supported and actively promoted in their day to day work the key strategic direction of improved attention to customers' needs.



Glassdoor list of best places to work

The results of the Employee Survey (above) are further borne out by the annual Glassdoor list of best places to work which is an independent survey across UK businesses of employees' perception of the Company for which they work.

The 2019 list, ranking the best places to work during 2020, showed the Company had maintained its top fifty ranking for the third successive year and continued to be the highest-ranked of the major UK Housebuilding companies.

Employee retention

The Board receives an update on HR matters at each meeting.

Our employees offer one of our greatest competitive advantages and retaining their services is a key element of our strategy. Voluntary employee turnover of 12.9% is lower than for 2018 and is aligned to a strong level of engagement with the Company's strategy.

Health and safety

The Company maintains an absolute, non-negotiable commitment to maintaining a healthy and safe place of work for all stakeholders, as described elsewhere in this Annual Report on pages 15, 23 and 28. The Employee Survey described above found that 97% of employees understood their role in advancing this commitment in their day to day work.

Compliance

The Group has robust policies, regularly reviewed, concerning key governance areas including anti-bribery; anti-corruption; anti-money laundering; and anti-slavery and human trafficking. These policies are actively promoted through online training; checks for successful completion of initial and updated training and guidance; and annual sign-offs by senior management across the business.

These processes and checks are underpinned by a robust Internal Audit Department, whose work is monitored by the Audit Committee as described on pages 103-104, and an independent whistleblowing process monitored by the Board as described on page 75.

Stakeholder engagement

The Board's objectives for 2019 in this area were:

- To actively encourage shareholder participation through clear messaging and reporting and careful review of shareholder feedback.
- To monitor the planned further improvements in customer service performance during 2019.
- To ensure the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment.
- To monitor and further develop the employee voice through the National Employee Forum.

To achieve those objectives, the Board regularly reviewed its duties under Section 172 of the Companies Act 2006.

- Full details of the Board's engagement with stakeholders and the ways in which this engagement was taken into account in the decision-making processes during 2019 is set out in the 'Considering stakeholders in decision making' section on pages 76 to 81 of this Annual Report and Accounts.
- For engagement with employees, the Board considers that the NEF, whose activities are described in more detail on pages 78 and 135, together with other modes of employee involvement and communication described on pages 78 and 79 and 135 and 136, are the most effective means of engagement as they deliver a variety of insights and feedback from across all levels and specialities of the team. The Board will, however, continue to keep this under review.

The Board's objectives for 2020 in this area are:

To further deepen the existing processes whereby stakeholder views are taken into account in the Board's decision-making process, including by:

- Actively encouraging shareholder participation through clear messaging and reporting and careful review of shareholder feedback.
- Monitoring the planned further improvements in customer service performance during 2020.
- Ensuring the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment.
- Reviewing the effectiveness of the National Employee Forum now that it has been established for over two years, and consider options to develop and strengthen engagement with employees.

Organisational capacity

The Board's objectives for 2019 in this area were:

- To ensure the Company's resourcing, including capital, finance, people and land, remains sufficient to achieve the strategy whilst seeking to continuously improve performance and meet wider diversity considerations.
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements.

To achieve those objectives, the Board undertook the following during 2019:

- Reviewed reports at each meeting on the financial performance of the Company and the availability, currently and forecast going forward, of financial, people and supply chain resources.
- Received reports on subjects discussed at meetings of the National Employee Forum and considered employee participants' views on key areas including strategic, business and remuneration matters.
- In addition to its regular update at each meeting, received two detailed half-yearly updates on human resources.
- In addition to monitoring progress generally throughout the year, received two detailed half-yearly updates on progress against its Diversity Policy, inclusivity and in respect of gender pay.
- The Nomination Committee formally reviewed on two occasions the strategy for succession planning and related training assessment and provision, both for the Board and the executives immediately below Board level, and progress made in achieving it. The Board also reviewed human resources related matters that were tabled at each Board meeting.
- Reviewed arrangements for compliance with GDPR and action taken and proposed for further improving the resilience of the Group's information technology systems, particularly to mitigate cyber security risk.
- The Audit Committee also received detailed half yearly updates on the development and resilience of the Group's information technology systems and management of cyber security risk.
- The Board received updates on the financial position of the Group's pension fund and related funding objectives.

The Board's objectives for 2020 in this area are:

- To ensure the Company's resourcing, including capital, finance, people and land, remains sufficient to achieve the strategy whilst seeking to continuously improve performance and meet wider diversity considerations.
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements.

Strategy and execution

The Board's objectives for 2019 in this area were:

- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes.
- To ensure the Company's performance remains on schedule to achieve the strategy.
- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus.

To achieve those objectives, the Board undertook the following during 2019:

- Regularly reviewed detailed business proposals for the delivery of the Company's strategy, including detailed proposals for each of the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business.
- Regularly reviewed performance to date through considering, in addition to regular updates from the Executive, detailed business performance updates from the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business; together with various year end performance projections for the Group.
- Received detailed updates on other key performance areas, including business culture; customer service and its use of digital communications; land and planning; and production and procurement.
- Reviewed and agreed the Group budget for the period 2020 to 2021; and received a detailed review of the Group's financial position; borrowing facilities; and financing alternatives; in relation to its strategic direction and latest forecasts.
- Considered the Company's dividend policy going forward in light of performance reports; strategic direction and outlook; and financial position.
- Received a detailed update on the progress of the Company's strategy from Management, including risks in its delivery and how they are mitigated, and an economic overview presentation from an independent external expert as a backdrop to the Group's strategic and performance reviews.
- Received regular governance updates and briefings.
- At each meeting, detailed reports from the Executive Team were discussed, reviewing forward resourcing requirements in the areas of capital, finance, people and land, and operating decisions taken or proposed to address them.
- Health, safety and environmental progress and performance is the first substantive item of business at each Board meeting and the Board receives each year a detailed presentation on the Group's health, safety and environmental performance for the year and plans for seeking further improvement going forward.

In light of the foregoing, the Board also, with prior input and advice from the Audit Committee:

- Considered the draft Annual Report and Accounts and associated viability assessment and statement and Sustainability Report for 2018 and the Half Year results for 2019.
- Determined the amount of final ordinary dividend for 2018 and special dividend for 2019 to be proposed to shareholders at the 2019 AGM; the interim dividend for 2019; and the special dividend proposed for 2020.
- Approved in principle the draft 2018 Full Year Results Statement; the draft 2019 Half Year Results Statement; and the draft Trading Statement to update shareholders on progress for the year to date at the 2019 AGM.

The Board's objectives for 2020 in this area are:

- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes.
- To ensure the Company's performance remains on schedule to achieve the strategy.
- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus.

Governance and values

The Board's objectives for 2019 in this area were:

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements.
- To ensure that remuneration continues to be implemented within the framework of the Company's Remuneration Policy and proportionately rewards achievement of the strategy.
- To implement the improvements identified arising from the internally-facilitated 2018 Board evaluation.
- To conduct an effective Board evaluation.
- To monitor shareholder feedback and continue to actively promote wider engagement.

To achieve those objectives, the Board undertook the following during 2019:

- Received, together with the Board Committees, regular updates on governance and regulatory developments during the year, including on remuneration, both from internal and independent external sources.
- Checked the status of the Company's compliance with the requirements of the revised Code throughout 2019.
- Submitted to shareholders at the 2019 AGM a Remuneration Report that was approved with a vote in excess of 96%.
- Concluded the internally-facilitated Board evaluation for 2018, identifying areas for further improvement and acting on the recommendations.
- Sought shareholder and institutional feedback, both at the AGM and when presenting the Company's Half Year and Full Year results; and in notifying proposals for updating the Remuneration Policy. The results of the feedback from shareholders were taken into consideration by the Board together with advice from its stockbrokers.
- Reviewed and further enhanced and improved processes and checks designed to guard against instances of modern slavery within the Company and its supply chain.
- The Company made its third Modern Slavery Act 2015 statement in March 2019 after reviewing its operations and its supply chain. Detailed guidance has been issued around the business and key personnel have undertaken training in identifying; assessing; and reporting any instances that might arise; with the aim of reducing the risks of modern slavery and related practices as far as possible.

The Board's objectives for 2020 in this area are:

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements.
- To ensure that remuneration continues to be implemented within the framework of the Company's new Remuneration Policy (subject to shareholder approval) and proportionately rewards achievement of the strategy.
- To implement the improvements identified arising from the internally-facilitated 2019 Board appraisal.
- To conduct an effective, externally-facilitated Board evaluation.
- To monitor shareholder feedback and continue to actively promote wider engagement.

Health, safety and environment

The Board is fully committed to providing a safe place in which our employees and subcontractors can work, and our customers can live. We also ensure that all of our sites are developed to high standards of environmental management. As the first substantive item at each Board meeting, the Board receives detailed reports on health, safety and environmental matters in respect of the Company's operations in the UK and Spain. The Company's detailed carbon reporting, as required by the Department for Business, Energy & Industrial Strategy, is set out on pages 44 and 138.

More details, on these and other initiatives in these areas, can be found in the Stakeholders section on pages 42-43 and 81 and in our Sustainability Report for 2019.

Operational oversight

Operational management of the Company's business is undertaken by the Chief Executive who receives advice from the Group Management Team (GMT). The GMT is the most senior executive committee and, in addition to the Chief Executive, consists of the Group Finance Director, the Group Operations Director, the Group General Counsel and Company Secretary, three Divisional Chairs, the Group HR Director and the Major Developments Director. The GMT meets on a regular basis and also once each month with the Divisional Managing Directors when it sits in the capacity of the wider Group Operation Team.

The Board also receives regular reports and minutes from the Treasury Committee, which meets under the Chairship of the Group Finance Director, and also comprises the Group General Counsel and Company Secretary, one of the Divisional Chairs (who rotate periodically) and the Group Treasurer. The key responsibilities of the Treasury Committee are, broadly, to monitor and keep under review the Group's financial risks, financial policies, financial facilities, covenant compliance and insurance programme in the light of current and proposed strategic and operational requirements, and to make recommendations to the Board or GMT, as appropriate, regarding policy or operational changes in these areas.

All businesses and employees are expected to operate at all times to the highest standards of integrity and conduct in all matters concerning the Group. Accordingly, there is a Code of Business Conduct, which sets out the standard for individual dealings both internally and externally. Formal policies have been adopted, which set out the ethical framework within which all Taylor Wimpey companies and employees are required to undertake their business – this includes, in line with the Bribery Act 2010, an Anti-Corruption Policy which requires an annual sign-off by designated senior management. All business units receive training each year from external experts on legislative and regulatory matters.

The following documents relating to the Group's management processes and division of responsibility are available for review on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance:

- Schedule of matters specifically reserved for the decision of the Board, including full oversight of all decisions on profit expectations and Dividend Policy.
- Terms of Reference of the Board Committees: Audit, Nomination and Remuneration, which outline their objectives and responsibilities and define a programme of activities to support the discharge of those responsibilities.
- Policies covering operational, compliance, corporate responsibility and stakeholder matters, including those related to the Bribery Act 2010 and Anti-Corruption referred to above, which are reviewed whenever necessary to take account of developments in corporate governance, changes in legislation and revised processes.
- The Company's Articles of Association.

These have been updated to reflect the July 2018 version of the Code and relevant reporting against these is provided to the Board or to the Audit Committee by the Head of Internal Audit and the Secretary as appropriate.

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on pages 24 to 29. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal review and approval by the Board. Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust in order to reflect the possible impact of changing economic conditions and circumstances. The Chief Executive and the Board conduct regular reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Disputes that may give rise to significant litigation or contractual claims are monitored at each Board meeting, with specific updates on any material developments or new matters presented by the Secretary.

The Group has clearly defined policies, processes and procedures governing all areas of the business, which will continue to be reviewed and refined in order to meet the requirements of the business and changing market circumstances.

Defined authority limits continue to be closely monitored in response to prevailing market conditions. Any investment, acquisition or significant purchase or disposal of land requires detailed appraisal and is subject to approval by the Board or the Chief Executive, depending on the value and nature of the investment or contract.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the Board within which individual responsibilities of senior executives of Group companies are identified and can be monitored. The Operating Framework, within which delegated authorities, responsibilities and related processes are explained in detail, is available for review and guidance online by any employee through the Company's intranet. These activities are reinforced through process compliance and other audits conducted by Internal Audit. The annual employee performance appraisal process is competency-based, with individual objectives cascaded down from the appropriate business objectives. The process also identifies training needs to support achievement of objectives.

During 2019, the Group's control environment was further improved through enhanced reporting, tracking and monitoring, led by the Audit Committee, which identified the key risks to be reviewed and assessed by Internal Audit as part of its programme of work during the year.

Risk

The Audit Committee carried out a number of assessments of risk and its identification and mitigation during 2019 as set out on pages 101-102.

In addition, the Board, assisted by the Audit Committee, and informed by a detailed review from the Group Operation Team, carried out a robust assessment of the principal and emerging risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. The nature of this assessment and output are as disclosed on pages 101-102.

Anti-bribery and anti-corruption

In line with the Bribery Act 2010, the Company has written policies on its zero-tolerance approach to bribery or corruption. The policies apply across all of the Company's businesses and are available for review externally on the Company's website and by all employees on the Company's intranet. The risk to the Company of non-compliance would be significant reputational damage, potential financial penalties and the possible exclusion from certain approved partner arrangements. These risks are mitigated by training for senior managers and by issuing an annual reminder to all businesses and key departments requiring each managing director or departmental head to check that their teams have complied with the policies during the reporting year and reported any infringements; remain aware of the policies' requirements for the coming year; and to formally confirm in writing that they have done so.

Advice available to the Board

All Directors have access to the advice and services of the Secretary and Company Secretariat team. The Board has an established procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their responsibilities as Directors.

The Board took advice during the year:

- From various safety consultants including principally London Fire Consultants & Design Associates Limited in reviewing the external cladding system and fire safety arrangements on relevant developments in light of the Grenfell Tower fire tragedy, and also took specific legal and fire safety advice from professional advisers in ensuring that the appropriate follow-up actions were taken.
- From Finsbury and JPMorgan Cazenove on the political outlook.
- From Deloitte via the Audit Committee on the significant governance developments during the year.
- From Korn Ferry via the Remuneration Committee on remuneration matters as reported in more detail in the Remuneration Report on page 121.

The Board also receives regular advice from its brokers (Credit Suisse International and Citigroup Global Markets Limited from 18 October 2019) and from their predecessors as the Company's brokers on its announcements and also more generally on the sector and the relative performance of the Company's share price.

Whistleblowing

The Group's Whistleblowing Policy is supported by a clear policy and process that includes an independent third party whistleblowing hotline through which any person, including employees of the Company, may, in confidence, raise concerns about possible improprieties in financial reporting, other operational matters or inappropriate behaviours in the workplace. All whistleblowing cases are investigated by the Head of Internal Audit, Head of HSE (where appropriate), Group Human Resources Director and / or the Group General Counsel and Company Secretary depending on the nature of the issue. The Chief Executive is apprised, on an anonymous basis, of all allegations and conclusions of the review.

Whistleblowing incidents and their outcome are reported to the Board, on an anonymous basis, in line with the requirement in the July 2018 update of the Code which applied from 1 January 2019. Whistleblowing featured regularly on the Board's agenda during 2019, with formal half yearly reviews and interim updating on significant matters. This allowed the Board to regularly review the adequacy of the policy in line with its requirement to do so under the Code. The policy itself is periodically reviewed and includes the ability for workers to make protected disclosures with regard to matters arising under the Modern Slavery Act with regard to our business and its supply chain. Following a review of the process and administration; and the continuing high-profile awareness campaign around the Company's businesses and offices; the Board is satisfied that the policy and its administration remain effective.

Considering stakeholders in decision-making

We actively encourage engagement with our shareholders and other stakeholders.

The Directors are required by law to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In so doing the Company must, in accordance with Section 172 of the Companies Act 2006, also have regard to wider expectations of responsible business behaviour, such as having due regard to the interests of, and actively engaging with, its employees; the need to engage and foster business relationships with suppliers, customers and others; the need to act fairly as between members of the Company; the likely consequences of any decision in the long term; the desirability of maintaining a reputation for high standards of business conduct; and the impact of the Company's operations on the community and the wider environment.

The Company's statement of how the Board complied with this legal requirement during 2019 and continues to do so into 2020, appears on page 33.

This section explains how the Board undertook this during 2019.

During the year, the Board specifically discussed this requirement on several occasions and concluded that its existing processes and decision-making properly take into account both the duty to shareholders and the wider considerations with regard to other stakeholders as referred to above.

The Board concluded that its key stakeholders continue to be as listed in last year's Annual Report, namely:

- Our customers, who buy the Company's product.
- Our employees.
- Our partners in the supply chain, who are suppliers and subcontractors to the Company's business operations.
- Our shareholders, who invest in the Company.
- The communities in which the Company operates.

In addition, the Board also specifically took into account the potential impact of the Company's operations on:

- The health and safety of its employees, customers and visitors to its sites and offices.
- The environment.

Engagement with wider stakeholders

Engagement with each of these stakeholders and consideration of their respective interests in the Company's decision-making process, took place during the year as described on this page and on pages 77 to 81.

The Board continues to engage with its key stakeholders and the feedback from this engagement will continue to inform the Board's thinking and decision-making in relation to strategy and the oversight of the day to day operations of the Group.

Engagement with employees

During the year, we have engaged with employees on a number of issues related to them, namely the impact of Brexit; feedback from the results of the 'TalkBack' employee survey; the development of the new Taylor Wimpey Values; and further proposals to facilitate agile working. In addition, feedback was sought following briefings given on Group plans, progress and initiatives. As we consider our employees to be one of the key resources that enable us to drive success, we also encourage their involvement in driving the Company's performance through encouraging participation in the all-employee share schemes, which is discussed in more detail in the Remuneration Report, on page 117. We consider our employees' feedback to be an essential component of our efforts to move forward as a Company, and more information on how we have considered their views in Board decision-making can be found in the following pages.

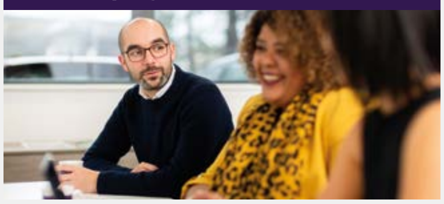
Set out overleaf are details of how the Board engaged with employees and other stakeholders and the way their views informed the Board and were taken into account in the Board's processes and decision making during the year.

Our stakeholders

Our customers

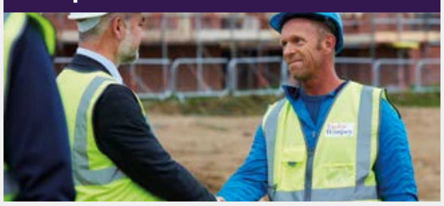
Delivering high levels of customer satisfaction enhances the reputation of our business.
See pages 34 and 77

Our employees



Our National Employee Forum gives the Company's employees an extended 'voice' on key matters.
See pages 36 and 78

Our partners



We engage with our suppliers and subcontractors at local and national level to keep them informed.
See pages 38 and 79

Our investors

The Board actively seeks and encourages engagement with shareholders.
See pages 40 and 80

Our communities

We actively seek the views of local communities.
See pages 42 and 81

Our customers

Engagement with customers and consideration of their interests

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work. The Board and the Group Management Team regularly review customer satisfaction scores as independently reported and consider ways in which these can be improved. A number of customer focus groups were consulted to ascertain key considerations, preferences and concerns when considering the purchase of a new home and the feedback from these informed the customer-focused strategic approach.

The Board receives monthly reports on customer service matters, at Group level and for each operating division. Performance relative to customer issues and overall scoring within the independent NHBC customer surveys are considered regularly at Board meetings. In addition, the Board receives special presentations covering engagement, from the UK Sales and Marketing Director and the Customer Service Director, whose views and data are taken into account in developing strategy; and operational management and initiatives.

The Chief Executive's report to each Board meeting considers the inter relation between operating performance; delivery of units; and profit; in relation to employees; resourcing; health and safety; and customer service; to ensure that an appropriate balance is maintained and to emphasise the primacy of customer service and safety over speed and number of unit completions.

The Board receives and debates customer-focused strategy development; performance; and outcomes; from presentations by the UK Sales and Marketing Director and the Customer Service Director in relation to the Group; from Divisional Chairmen and Divisional MDs in relation to specific Group businesses; and assesses plans being developed for the future in these areas.

Extensive research with customers, conducted during 2018, both those who purchased homes from the Company and those who did not, was reviewed by the Board and by Management, and was used to shape the customer-focused strategy:

Customers told us:

- The bedrock of a Company is the quality of its products, which formed one basis of the strategic focus on quality.
- They don't just buy a home, they buy into 'the place' where it is located, which informed the strategic focus on wider 'placemaking'.
- The Company needs to think more about the homebuying experience from the customer's perspective, which helped to guide the further development of the 'options online' facility and the ongoing re-design of the Company's website.

More details are set out on pages 34-35

Our employees

Engagement with employees and consideration of their interests

The principal forum for engagement with our employees is the National Employee Forum (NEF) which has worked well throughout 2019 and into 2020, giving the Company's employees an extended 'voice' with regard to key matters that are being considered.

Meetings were held quarterly during 2019 and all generated a good level of healthy debate. The meetings are attended by a member of the Group Management Team and each so far has been attended by either the Company Secretary and / or by the Group HR Director. During 2019, the Chief Executive attended one meeting and discussed the impact of Brexit, the results of the employee 'TalkBack' survey, the new Company values, and sought the Forum's views and feedback on agile working proposals. Relevant Board members also attended NEF meetings to brief the employee representatives on Group plans; progress and initiatives; and to receive feedback on the proposals which was then taken into account in finalising and implementing key changes.

The Board receives at each Board meeting detailed reports on employee matters, at Group level and for each operating division, and these, together with feedback from the NEF meetings, inform the Board's discussion on matters potentially affecting employees to any significant extent.

The Board received regular updates on the views of the workforce through receiving and discussing the minutes of meetings of the NEF and the outcome of any interim consultations on proposed new policies, procedures and employment related developments.

The Board also debated the detailed outcomes of the biannual Employee Survey and these views and overall employee feedback were integrated into the development of future strategy and shorter term initiatives across the business.

More details are set out on pages 36-37 and 135-137

Employees are recognised as a key asset to the business and to the achievement of the strategy and this is recognised by the Board's inclusion as a key strategic objective the aim of becoming the employer of choice. During the year, the Board acted on employee feedback received through the communication and engagement channels described on pages 135 to 137 by:

- Continuing to enhance the working environment to facilitate increased co-operation by greater use of open plan facilities.
- Introducing improved technology at site level to facilitate communication and reporting and to improve time management at site management level.
- Further promoting and facilitating flexible working.
- Making available increased support for employees through greater focus on health and wellbeing, including mental health.
- Seeking and taking into account feedback as the Company's new values, described on pages 2,15 and 23 were developed and introduced.
- Rolling-out the availability of defibrillators to offices and sites and offering training in their effective use.
- Taking into account feedback in the development of the plan for the roll-out during 2019 of new IT hardware and associated training in its use.
- Incorporating their views into the development of the new induction process, during both the design and later finalisation phases.
- Reflecting feedback in the further spread of agile working around the business and tailoring the process to better facilitate this.
- Introducing digitisation of the workplace which will offer additional tools and resources requested for the workplace.

Consideration of people with disabilities

The Company is committed to making its products accessible to customers with disabilities and to ensuring that prospective employees with disabilities should have fair consideration for all vacancies within the Group.

To provide more flexibility for customers with disabilities, the majority of the houses in our new house type range are designed to Level 2 of Part M of the Building Regulations. This enhanced standard allows for easier movement into and around the house as well as providing flexibility in adapting bathrooms and bedrooms for disabled people.

For employees, the Company is committed to ensuring that, where possible, people with disabilities are supported and encouraged to apply for employment; to achieve progress once employed; and for this to be facilitated to the extent reasonably possible by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

More details are set out on page 137 and in our Sustainability Report for 2019

Careers

The Board is very mindful of the need to develop skills in the housebuilding industry, particularly in light of the possible challenges around Brexit, and the Company continues to offer a significant number of opportunities for the development of new skills:

- Apprentices are given opportunities to develop in key building trades.
- The Graduate programme, which lasts two to three years, helps to fulfil our talent succession requirements in Strategic Land, Land, Sales, IT and Finance as well as supporting key business and charity projects throughout the programme duration.
- All employees have annual reviews linked to personal development plans and targets for further improving their skills and experience.
- Training is available to assist employees in seeking to maximise their opportunities around the Group.

More details are set out on pages 36 and 136 to 137

Our partners

Engagement with our partners in the supply chain and consideration of their interests

The Company negotiates with subcontractors and suppliers, both on a national and a local basis, to develop national framework agreements and to agree both national and local commercial terms. These reflect the payment practices and performance in respect of which we have published two six-monthly Payment Practice Reports during 2019, which may be found online at https://check-payment-practices.service.gov.uk/company/01392762/reports

We engage with our suppliers at both local and national level to keep them informed of key forecasting information.

We engage with our suppliers on a wide range of sustainability initiatives through meetings, workshops and our membership of the Supply Chain Sustainability School. We are refocusing on waste elimination and reduction including packaging waste in particular.

The Company also engages with Non-Governmental Organisations (NGOs) and expert organisations to assist us in creating sustainable communities around our housing developments, covering areas such as urban design; ecology; and innovation.

The Company holds an annual materials suppliers conference to drive quality and environmental sourcing deeper throughout the supply chain.

We employ a full-time Research and Development Manager with specific responsibilities for innovation. The role includes a high level of engagement with our supply chain, both material manufacturers, suppliers and subcontractors, across a wide range of products and services. The role dovetails with our supplier relationship programme, in which we seek to enhance and improve both process and product with our key supply chain partners.

The Board and the Group Management Team, in developing and implementing the strategy, consider the impact of the Company's business operations on sustainability in relation to supply chain sourcing and supplier agreements.

The strategy approved by the Board reflected this engagement through seeking to increase the proportion of long term partnerships with subcontractors and suppliers and further increasing the high standards the Company sets in relation to safety, skills development and environmental responsibility.

More details are set out on pages 38 to 39

Our investors

Engagement with shareholders and consideration of their interests

The Board actively seeks and encourages engagement with shareholders, including its major institutional shareholders and shareholder representative bodies. The Board fully supports the principles of the 2018 UK Corporate Governance Code and also welcomes and acknowledges the Stewardship Code, both of which aim to foster a more proactive governance role by major shareholders. The Board has put in place arrangements designed to facilitate contact with shareholders concerning business, governance, remuneration and other relevant topics. This provides the opportunity for meetings between shareholders and the Chair, the Independent Non Executive Directors (including the Senior Independent Director), as well as the Chief Executive, Group Finance Director and Group Operations Director and other executives including the Company Secretary as appropriate, in order to establish a mutual understanding of objectives.

The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the Full Year and Half Year results. This includes engagement with shareholders and shareholder representative bodies at meetings with individual Directors to establish a mutual understanding of objectives. In addition, the Chair meets with the Company's institutional shareholders from time to time, both proactively and upon request, in order to discuss the Company and its performance, governance and remuneration policies.

An annual consultation exercise is undertaken by the Remuneration Committee, in conjunction with which the Chair of the Committee engages directly with shareholders and their representative bodies. In developing the proposed new Remuneration Policy, the Remuneration Committee took into account wider workforce remuneration and related policies, to ensure that incentives and rewards were aligned with wider Group remuneration principles and with Group culture and sought feedback from major shareholders and their representative bodies as part of the annual consultation.

At the Company's AGM – both before, during and after the meeting; Directors actively engage with shareholders who have attended. In addition, there are a series of 'roadshows' following the announcement of the Group's Full Year and Half Year results.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and consider detailed feedback through surveys; direct contact; and also other means, which are taken into account when considering major strategic and operational alternatives open to the Company.

The Company is, of course, also always very pleased to hear from and engage with our private shareholders and has, for example, hosted the United Kingdom Shareholders Association at our Chobham Manor development in November 2019. Individual shareholders were able to meet with Regional management for a presentation and Q&A, which was followed by a tour of the development.

What our shareholders have asked us this year

During 2019, the Company held various meetings with investors representing a substantial proportion of the share register. Our engagement is both proactive, where we organise roadshows, attend conferences, host analyst days and site visits; and reactive, responding to incoming requests from our institutional shareholders.

We hosted a further seven site visits during 2019, which gave investors and analysts the opportunity to meet our operating teams and also hosted a separate event at which analysts met Regional management from across the business.

The overall level of engagement was slightly less than in previous years due to investors' informing us of their preference to await greater clarity around Brexit.

The key matters raised by investors at these meetings, and details of how the Company acted on the feedback received, were:

Margin and cost management

Margins reduced in 2019 as a result of higher levels of build cost inflation being experienced. As a result there were an increased number of questions around cost management and margin. During 2018, we had already launched a cost and efficiency review with multiple workstreams and an expectation of generating savings from 2020 into 2023. In 2019, in response to the changed market conditions, we also stepped up our focus on business as usual cost management with a number of initiatives complimentary to the existing cost and efficiency workstreams. Appreciating that this is a key area of interest for investors we strengthened our communication on the various factors influencing margin as part of the 2019 full year results presentation, including expanding our margin bridge disclosure, which was already considered best in class.

Quality

A number of questions concerned customer service and quality following wider sector reputational issues.

Customers, in respect of both quality and service, were at the heart of our strategy, decision-making and actions when we announced our customer-focused strategy in 2018, at our capital markets day. In 2019, we introduced operational KPIs which focus specifically on customer and build quality, including those not before disclosed by the sector, such as the nine-month customer survey and the NHBC Construction Quality Review score, and explained why they are important.

Our communities

Environment, Social and Governance (ESG)

ESG is gaining increasing focus from investors, evident from letters from major shareholders and in our materiality assessment responses.

Taylor Wimpey has always had a focus on sustainability and our social impact. We have produced a separate Sustainability Report for many years and sustainability metrics have been integrated into our Annual Report and presentations. They also feature in targets for performance-related remuneration. The roll-out of our environmental strategy is a focus for 2020 which will formalise the work we have ongoing in the business and go further in committing to more ambitious targets in key areas such as biodiversity and continuing to reduce our carbon footprint. We also plan to develop with The Carbon Trust a science-based carbon reduction target by the end of 2020.

Remuneration

The Chair of the Remuneration Committee wrote to 14 of the Company's major shareholders, and three key shareholder bodies, setting out the Company's proposed new Remuneration Policy which is being proposed to the 2020 AGM as Resolution 20 (see page 193). More details, together with feedback on the responses, appear in the Remuneration Report on page 118.

Annual general meeting

The Board encourages all shareholders to vote at the AGM, which is attended by all Directors. The Notice of Meeting, including details of all resolutions to be proposed at the meeting, is set out on pages 192 to 198.

More details are set out on pages 40 to 41

Engagement with communities in which the Company operates and consideration of their interests

We actively seek the views of local communities and develop a tailored planning and community engagement strategy for each development site, working closely with communities and other local stakeholders throughout all aspects of the planning process. This feeds into Board discussion of future development plans when considering strategic direction and progress, and when considering major capital expenditure proposals referred to the Board including on land purchase.

A key element of the Company's strategy is a renewed focus on placemaking and community when developing new sites and this involves interacting with all key stakeholders when designing, building, and marketing, new housing developments and taking their views fully into account.

We also support communities, both locally and nationally, through our charitable work, including financially and giving time, energy and leadership to support local efforts.

The introduction of defibrillators on sites and in permanent offices was considered in the wider context of customers; visitors; and placemaking in housing developments; and a decision was made that they would be handed over to the community when the relevant development had been completed. It also informed a decision to initially install them in a way that would facilitate this handover at the appropriate time.

Consideration was given to the possible impact of the Company's business operations on the environment in relation to areas such as the netting of hedgerows and trees.

The Board and the Group Management Team considered the sustainability and environmental impact in relation to the development of a revised range of house types, to take into account and help to address energy efficiency and sustainability in the materials and production techniques used.

The Board receives feedback from presentations in the areas of customer focus; procurement; how sustainability best practice supports the Group's business strategy; and the identification of areas where further developments can be made in placemaking and sourcing of sustainable materials. This feedback informs the Board's thinking in developing and implementing the strategy, for instance, through the incorporation of disabled access for customers and visitors in house types and for employees in offices and work situations, including on site, to try and ensure the widest possible availability of the product to customers and visitors and advancement opportunities for employees.

Health and safety

The health and safety of our employees; customers; suppliers; subcontractors; and all visitors to our businesses and development sites, continues to be a non-negotiable top priority for the Company. The Board receives reports on health, safety and environmental matters, at Group level and for each operating division at each Board meeting. There is a detailed review at each Board meeting, as the first substantive item on the agenda, of health, safety and environmental issues in relation to employees; customers; visitors; and the impact of the business on the environment and sustainable development. The Head of HSE attends each Group Operation Team meeting and also attends the Board on an annual basis to present on key HSE issues, initiatives, trends and statistics.

More details are set out on pages 42 to 43 and in the Sustainability Report for 2019

Division of Responsibilities

There is a clear and effective division of responsibilities between the Board and operating management which is a key foundation of the Company's strong governance.

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement and promotes a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non Executive Directors, and ensures that Directors receive accurate, timely and clear information. The Board includes an appropriate combination of executive and non executive (and, in particular, independent non executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business. Non Executive Directors have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. The Board, supported by the Company Secretary, ensures that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board has an established framework of delegated financial, commercial and operational authorities, which define the scope and powers of the Chief Executive and of operational management.

In line with the Code, the roles and responsibilities of the Chair and the Chief Executive have been clearly defined, set out in writing and signed by Kevin Beeston and Pete Redfern in their respective capacities.

During 2020, the roles and responsibilities document will be reviewed and updated as required following Irene Dorner becoming Chair on 26 February 2020.

Ensuring there is no conflict of interest

In order to assist Directors in complying with their duty to avoid conflicts (or possible conflicts) of interest, it is standard procedure that the Board must first give its clearance to such potential conflicts of interest (which would include directorships or other interests in outside companies and organisations) following which, an entry is then made in the statutory register which the Company maintains for this purpose.

Whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is or may be a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association. In such cases, unless allowed by the Articles, any Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement.

The Board undertakes a regular review of each Director's interests, if any, outside the Company. In addition, all proposed new appointments and interests of Directors are cleared in advance with the Board, which considers the impact on the time commitments of the Director concerned. Following these reviews, the Board remains satisfied that, in line with the Code, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively and that any current external appointments do not detract from the extent or quality of time which the Director is able to devote to the Company. This is further borne out by Directors' attendance at Board and Committee meetings, which has been at or very close to 100% over many years.

Board of directors

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society.

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. The board should ensure that workforce policies and practices are consistent with the company's values and support its long term sustainable success. The workforce should be able to raise any matters of concern.

As explained on page 63 Kate Barker, Non Executive Director and the Senior Independent Director, has agreed to remain on the Board (subject to Shareholder approval) beyond her nine year anniversary date, in order to help facilitate, and provide greater continuity during, the post-handover period of the Chair from Kevin Beeston to Irene Dorner.

Role of the Directors

Whilst all Directors share collective responsibility for the activities of the Board, some Directors' roles have been defined in more detail as Governance considerations have developed over time, as follows:

Chair

- Ensuring high standards of corporate governance and setting the cultural tone from the top.
- Building a well-balanced and highly effective Board.
- Chairing Board meetings and setting Board agendas.
- Promoting effective Board relationships.
- Encouraging constructive challenge and facilitating effective communication between Directors.
- Ensuring the effectiveness of the Board and enabling an annual review of its effectiveness.
- Engaging individually with Directors as required.
- Ensuring appropriate induction and development programmes for individual Directors.
- Agreeing the Chief Executive's personal objectives.
- Ensuring there is effective two-way communication and debate with shareholders.
- Maintaining an appropriate balance between the interests of stakeholders.

Chief Executive

- Developing and implementing Group strategy.
- Recommending the strategic plan and related annual budget.
- Ensuring coherent leadership of the Group.
- Managing the Group's risk profile and establishing effective internal controls.
- Regularly reviewing the organisational structure; developing the Executive Team; and planning for succession.
- Ensuring the Chair and the Board are kept advised and updated regarding key matters.
- Maintaining relationships with investors and advising the Board accordingly.
- Setting the culture at the top, particularly with regard to compliance and sustainability.
- Day to day running of the business.

Group Finance Director

- Operational responsibility for managing the Company's financial affairs, including treasury and tax matters.
- Overseeing the commercial, information technology and pension departments.
- In conjunction with the Group Management Team, overseeing the Company's risk profile.

Group Operations Director

- Operational responsibility for managing the Company's development process, from land acquisition, through planning applications, design and production, to sale of the completed product and customer service matters.
- Overseeing the supply chain and logistics support for operations.
- In conjunction with the Group Management Team, overseeing the Company's risk profile.
- Agreeing the Group's annual budget proposal from an operational standpoint, prior to formal agreement with the Group Finance Director, the Chief Executive and then the Board.

Senior Independent Director

- Acting as a sounding board for the Chair on Board-related matters.
- Chairing meetings in the absence of the Chair.
- Acting as an intermediary for other Directors, when necessary.
- Leading the evaluation of the Chair's performance.
- Leading the search for a new Chair, when necessary.
- Being available to shareholders who wish to discuss matters which cannot be resolved otherwise.

Non Executive Directors

- Providing effective and constructive challenge to Management.
- Assisting in development and approval of strategy.
- Serving on Board Committees.
- Providing advice to Management and sharing their experience and wisdom.
- Keeping abreast of shareholders' views.

In addition to the foregoing, the Company Secretary fulfils a key role in relation to the Board and its Directors:

Company Secretary

- Advising the Board on matters of corporate governance, compliance and on legal issues.
- Responsible for all legal and compliance matters relating to the Group.
- Providing support to the Chair and Non Executive Directors.
- Ensuring effective support to the Board and its meetings and agendas to enable efficient process.
- Keeping abreast of shareholders' views.
- Overseeing the Company Secretariat and the Legal Department.

Read more about individual Directors' skill sets on pages 66-67 and 196-197

How we are governed

The Board

- Provides strategic and entrepreneurial leadership within a framework of strong governance and effective controls.
- Is responsible for the Company's culture and for defining and setting its values and standards.
- Establishes the Group's risk appetite and oversees processes designed to ensure compliance therewith.
- Defines which matters are reserved for decision of the Board, including profit expectations and dividend policy.
- Reviews the Whistleblowing Policy and associated investigations and outcomes.
- Ensures effective engagement with shareholders.

Board Committees

Audit Committee

- Reviews and advises the Board on proposed Full Year and Half Year reporting and announcements connected therewith.
- Undertakes a detailed half yearly review of the Group's risk assessment and mitigation processes and outcomes, and advises the Board on its annual risk review.
- Oversees the relationship with the external auditor.
- Oversees the reporting of internal audit investigations and reviews the implementation of changes resulting therefrom.
- Monitors continuous improvement in information technology security; data protection; and resilience to 'hacking' and cyber attacks.

Read more about this Committee on pages 98 to 105

Nomination Committee

- Reviews the balance, diversity, independence and effectiveness of the Board.
- Oversees the selection, interview and appointment of new Directors to the Board.
- Reviews succession and contingency planning for the Board and across the Group's senior positions and related training, development and talent management.
- Reviews, sets targets for, and drives the strategy and progress to further improve diversity and inclusivity throughout the Group.

Read more about this Committee on pages 86 to 97

Remuneration Committee

- Advises the Board on remuneration policy at Board and senior management level.
- Ensures that remuneration is geared to the enhancement of shareholder value.
- Ensures that targets are appropriate and are geared to delivering the strategy whilst appropriately limiting risk-taking and reflecting ESG considerations.
- Ensures that rewards for achieving or exceeding agreed targets are not excessive.
- Promotes the increasing alignment of executive and wider employee interests with those of shareholders and with the Company's culture by encouraging appropriate share plan participation and setting executive shareholding guidelines including post-employment.
- Reviews workforce remuneration and related policies and the alignment of incentives with culture, taking these into account when setting the policy for Executive Director remuneration.

Read more about this Committee on pages 106 to 131

Humphrey Singer
Chair of the Audit Committee

Kevin Beeston
Chair of the Nomination Committee (to 26 February 2020)

Irene Dorner
Chair of the Nomination Committee (from 26 February 2020)

Gwyn Burr
Chair of the Remuneration Committee

Composition, Succession and Evaluation

Nomination Committee report

Kevin Beeston
Chair of the Nomination Committee

Dear Shareholder

As Chair of the Nomination Committee, I am pleased to report on the ongoing objectives and responsibilities of the Committee, the work that has been carried out during 2019 and the plans for 2020.

The Nomination Committee performs an important role for the Company and takes its responsibilities seriously, as demonstrated by the fact that in addition to myself, all of the Non Executive Directors are members of this Committee.

The primary objectives of the Committee are to support the Board in its responsibility to ensure:

- Formal, rigorous and transparent processes are in place for appointing new Directors to the Board and proposed appointees to senior management positions.
- Effective, deliberate and well thought through succession planning and contingency planning processes are in place across the Group for all key positions.

During 2019 and the first part of 2020 the Committee oversaw a number of significant changes to the Board. As reported in the 2018 Annual Report and Accounts, in accordance with the 2018 UK Corporate Governance Code's (the Code) provisions on Chair tenure, I will step down as Chair of the Board on 26 February 2020. The Committee, led by Kate Barker in her capacity as Senior Independent Director, led the search for my successor, along with the executive search consultants, Spencer Stuart. On 1 December 2019, the Board welcomed Irene Dorner as Chair-designate and an Independent Non Executive Director. Irene has brought over 30 years' executive and non executive experience, strong leadership skills and commercial experience to the Board. Irene will also serve on the Nomination Committee, which she will chair in due course, and the Remuneration Committee.

Further details of Irene's experience and the skills she brings to the Board appear in her biography on page 66.

Robert Noel also joined the Board as an Independent Non Executive Director on 1 October 2019. Robert is a chartered surveyor and has over 30 years of relevant experience in the property sector. On appointment, Robert became a member of the Audit and Nomination Committees. More details about Robert's experience and skills appear in his biography on page 67.

As already reported on page 62, James Jordan stood down as Group Legal Director and Company Secretary on 31 December 2019. The Board is extremely grateful for James' outstanding commitment, dedicated service and wise counsel over his 17 years' service. On 4 November 2019, Alice Marsden joined the Company as Group General Counsel and Company Secretary. Alice brings a wealth of corporate governance knowledge and experience to the Group Management Team and as Secretary to the Board. More information about Alice appears in her biography on page 67.

On the subject of succession, guidance issued by the Financial Reporting Council (FRC) is that Nomination Committees should look deeper into the Company to identify future leaders; adopt a wider outlook in identifying potential Directors; and look further ahead than any immediate requirement to replace an individual Director.

Nomination Committee summary

The Committee is chaired by the Chair of the Board and is composed of a majority of Independent Non Executive Directors as required by the Code.

Committee members	Meetings attended
Kevin Beeston (Chair)	2/2
Irene Dorner[a]	0/0
Kate Barker	2/2
Gwyn Burr	2/2
Angela Knight	2/2
Humphrey Singer	2/2
Robert Noel[b]	1/1

(a) Appointed to the Committee on 1 December 2019.
(b) Appointed to the Committee on 1 October 2019.

Main objective

- To ensure a formal, rigorous and transparent process is undertaken for the appointment and removal of Directors to or from the Board, its Committees and other senior roles and, in conjunction with the Board, to ensure effective diversity initiatives and succession planning processes are in place across the Group.

2019 performance

- Oversaw the selection and appointment of the new Chair of the Board and the standing down of an Executive Director from the Board.
- Oversaw the selection and appointment of a new Independent Non Executive Director to the Board.
- Led further development of the Board and Board Committee succession planning.
- Reviewed contingency and longer term succession planning for all senior roles across the business.
- Further progressed the diversity and inclusivity agenda across the business, including partnering initiatives with selected third parties.
- Monitored action to further deepen, where necessary, succession planning in the Finance function of the business.

2020 objectives

- To further progress the diversity and inclusivity agenda across the business and ensure the progress made continues to be embedded within our culture.
- To continue to review and enhance succession planning processes at both the Board level and across the Group.

The Committee adheres to this guidance through the continuing development of the Company's regional Talent Management Boards which identify future talent and ensure that appropriate training and development plans are in place for those individuals, whether in the short or longer term pipeline, with the potential to be Directors or progress to other levels of senior management. The Committee has also focused on ensuring that individual Directors, and the Board as a whole, have the necessary experience and skills; and identifying whether there are any particular skills gaps, in order to support the Company's medium and longer term strategic direction and the Board's ability to oversee its effective delivery. More details are set out on pages 89 and 90.

The Committee welcomes the Hampton-Alexander Review which seeks to improve Board and senior leadership diversity across FTSE 350 companies. As at 31 December 2019, the Company had five women on its Board (50%) and eight women (50%) in roles across the combined Board and Group Management Team. In 2019, the Hampton-Alexander Review again recognised Taylor Wimpey's performance as above average for the sector. Further progress will be made in 2020.

The Committee and the Board also take into account wider diversity, including race, age, religion and experience. We fully support the various Government initiatives in this area, including the 'Beyond One by 21' report and recommendations launched in 2016 by Sir John Parker, which seeks to increase ethnic diversity on UK boards. Diversity and inclusivity remain firmly on the Taylor Wimpey agenda with monitoring and regular reporting taking place, including a specific annual update and discussion with the Board. Whilst we continue to make progress, we do recognise that there is still further work to be done in order to achieve our own diversity and inclusivity strategy and to support the Government recommendations.

The Company also strongly supports the Government's initiative on gender pay gap reporting and the Committee has overseen the publication of the Company's third Gender Pay Gap Report. This can be found on the Company's website at: www.taylorwimpey.co.uk

The Committee's progress and achievements during 2019 and its plans for 2020 are set out on page 86.

Following the publication of the Code, the Committee has taken the opportunity to conduct a thorough review of its Terms of Reference and has updated them to ensure that they are in line with the Code and reflect best practice. The Terms of Reference can be found on the Company's website at: www.taylorwimpey.co.uk/corporate

The key priorities of the Committee continue to be:

- To regularly review the Board's composition; balance; diversity; experience and skill sets; and individual Directors' time commitment.
- To regularly review our succession and contingency planning across the business and to ensure individuals' careers are supported by their professional development.
- To drive the Company's diversity and inclusivity agenda at all levels of the business.
- To ensure the Group continues to have the necessary level of Board and senior management skills and leadership to deliver our strategy.

The Committee's objectives, the strategy for delivering them, progress made towards them during 2019 and targets and plans for 2020 are described in more detail in this Report.

The Committee will continue to ensure that the present and future composition of the Board and the Group's executive management are appropriate to deliver the Group's strategy and that all applicable Code requirements continue to be met.

Kevin Beeston
Chair of the Nomination Committee

25 February 2020

Committee activities during 2019

The Committee meets formally at least twice per year and otherwise as circumstances require.

May 2019

- Reviewed succession and contingency planning processes and current and future plans for:
  - The Board
  - The Non Executive Directors
  - Board Committees
  - The executive levels immediately below the Board
  - Other key roles within the business.
- Reviewed progress and plans for developing talent.
- Received an update on the talent processes in place across the business.
- Received an update on the progress of the recruitment process for the new Chair of the Board and a new Non Executive Director.
- Discussed the potential candidates for the roles of Chair and Independent Non Executive Director, and reported progress made to the Board.
- Reviewed progress on diversity across the business and noted the requirement of the Sir John Parker Review to have at least one Director of colour by 2021.

October 2019

- Received an update on progress of Group succession planning and related development plans.
- Received an update on succession and contingency planning for the Board and key executives below Board level.
- Received an update on the progression of key executives below Board level.

Candidate selection process

External advice

The engagement of independent recruitment consultants who have no other connection to the Company

Consider

The preparation of a 'long list' of potential candidates which takes into account the outcome of the Committee's latest review of the composition and skill sets of the Board

Select short list

The selection of a 'short list' of suitable candidates meeting the Committee's criteria

Interviews and meetings

Interviews and meetings with the Chair, Chief Executive, other Executive Directors, and with each Independent Non Executive Director

Select candidate

Take up references

Appointment

Induction

Committee purposes and responsibilities

The Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, which ensures that appointments to the Board are made on merit and assessed against objective criteria. The Committee guides the Board in regularly assessing whether there is an appropriate balance of expertise and skills on the Board and on other diversity considerations. The Committee welcomed the Hampton-Alexander Review which set the target of 33% of women at Board level and those reporting directly to the executive committee (the Group Management Team) by 2020. As reported on page 91, as at the date of this report, we are meeting these targets.

The Committee oversees and advises the Board on the identification, assessment and selection of candidates for appointment to the Board. A description of how appointments are typically made from outside the Company to the Board is set out on the left.

The Committee also guides the Board in assessing whether the Board has the correct balance of expertise and in arranging orderly succession planning for appointments to the Board and in respect of senior management positions across the business. This encompasses not only the immediate succession planning for Directors but also a deeper review into the Company's management structure to identify those with longer term potential to develop into future successors in the medium to long term. The Committee also reviews Board composition in light of the Company's strategy, to ensure as far as possible that new appointments help support the drive to achieve its strategic objectives and bring the required skill sets.

Board appointments

Appointments to the Board are subject to formal, rigorous and transparent procedures, and the Committee maintains an effective succession plan for both the Board members and senior management. Appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.

The Board and its Committees have a combination of skills, experience and knowledge. The Committee considers the length of service of the Board as a whole and membership has been regularly refreshed as considered appropriate. The annual evaluation of the Board considers its composition, diversity and how effectively members work together to achieve objectives. More information on the Board evaluation is available on pages 92 and 93. Individual evaluations also demonstrate that each Director continues to contribute effectively to the Board as a whole.

During 2019, Irene Dorner and Robert Noel were appointed to the Board as Independent Non Executive Director and Chair-designate, and Independent Non Executive Director respectively. The Committee followed the typical candidate selection process, as set out on the left.

The Committee, led by Kate Barker in her capacity as Senior Independent Director, initiated the recruitment process for a successor to the role of Chair of the Board and the executive search consultants, Spencer Stuart, undertook the search. The Committee, led by Kevin Beeston, also initiated the recruitment process for an additional Independent Non Executive Director and the executive search consultants, Russell Reynolds, undertook this search.

Following the searches conducted by Spencer Stuart and Russell Reynolds, a 'long list' of candidates were considered by the Committee. Both external search consultants were instructed to ensure that there was an appropriate level of diversity in the long list. This resulted in the selection of a 'short list' of potential candidates who met the Committee's criteria in terms of the skills and expertise they could bring to the Board. Interviews and meetings were then held with the Chair, Chief Executive, other Executive Directors and each Independent Non Executive Director and the final candidates were selected.

It has been confirmed that neither Spencer Stuart nor Russell Reynolds have any other connection with the Company or individual Directors.

Relevant skills and expertise

The Committee has reviewed the appropriate balance of skills, experience, independence and knowledge of the Company of the Board to enable its duties and responsibilities to be discharged effectively. This review was utilised in drawing up the recruitment framework, including the list of desired skills, in the recruitment process for the appointment of a new Independent Non Executive Director and Chair-designate in December 2019 and a new Independent Non Executive Director in October 2019. The relevant skills and expertise of the Board were also considered by the Committee in the decision that the Company Secretary should no longer also be a Director with effect from the end of 2019. The Committee considers whether each Director brings relevant and complementary skills, experience and background to the Board, details of which are set out on this page, and additional information is also set out in the biographies on pages 66 to 67.

Kevin Beeston, Chair, has a wealth of commercial, financial and senior-level management experience including being a former CEO of a FTSE 100 company. Kevin also has significant experience of chairing boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

Irene Dorner, Independent Non Executive Director and Chair-designate, has over 30 years of commercial, financial and senior-level executive experience, principally acquired as CEO of HSBC Malaysia, and CEO and President of HSBC in the United States, and as Group Managing Director of HSBC Holdings. Irene has significant experience of chairing boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

Pete Redfern, Chief Executive, has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. In 2014 he joined the Board of Travis Perkins plc as an independent non executive director and serves on their remuneration, employee voice, and Stay Safe committees (chairing the latter).

Chris Carney, Group Finance Director, has financial, treasury, risk and financial control expertise including that gained from his time with Associated British Foods plc and in private practice with Deloitte; and later in various roles within the Company's Finance Department. He also has significant operational and transactional experience from his previous roles with the Company as successively Regional Managing Director, Divisional Managing Director, and Divisional Chair within the Company's UK housebuilding operation.

Jennie Daly, Group Operations Director, has considerable experience in the UK housebuilding industry gained from her time with Westbury plc, Harrow Estates Plc, and Redrow plc, and her previous roles with the Company as successively UK Planning Director and UK Land Director.

Kate Barker, Independent Non Executive Director and the Senior Independent Director, is an industry-recognised economist and has led policy reviews for the Government in the areas of land use, planning and housing supply. Kate also brings a wider economic insight gained through her various roles, including as a Member of the Oversight Board of the Office for Budget Responsibility as well as experience from her other non executive positions.

Gwyn Burr, Independent Non Executive Director, has over 25 years' executive experience, principally in customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director from 2005 to 2013 at J Sainsbury plc. Gwyn also has significant experience on several boards as a non executive director and chair of remuneration committees.

Angela Knight, Independent Non Executive Director, has significant senior-level experience in both the public and private sectors. In the public sector, she was a Member of Parliament from 1992 until 1997, including two years as the Economic Secretary at HM Treasury, and was Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019. In the private sector, she has significant experience as a non executive director including as the senior independent director of quoted companies.

Robert Noel, Independent Non Executive Director, is a chartered surveyor with over 30 years' experience in the property sector, including from 2012 to date as CEO of Land Securities Group PLC and previously as Property Director of Great Portland Estates plc. In addition, Robert was also previously the President of The British Property Federation.

Humphrey Singer, Independent Non Executive Director, has a wealth of financial experience from his role as Chief Financial Officer at Belron Group, and his previous role as Chief Finance Officer of Marks and Spencer Group plc. In addition, Humphrey has expertise in the areas of both digital solutions and customer services which is a useful skill set for the Board and the Company. He has recent and relevant financial experience as required by the Code in connection with his chairing of the Audit Committee.

Board and Committee balance, diversity, independence and effectiveness

The Nomination Committee supports the Chair of the Board in their role to ensure that the Board is conducted so as to allow the Independent Non Executive Directors to challenge the Executive Directors constructively whilst, at the same time, also supporting them to implement the strategy and run the business effectively. This is achieved by the Committee ensuring that the Board has the right balance of skills, independence and knowledge, and this is something that is kept under regular review.

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including in the areas of gender, age, disability, ethnicity and experience.

As previously mentioned, the Committee continues to recognise its responsibility to comply with the recommendations of the Hampton-Alexander Review. At the start of 2019, four out of nine Taylor Wimpey Board members were women (44%), this increased to five out of ten (50%) on 31 December 2019, and further increased to five out of nine (56%) following Kevin Beeston stepping down from the Board on 26 February 2020. The proportion of women on the Group Management Team (our equivalent of an Executive Committee) and their direct reports, are set out on page 91.

The Code requires at least half of the Board, excluding the Chair, to consist of Independent Non Executive Directors. The Committee considers that the balance of the Board, consisting of a Chair, three Executive Directors and five Independent Non Executive Directors (reducing to four Independent Non Executive Directors during 2020) will continue to provide the right blend of experience, expertise and challenge in order to take the Company forward in line with the strategy, whilst ensuring and maintaining good governance and best practice. This will be kept under regular review in line with the guidance set out in the Code.

This balance also ensures that there is an effective balance of guidance, support and constructive challenge to the Executives. It is considered that this will continue to be the case during 2020.

The Committee will keep the balance and composition of the Board under regular review, and will take into account the recommendations of the above mentioned Hampton-Alexander Review and also the Parker Review and its report on increasing the ethnic diversity of boards.

Induction

The importance of induction and training is recognised by the Committee and so the Company has established procedures whereby newly appointed Directors, including Non Executive Directors, receive a formal induction. This includes training and continuing familiarisation with the Company's business, strategy, operations (including health and safety) and systems, the principles underlying the discharge of their duties as a Director, and wider issues relating to the housing sector.

For newly appointed Non Executive Directors, the induction includes meetings with key members of senior management and Function heads from across the business, external advisers and site visits. Further information on the induction that Irene Dorner and Robert Noel received following their appointment to the Board during 2019 can be found on page 65. These programmes for Directors were reviewed during the year and are considered to remain appropriate.

Board succession and contingency planning

As stated on pages 86 and 88, there were a number of changes to the Board during 2019. The Committee considered the constitution and performance of the Board and its Committees and concluded that they continue to function effectively.

In 2018, the Committee noted the requirement of the Code that a chair of the board should not normally serve for longer than nine years, subject to a limited extension to facilitate effective succession planning. Following this requirement, the Committee completed an extensive search and recruitment process and the appointment of Irene Dorner as Chair of the Board from 26 February 2020 ensures we remain compliant.

During 2019, the Committee has considered the short and long term succession plans for all Board members and key members of senior management, together with appropriate development plans. In doing so, the Committee has reviewed the talent pipelines available for these roles as well as our talent development and targeted training programmes.

Enhancing our succession planning process in 2019

Succession planning for people at all levels of the organisation has continued to be a key area of focus for the Board and the Nomination Committee. In addition to regular reviews of executives with leadership potential together with their individual development plans, senior management is regularly provided with access to the Board, including the opportunity to attend and brief Board meetings. This provides valuable exposure for developing management talent as well as assisting the Board in assessing the Company's leadership strength in depth.

As highlighted in the Committee's 2019 performance on pages 86 and 87, succession planning for employees at all levels of the organisation has continued to be a key area of focus for the Committee. With a view to identifying key prospects and tailoring training and development plans to allow individuals to demonstrate their potential for future progression, the Committee appreciates having visibility of a wide range of employees with leadership potential, together with their individual development plans. Furthermore, management below Board level is provided with access to the Board, including the opportunity to attend Board meetings from time to time and other Board-related functions in order to give presentations on specialist topics, project work and the performance of specific regional businesses and divisions. This provides valuable exposure to the Board for up and coming management as well as being extremely valuable for the Committee in assessing the Company's strength in depth.

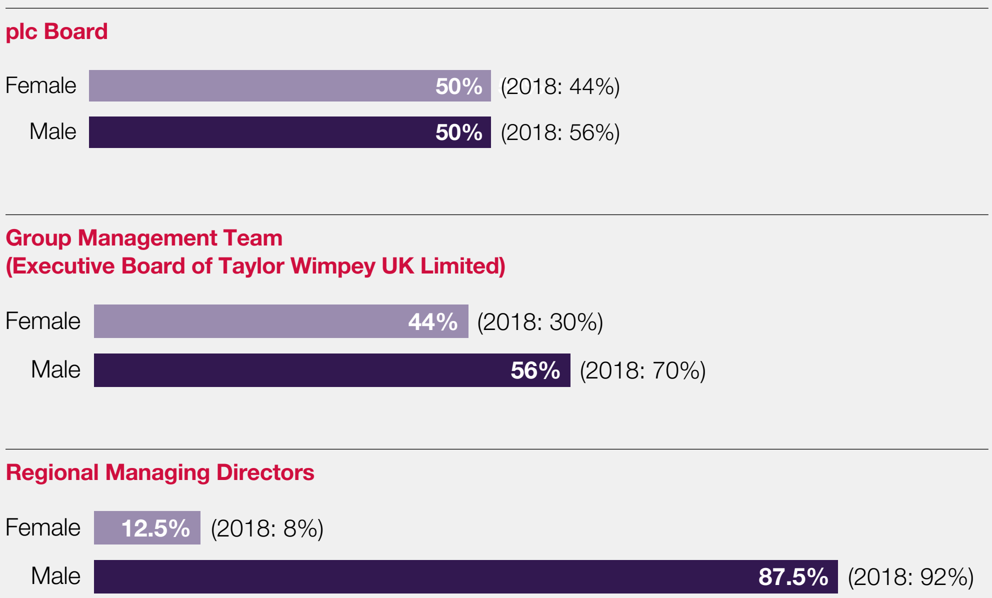
The Company also operates a Group Talent Board which is chaired by the Chief Executive and is supported by our divisional Talent Management Boards, comprised of senior executives together with HR representatives. These Boards regularly review succession planning and related development and training requirements across the Company. Actions to support succession planning across the Company include the development of career paths linked to experience, exposure and education; an assessment and development centre; and the promotion of the Company's mentoring scheme.

Contingency planning concerns the Company's and the Board's preparedness for and responsiveness to sudden and unexpected loss or non-availability of a Board member or key members of senior management.

The Committee has identified suitable individuals within the Company who, either singly or in concert with one another, can quickly assume a key role and provide effective support until the individual returns to work, or in appropriate cases, a successor can be identified and appointed.

Gender diversity

With regard to gender, as at 31 December 2019, the diagrams below show the number of women representing each group. Please note that these figures take into account James Jordan's retirement on 31 December 2019.



Percentage of the workforce that are women

29%

2018: 31%

Percentage of new starters with the Group during 2019 that are women

22%

2018: 26%

While we continue to make reasonable overall progress and are committed to doing so, we of course recognise that this is a journey and we still have more work to do in order to fulfil our overall diversity ambitions and, as stated on page 95, it is a priority for 2020 to achieve further progress in this area.

Board evaluation

A key requirement of good governance is ensuring that the Board itself is operating effectively. The carrying out of a formal and rigorous annual evaluation is a very important exercise and it is one which the Board and each Director takes very seriously, whilst also recognising the focus that our shareholders place on it.

In line with the Code, the Board conducts its annual evaluation exercise via an independent external facilitator once every three years. The last such externally facilitated evaluation was conducted for 2017 and consequently arrangements are in hand for the 2020 evaluation to be externally facilitated. This will be reported on in detail in next year's Corporate Governance Report.

The evaluation for 2019 was internally facilitated by the Chair in conjunction with the Company Secretary. The exercise, which considered the effectiveness of the Board, each Board Committee and each Director, was conducted between October and November 2019 and consisted of the following:

- A detailed and comprehensive bespoke questionnaire which the Company Secretary distributed securely online to each individual Director for completion and return;
- Collation of the responses was undertaken by the Company Secretary on a non-attributable basis;
- Review by the Chair and the Company Secretary of each performance area;
- Review by the Chair of each individual Director;
- Review by the Senior Independent Director and the Company Secretary on the feedback provided on the performance of the Chair;
- Led by the Senior Independent Director, the Independent Non Executive Directors also met separately to review the Chair's performance based on the non-attributable feedback and also to discuss other matters;
- Presentation of the findings on the Board and Board Committees to the Board in December 2019 on a non-attributable basis; and
- Preparation of an action plan designed to address the findings, discussed at the Board in February 2020, as set out in the table opposite, and to be actioned during 2020.

Feedback was then provided on an individual basis, by the Senior Independent Director to the Chair (and vice versa) and through the Chair discussing each individual Director's performance assessment with the relevant Director on a one-to-one basis.

The overall outcome of the 2019 evaluation exercise was that the Board considered that it continues to function effectively and in line with first class corporate governance principles, and is providing effective leadership to the Group.

As part of the Board evaluation, the time commitments of all Directors in line with the requirements of the Code were reviewed in detail. Following this review, the Board was satisfied that each Director was able to allocate sufficient time to discharge his or her responsibilities to the Company effectively. This included not only attendance at Board and applicable Committee meetings, where attendance was 100% during 2019 for all Directors, but also preparation time for meetings, visits to our operating businesses and other additional commitments that may be required from time to time.

Consistent with previous exercises, the 2019 evaluation proved to be very useful. It again provided an opportunity to reflect on the strengths of how we operate and where we can improve as a Board. The Board has already discussed the areas identified for improvement and will continue to focus on them during the course of 2020.

The main action points and recommendations arising from the internally facilitated 2018 and 2019 Board evaluation exercises, together with actions taken during 2019 in relation to the former, and actions taken and planned during 2020 in relation to the latter, are set out in the table opposite.

2018 Evaluation: Recommendations included	Actions taken during the year
Maintain focus on progress in achieving the strategy.	**Strategy:** The Board regularly reviewed during 2019 how the strategic direction is being adopted and progressed across the business and will agree and monitor this progress against milestones around the interim strategic goals and priorities identified by the Group Management Team.
Make further progress on succession planning in the Finance function.	**Succession planning:** Action was taken to deepen the overall strength in depth of the Finance function across the business and the Nomination Committee is being kept informed of progress.
Develop a faster pace of improvement on diversity and inclusivity at all levels across the Group.	**Diversity:** The Board continues to monitor the progress of diversity and inclusivity matters across the Group. Diversity and inclusivity is included as a special topic at a Board meeting each year when the Chair of the Diversity and Inclusivity Committee attends and updates the Board on ongoing initiatives, objectives and priorities. The Board also receives regular updates on diversity and inclusivity throughout the year.
Develop improved methods of monitoring progress in the strategic aim of becoming a more customer-focused business.	**Customer-focused strategy:** The Board believes that considerable progress has already been made in this area and additional reporting is being developed to assist in driving further improvements and monitoring their effectiveness. In addition to regular reporting, progress on our customer-focused approach was included as a special topic during 2019.
Implement ideas from Non Executive Directors from their other Board appointments with a view to enhancing the Taylor Wimpey Board processes.	**Board processes:** A number of good suggestions were made, including the holding of pre-Board breakfast meetings with, for example business leaders, leading industry commentators, and / or with stakeholder groups. During 2019, two breakfast meetings were held and covered the topics of behavioural science and artificial intelligence.
2019 Evaluation: Recommendations included	**Actions being or to be taken during 2020**
Review and confirm the division of responsibilities between the Chair, Chief Executive, Senior Independent Director and Matters Reserved for the Board.	Conduct a review of the division of responsibilities document and update as required following the appointment of the new Chair of the Board and Senior Independent Director. Following this review, the Matters Reserved for the Board will be reviewed in light of any changes.
Assessment of progress made on engagement with employees and focus on further progress.	The National Employee Forum (the NEF) has been very successful since its formation in 2017. During 2020, the Board will review the NEF and consider other available options to further strengthen engagement with employees by the Board taking account of the extent of actions taken by our peers and across the FTSE 100.
Review agendas, timings and paper structure.	Conduct a full review of Board and Committee agendas and papers.
Non Executive Directors only meeting.	Hold additional Non Executive Director only meetings during the year.

Annual re-election to the Board

The Code requires every Director to seek election or re-election, as appropriate, at each year's AGM. Accordingly, at the 2020 AGM, with the exception of our Chair, Kevin Beeston, who will have stepped down from the Board by this point, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for election or re-election, as appropriate.

Details of the resolutions to be proposed in this respect and supporting biographical details of the Directors appear in the Notice of Meeting on pages 192 to 198.

As part of the 2019 Board evaluation process, the Board reviewed and re-affirmed that it considers each of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Directors' judgement.

In line with the Code, a rigorous evaluation took place with regard to Kate Barker as she will have served on the Board for nine years by the time of the 2020 AGM. The Committee has considered that it would be beneficial for Kate to remain a Non Executive Director until 31 July 2020 to support Irene Dorner as she takes on her new position and responsibilities as Chair and also to provide additional stability in the Board composition. During that additional period, on reaching the ninth anniversary of her appointment to the Board (20 April 2020), Kate will step down as the Company's Senior Independent Director and as a member of the Audit and Remuneration Committees. An appropriate explanation has also been made in Resolution 8 proposing Kate's re-election at the AGM and in the explanatory notes accompanying the Notice of the AGM on page 196.

The performance evaluation of the Board and its Committees and each individual Director, as set out on pages 92 to 93, included in relation to their duties under Section 172 of the Companies Act 2006, details of which are set out on pages 76 to 81.

In addition, the Board re-evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time to the Company in order to discharge their responsibilities effectively, including not only attendance at Board and applicable Committee meetings but also preparation time for meetings, visits to businesses (including the annual Board away day / visit) and other additional commitments that may be required from time to time. Recognising the importance of the time commitment of each Director to shareholders, this will continue to be kept under review for all Directors during 2020, including as part of the external Board evaluation process.

The Chair, at the time of his appointment on 1 July 2010, met the independence criteria as set out in the Code.

The Chair-designate will, at the time of her planned appointment on 26 February 2020, meet the independence criteria as set out in the Code.

Employee diversity and inclusivity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2019. Within Taylor Wimpey, diversity and inclusivity remained an area of clear focus throughout 2019 and will continue to be in 2020 and beyond. To support the Board's diversity and inclusivity, the Diversity and Inclusivity Committee has continued their work to ensure that the Company as a whole is operating in a diverse and inclusive manner.

Although the Nomination Committee and the Board will continue to appoint based on merit, we recognise that boards generally perform better when they include top-quality people from a range of backgrounds and experiences. Therefore, diversity and inclusivity will continue to be a key consideration when assessing the composition of the Board, as well as our key executives and wider management teams, to ensure the development of a diverse pipeline for succession.

The Diversity and Inclusivity Committee, which includes a variety of members from across the business, has been overseeing progress towards achieving the Company's Diversity and Inclusivity Strategy and implementing and progressing initiatives in order to improve our performance in these key areas. The Company's Diversity Policy, as set out on pages 96 to 97, focuses on the challenges faced in developing an inclusive and diverse workforce, with each regional business making an appropriate commitment to this. The Diversity and Inclusivity Strategy is based on the following key objectives:

- **21st-century leadership** – we ensure that our leaders understand their role in developing a more diverse and inclusive culture and have the relevant training and support to achieve this.
- **Remaining an employer of choice** – we ensure that our working environment, policies, procedures and development and progression opportunities support greater diversity and inclusivity.
- **Expanding our reach** – we develop broader recruitment channels, understand and embrace the diversity of our customers and workplace and improve engagement with them.

By embracing diversity and inclusivity, the Board believes the Company will better understand how people's differences and similarities can be utilised for the benefit of not only the Company but most importantly also for individuals, the communities we work within, society as a whole, and our customers. Having a diverse workforce will improve the Company's ability to become even more of a customer-focused business.

The Company has put in place systems to measure and monitor diversity around the Group more effectively. The data becoming available from these improved systems has assisted in designing and implementing a number of improvements to Group employment terms and conditions which we believe should facilitate access to and success at work for all, such as the following:

- **A review of gender pay** – we are committed to creating a diverse and inclusive place to work. Our fair and transparent approach to recruitment and our people is one of the defining factors in Taylor Wimpey's culture and future workforce. Embracing diversity enables us to succeed in a competitive market so we have implemented our Diversity and Inclusivity Strategy which focuses on gender equality as well as promoting other key workforce policies that highlight positive approaches to employee diversity. Our action plan to support gender equality sets out measures to challenge the traditionally male-dominated culture of the construction and homebuilding industries.
- **Implementing a flexible working policy** – following our initial trial, a number of our business units have introduced agile and flexible working polices which have been received positively. We have developed a set of agile working principles to support our business units and we will continue to develop our policies to ensure we can attract and retain talent.
- **Young Persons Forum** – continuing the success of our Young Persons Forum in our West Scotland regional business unit, we have rolled out further forums across the business. This Forum gives our young employees the opportunity to meet other young people across our businesses, provides training and information sessions and a platform for discussion of business-related matters.
- **Unconscious bias training** – we have introduced mandatory unconscious bias awareness training for all employees which is raising awareness and promoting wider thinking to support our drive to be more diverse and inclusive.
- **Applicant tracking system** – we have launched a new applicant tracking system which has improved our application process and enables us to reach a wider and more diverse pool of talent so we can ensure that roles are being advertised sufficiently widely and can understand how candidates are being selected for recruitment.

Progress of our Diversity Policy

The Company's plans and progress in implementing its Diversity Policy are measured and monitored by the Nomination Committee and the Board. Set out below is the Diversity Policy benchmarked against appropriate targets. The Company is also committed to ensuring that our people are free from any direct and indirect discrimination, harassment, bullying or any other form of victimisation. Our Grievance and Harassment Policies ensure that any reported incidents are addressed and our Whistleblowing Policy encourages employees to speak up, including through an independent third party whistleblowing hotline, about any inappropriate practices or behaviour. These policies are regularly publicised to all employees.

Diversity Policy	Strategy	Progress
Taylor Wimpey operates in diverse communities. We believe that embracing this diversity will enable us to succeed through a workforce that is inclusive, creative and innovative. Diversity covers many aspects. We have defined diversity to mean that we actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race, disability and religion but also diversity of thought, background and experience.	We will examine our culture and practices to determine what further actions can be taken to improve diversity and inclusion within Taylor Wimpey.	Our Working Party, the Taylor Wimpey UK Diversity and Inclusivity Committee (the Committee), fully incorporates our previous BAME Working Group. This means we have full representation across all of our UK Divisions, with every regional business having a link to the Committee via their nominated champions. The Committee meets every quarter with clear objectives and action plans now in place for 2020 which will focus on achieving our diversity and inclusivity agenda. Our strategy and associated workstreams are designed to move us forward as a diverse and inclusive employer with particular emphasis on gender and BAME again this year. The three key objectives stated within the Diversity and Inclusivity Strategy are: – 21st-Century Leadership. – Employer of Choice. – Expand our Reach. The Committee has engaged with the EY Foundation which supports young people from socially deprived and BAME backgrounds that are facing significant barriers to work. We have sponsored 22 young people to gain work experience and skills, resulting in job placements for several of these young people. The Chair of the Committee and the Head of Human Resource Strategy continue to drive the Diversity and Inclusivity Committee agenda and will provide updates on progress of our plans and specific initiatives to our Divisional Chairs, Divisional Managing Directors and Regional Managing Directors. This ensures strong two way communication and strengthens the commitment to the Diversity and Inclusivity Strategy from the leaders of our business.
Managing diversity is about valuing everyone as an individual – valuing people as our employees, customers and clients. People have different needs, values and beliefs. Our people management practice demands that employment propositions are both consistently fair and also flexible and inclusive in ways that assist our people while supporting our business needs and objectives.	We will identify people management practices that assist a diverse workforce to achieve its full potential. We will use our Community Engagement Programme to heighten awareness of positive strategies for personal interaction and valuing individuals. We will increase the opportunities for young people to join the Company and will promote continuous personal development.	We are proud of our involvement with the Leonard Cheshire Disability Change 100 programme which offers undergraduate students with a disability a summer placement and we are committed to continuing this support. This year, one of our previous students was successful in joining the 2019 Graduate Scheme. In 2019 we increased the number of people employed with a disability to 54, compared to 43 in 2018. We have continued to promote our 'Employer of Choice' and diversity agenda through numerous publications and recently our West Scotland regional business was shortlisted for the 'Age Inclusive' award at The Herald & GenAnalytics Diversity Awards. We have again been recognised by the Hampton-Alexander Review, an independent review body which aims to increase the number of women on UK boards. For the third year in a row, we have been included in the top 50 UK employees for gender diversity. During 2019, we continued to roll out the Young Persons Forums across our business units. These forums ensure that our young people are fully engaged with the business, creating strong networks that will bring huge benefits to both the individuals and wider business. They also ensure that young people have a strong voice within Taylor Wimpey. The principles and benefits of flexible working were continually promoted during 2019. The launch of the agile working campaign has further endorsed this initiative and this has created some fantastic success stories around the business. We will continue to promote this initiative across the business during 2020.

Diversity policy	Strategy	Progress
We believe that everyone should have the right to equal access to employment and, when in our employ, to equal pay and access to training and career development.	We will ensure that all managers involved in recruitment and selection receive training that incorporates the areas of diversity and promoting equality. We will extend our recruitment sources in order to attract a more diverse range of applicants.	In 2019, we recruited 24 graduates, 36 management trainees, 56 site management trainees, and 382 trade apprentices. During 2019, we continued to partner with a number of specific diversity partners with the objective of driving the attraction and development of a more diverse and representative workforce. The Company's ongoing implementation of the strategy launched in 2018 has involved open sessions chaired by Pete Redfern and other Board members with groups of employees representing all areas of the business. These sessions were designed to allow all voices to be heard and influence how we achieve our strategic goals. Diversity and inclusivity is continually discussed as part of the talent and succession reviews which are completed by all business units twice a year. These reviews are cascaded upwards, culminating in business wide reviews by the Divisional Chairs with the Chief Executive and Group Human Resources Director. A full review of all Taylor Wimpey policies and the Company website is being undertaken through a diversity and inclusivity 'lens'.
We are committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. We will not tolerate any behaviour that detracts from this.	We will encourage our people to speak out and report any direct or indirect discrimination, harassment or bullying. We will act promptly in addressing any inappropriate behaviour or practice.	A specific focus of the Company's whistleblowing campaign is on encouraging employees to speak up against any inappropriate practices or behaviour. Our Grievance Policy ensures that any reports of harassment or bullying are investigated and acted upon.
We acknowledge that we must continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent. Establishing an organisational culture with diversity as a core value will enable individuals to reach their full potential and provide the best service to our customers.	Diversity will be promoted from the highest level and we will ensure that our people understand the benefits of having a diverse and inclusive workforce.	Diversity is a core message within our strategy, a main item at our executive and regional management meetings and is a standing agenda item at Group Management Team meetings. In order to support each employee to maximise their performance and achieve their own personal goals we have designed a 'Cultural Principles' framework where we describe the behaviours and attitudes we believe are required for effective performance in order to deliver our vision, mission and values. Encouraging and embracing diversity is an integral part of our philosophy. The Careers section of our website includes a dedicated diversity and inclusivity section highlighting our focus on this area. In 2019, we developed our first divisional female network which consists of employees from functions such as Technical, Commercial and Production which are departments that historically have had lower female representation within our business. The aim of the network was to take positive action where we created a platform for our females and males to openly discuss and share what may be preventing women from progressing, provide an inclusive network with access to senior leaders, career development support and boost confidence. The network has been attended by a Divisional Chairman and Divisional Managing Director and so far, has successfully aided further awareness and positive actions amongst our leaders on how we can further support and encourage female talent. This includes some very practical changes such as working with suppliers to ensure female uniforms are readily available for site employees, suitable facilities are available for women working on site, role modelling as well as development support to help the network consider how they influence and get traction in male dominated environments. We have some fantastic ideas and learnings coming out of this employee resource group and plan to expand this further. We published our updated gender pay gap data in March 2020 and it can be viewed on our website at www.taylorwimpey.co.uk

Audit, Risk and Internal Control

Audit Committee report

Humphrey Singer
Chair of the Audit Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Audit Committee, summarising below, and in the report which follows, the ongoing responsibilities and objectives of the Committee; the work that has been carried out during 2019; and the priorities established for 2020.

The Committee supports the Board in fulfilling its corporate governance responsibilities, including the Group's risk management and internal control framework; internal audit process; financial reporting practices; the preparation and compliance of the Company's Annual Report and Accounts; and the external audit process.

The main responsibilities of the Audit Committee are summarised opposite in the main objective on page 99 and further details of the Committee's responsibilities can be found in the Terms of Reference of the Audit Committee which is available in full on the Company's website. Following a review during 2019, it was determined that they remain appropriate, in line with best practice and reflect the Committee's responsibilities under the Code and related regulations.

The Committee conducts an annual evaluation of its performance against its key objectives.

An interim review of progress against these objectives was considered at the Committee's July and December 2019 meetings, and the evaluation for 2019 was formally assessed recently by the Committee at its February 2020 meeting.

The key performance areas of the Committee during 2019 are set out on page 99 and described in more detail in this report.

The Committee's key areas of focus for 2020 are also set out on page 99. Whilst these remain sufficiently flexible to permit the Committee to quickly respond to any major change in circumstances, our key priorities for the year ahead will include the continued delivery of robust risk management and work to further strengthen the control framework.

The Committee continues to hold meetings with the external auditor and the Head of Internal Audit, independent of the Executive, and these assist in ensuring that reporting, forecasting and risk management processes are subject to rigorous review throughout the year.

I am pleased to confirm that throughout the year the Committee met the Financial Reporting Council (FRC) guidance on Audit Committees which was issued in April 2016, and which was incorporated into the Code. The aim of the guidance was to further improve good governance around the Committee's competence; induction for new members; audit rotation; independent assessment of areas of judgement; and sufficiency of resourcing for the Committee; all with the aim of ensuring that the Committee is able to perform its primary function of protecting shareholders' interests in relation to the Company's financial reporting and internal control.

The Committee will continue to ensure that all applicable regulations are complied with, in order to remain confident that the business continues to operate in a controlled and managed way.

I would like to welcome Robert Noel, independent Non Executive Director, who joined the Committee on his appointment to the Board on 1 October 2019. Rob's deep understanding of the property sector and wide commercial experience as CEO of Land Securities Group PLC will add to the Committee's skill sets and further enhance the quality of its work on behalf of shareholders.

Humphrey Singer
Chair of the Audit Committee

25 February 2020

Committee activities during 2019

February 2019

- Reviewed the draft 2018 Annual Report and Accounts, including significant accounting and audit issues; issues of materiality; and the external auditor's report; and conducted a formal compliance check.
- Disclosed relevant audit information to the auditors and the required evidence in support of it.
- Reviewed the Group's 2018 draft Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends.
- Concluded the prior year's risk review.
- Reviewed the draft Viability Statement to appear in the 2018 Annual Report and Accounts.
- Reviewed the Committee's performance against its objectives for 2018 and set objectives for 2019.
- Received the Group fraud risk assessment.
- Held private meetings with the external auditors and the Head of Internal Audit.
- Agreed Internal Audit's programme of work for 2019.

July 2019

- Reviewed the draft Half Year Statement for 2019, including significant accounting issues; materiality; and the external auditor's report on its review of that statement.
- Conducted the 2019 Half Year risk review.
- Received a further detailed presentation on the Group's data security, including progress to date and plans for further improvement.
- Advised the Board regarding the appropriateness of the proposed dividend.
- Reviewed Deloitte's plan for the audit of the Company's 2019 accounts, and the progress of the audit to date.
- Led the appraisal of Deloitte's performance during the audit of the Company's 2018 results.
- Reviewed and agreed the process for tendering the external audit during 2020, with a view to the new appointee (subject to shareholder approval), shadowing the incumbent external auditors on the 2020 audit and commencing as external auditor from 1 January 2021.

Audit Committee Summary

The Audit Committee is chaired by Humphrey Singer. Robert Noel joined the Committee on his appointment to the Board on 1 October 2019. All members of the Committee are Independent Non Executive Directors as required by the Code. The Board has determined that Humphrey Singer has recent and relevant financial experience as required by the Code. In addition, and in line with the Code, the Board considers that the Audit Committee when considered as a whole, has the necessary competence relevant to the housebuilding sector in which the Company operates.

Main objective

To assist the Board in fulfilling its corporate governance responsibilities relating to the Group's risk management and internal control framework; internal audit process; financial reporting practices including the key accounting judgements and estimates; and external audit process.

Members

Committee members	Meetings attended
Humphrey Singer (Chair)	3/3
Kate Barker	3/3
Angela Knight	3/3
Robert Noel[(a)]	1/1

(a) Appointed on 1 October 2019.

2019 key areas of focus

– Monitored new initiatives to support business partnering by the Finance function.
– Monitored the Commercial function's new initiatives to further strengthen commercial controls.
– Gained assurance that planned initiatives progressed within a robust framework.
– Oversaw an update to the joint venture framework to ensure alignment with core frameworks, processes and controls within the business.
– Engaged with the senior management team to ensure an effective and appropriate risk management and control framework continued to evolve.
– Received the Group Fraud Risk Assessment and gave continuing focus thereto.

2020 key areas of focus

– Oversee the external audit tender process.
– Continued focus on key initiatives to support cost management and simplification of key commercial processes.
– Gain assurance that current technology and ongoing related process improvements are implemented within a robust framework.

December 2019

– Received a briefing on key accounting judgements with regard to the Company's 2019 accounts.
– Oversaw the process of development of the Board's Viability Statement included in its 2019 reporting.
– Considered the risk review outcome for 2019.
– Received a detailed presentation on progress to date and plans for further improving the Group's IT systems and wider IT security more generally.
– Conducted an interim review of progress against the Committee's objectives for 2019.
– Reviewed and approved the initial tender documentation commencing the process for the appointment of new external auditors.

February 2020

– Reviewed the draft 2019 Annual Report and Accounts, including significant accounting and audit issues; issues of materiality; and the external auditor's report; and conducted a formal compliance check.
– Reviewed and confirmed the processes which allow the Committee to ensure that the 2019 Annual Report and Accounts meets the requirements of Code Principle N, Provision 27, to present a fair, balanced and understandable assessment of the Company's position and prospects.
– Disclosed relevant audit information to the auditors and the required evidence in support of it.
– Reviewed the Group's draft 2019 Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends.
– Concluded the 2019 risk review.
– Reviewed the draft Viability Statement to appear in the 2019 Annual Report and Accounts.
– Reviewed the Committee's performance against its objectives for 2019 and set objectives for 2020.
– Reviewed the Committee's performance against its Terms of Reference during 2019.
– Agreed Internal Audit's programme of work for 2020.
– Received an update on progress of the external audit tender process.
– Recommended to the Board the reappointment of Deloitte as external auditor.

Committee purpose and responsibilities

The membership of the Audit Committee is set out in the table on page 99. Committee meetings are also attended, by invitation, by the Chief Executive, Group Finance Director and Group Operations Director, the Chair and other Non Executive Directors (who traditionally attend the key Committee meetings dealing with the Company's interim and full year accounts), Group Financial Controller who also has direct oversight of the risk management framework, Head of Internal Audit, other senior executives, the Company Secretary, Deputy Company Secretary and Deloitte LLP (Deloitte), the external auditor. The Committee also meets individually and privately with the Head of Internal Audit and with representatives from Deloitte during at least two Committee meetings per annum, which normally take place around the time of the Full and Half Year financial statements, in order to discuss any matters which the auditor may wish to raise in confidence, with only the Secretary being present.

It is a requirement of the Code that the Board should:

- Establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself as to the integrity of financial and narrative statements.
- Present a fair, balanced and understandable assessment of the Company's position and prospects.
- Establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the Principal Risks the Company is willing to take in order to achieve its long term strategic objectives.

Committee activities during 2019

The Audit Committee met on three occasions during the year. The reports considered at the February 2020 meeting concluded the Committee's activities with regard to the Company's 2019 reporting and have been included on this page.

At those meetings, the Committee carried out its remit which, in addition to reviewing at each meeting the summary reports of Internal Audit activity, primarily included reviews of the following:

- Financial reporting practices.
- The risk management and internal control framework.
- The internal audit process.
- Checking for any incidences of fraud, actual, alleged or precautionary, and ensuring proper controls and a response plan are in place.
- Preparations for the tendering of the external Auditor role.

In carrying out these activities, the Committee places reliance on regular reports from Executive Management, Internal Audit and from Deloitte. In monitoring the financial reporting practices, the Committee reviewed accounting policies, areas of judgement highlighted by Executive Management and Deloitte, the going concern assumptions and compliance with accounting standards and the requirements of the Code.

Committee competence

A key requirement of the FRC's guidance on Audit Committees is that each Committee member should have sufficient knowledge, training and expertise to contribute effectively to the Committee's deliberations.

The Committee Chair has extensive experience of the financial reporting requirements of FTSE 100 companies; of financial reporting preparation and compliance for public companies; and of dealing with internal and external auditors in his previous roles with Marks and Spencer Group plc and Dixons Carphone plc. He also has previous experience of both attending Audit Committee meetings and of being a member of an Audit Committee. This experience has given him an insight into key areas of shareholder concern and independent experience of robustly challenging both Management and the external and internal auditor.

The Committee Chair is assisted by three other Independent Non Executive Directors:

- Kate Barker has wide experience of key areas in which the Company operates day to day, having led Government policy reviews into housing supply and land use planning. She also has experience of being a non executive director with Man Group plc and previously with Yorkshire Building Society.
- Angela Knight has wide experience of financial services and banking and has extensive non executive director experience.
- Robert Noel, who joined the Committee on 1 October 2019, has considerable experience of the property sector and wide commercial experience as CEO of Land Securities Group PLC.

The Committee is confident that its members collectively have the necessary competence relevant for the housebuilding sector as envisioned by the Code.

As described in the Nomination Committee Report on page 90, there is a formal process of induction for new Directors and this includes specific reference to supporting competence in relevant Committee areas through exposure to appropriate areas of the Company's operations and performance.

All the members of the Audit Committee are Independent Non Executive Directors and the Chair has recent and relevant financial experience as required by the Code.

The Committee is confident that its composition; balance; and expertise can give shareholders confidence that the financial; reporting; risk; and control processes of the Company are subjected to the appropriate level of independent, robust and challenging oversight.

Committee evaluation

The Board evaluation for 2019, which is described more fully in the Nomination Committee Report on page 92, included an appraisal of the performance of the Audit Committee and individually of its Chair and other members.

The outcome of the appraisal was that the Committee was considered to continue to operate effectively, with the necessary level of expertise and independent challenge, and with no specific actions arising requiring further improvement.

At its February 2020 meeting, the Committee reviewed its performance against its objectives and Terms of Reference during 2019, which was considered to have been satisfactory.

Risk management and internal control

Risk management

The Committee's objective for 2019 in this area was:

– To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes.

To achieve this objective, the Committee undertook the following during 2019:

– The risk review was conducted twice during the year, at the Committee's July (half year) and December (full year) meetings and covered both the systems used and the reported risks.

A number of enhancements were made during 2019 and into 2020 to the processes for identifying, assessing, monitoring, reporting, and managing the residual elements of risk. This included examination of best practice comparators in industry and reflecting these in the Company's own processes around risk and the assessment of risk appetite.

The Audit Committee conducted a detailed review of risk at its July and December meetings immediately preceding the Board meeting and on each occasion provided advice to the Board in connection with the Board's own risk review.

The Committee received regular updates on the review of historic and more current developments following the tragic fire at Grenfell Tower and actions taken by the Company to comply with Government guidance on fire safety.

During the year, the Board and Audit Committee received updates on key information technology risks, including the resilience of the Group's systems to cyber attack and action taken to maintain security.

The Board undertook a longer term risk review in preparation for future strategy reviews.

The Board's objectives for 2020 in this area are:

– To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes.
– To continue to develop the Company's risk processes in light of evolving best practice.

The Group has established an ongoing process of risk management and internal control, applying Principle O and its supporting Provisions of the Code which relates to determining the nature and extent of Principal Risks and the maintenance of sound risk management and internal control systems. The Board is responsible for the effectiveness of the system of internal control, which has been designed to meet the requirements of the Group and the risks it encounters, over various time horizons, including taking account of environmental, social and governance considerations. The systems cannot eliminate the risk of failure but rather seek to manage both the likelihood of their occurrence and the extent of their impact, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Principal Risks facing the Company, as assessed by the Board, are set out on pages 48 to 52, together with information on the mitigations for each risk, and a description on page 46 of the Group's appetite for risk.

The Board makes its assessment of risk half yearly, after overseeing, with advice from the Audit Committee, a bottom-up and top-down review of risk in all areas of the business, with a time horizon of up to five years. Action to mitigate the effect of each one is led by the Chief Executive either directly or indirectly in conjunction with the Group Management Team (GMT).

The Board's assessments use a standard methodology which takes into account environmental, social and governance considerations. In compliance with the Code, the Board, led by the Audit Committee, also regularly reviews the effectiveness of the Group's system of internal control in providing a responsible assessment and mitigation of risks.

The Board's monitoring covers all controls, including financial, operational, compliance and assurance controls which include risk management.

Emerging risks

The Committee has overseen additional consideration in relation to emerging, longer term potential risks in line with developing guidance in this area. A detailed review was conducted by Management, in discussion with the Group Operation Team, taking the form of 'horizon scanning' for potential emerging risks, which were then grouped into the following categories and agreed by the Board as:

- Environmental.
- Political and economic.
- Social.
- Operations.
- Technical.
- Governmental.

For each of these emerging risks, a timeline of its likely emergence is being mapped and further consideration given to its potential impact on the Company. This will enable any appropriate mitigation actions to be planned and introduced, including consideration of best practice in this area.

Examples of the Board's and the Committee's reviews in this regard are around the possible impact of Brexit and are set out in the explanation of the process leading to the making of the Viability Statement on page 52; and the assessment of, and mitigation steps related to, risk arising from the impact of the market environment on page 49 and material costs and the availability of subcontractors on page 50.

Internal control

Compliance with the Group's system of internal control is primarily driven and co-ordinated through compliance with an established Operating Framework supported by detailed manuals covering the main disciplines. These include clear levels of delegated authority, responsibility and accountability, and are subject to periodic review to ensure they remain appropriate and proportionate to the Group's changing strategic and operating requirements. Adherence to the Operating Framework is monitored by the senior management team and assessed independently by Internal Audit. At its half year and year end meetings, the Board reviews risk in relation to the Company's strategic objectives and its current plans to deliver them. It also reviews progress and performance in action taken to mitigate the impact of those risks.

The Board is supported in this by more regular and detailed reviews by the Audit Committee, including the review of reports from Internal Audit, and by risk reviews across the business, led by the GMT. These reviews during 2019 resulted in a number of enhancements to internal controls, designed to better manage risk across the business, as outlined in the key areas of focus for 2019 on page 99.

The Committee also oversees the actions being taken to monitor Information Technology (IT) initiatives which aim to either directly protect against and reduce the risk of cyber-related type attacks and fraud; support and enhance the current IT environment including data protection; or that are crucial in their contribution to key business initiatives aiming to enhance the experience of customers, suppliers and/or employees.

At its meeting in February 2020, the Board, after conducting its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying, assessing, and ranking the various risks facing the Company; and in monitoring and reporting progress in mitigating their potential impact on the Company. The Board also approved the statement of the Principal Risks and uncertainties set out on pages 48 to 52 of this Annual Report.

External auditor

Re-appointment

As noted earlier, Deloitte LLP is the Company's external auditor. A new audit partner, Dean Cook, is the partner in charge of the audit of the Company's 2019 accounts, after 'shadowing' the previous partner during the 2018 annual audit.

The Committee considers that the relationship with Deloitte is working well and is satisfied with their effectiveness. Their performance is kept under regular review by the Board and the Audit Committee and the Committee undertakes a formal assessment of the external audit process each year, including both current and ongoing suitability.

This review takes the form of a detailed checklist and questionnaire issued to Directors; executives involved in the detailed stages of the audit process; and a representative sample of employees in regional business units.

The Committee also considered the output from the Financial Reporting Council's Audit Quality Review (AQR) annual inspection of audit firms to ensure the matters identified by the AQR have been addressed in the audit of the Company's 2019 financial statements.

In addition, the Committee considered whether the external auditor had appropriately challenged management estimates and judgements. The auditor's report (starting on page 140) details the key matters that were considered as part of the year end audit. This includes details of the procedures performed by Deloitte to assess the estimates and judgements made by management.

The outcome of this review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 13 at the 2020 AGM on page 192, that Deloitte LLP should continue as external auditor to the Company.

The Company will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee as well as other relevant factors. There are no contractual restrictions on the Company's selection of its external auditor.

Tender

The Company last conducted a tender process for the external audit in 2007/2008. UK rules relating to the requirement for rotation of external auditors by FTSE 350 companies permit transitional arrangements in line with guidance issued by the FRC which, applied to the Company, allow the present auditor, Deloitte, to continue in office up to and including the conclusion of the audit of the Company's 2020 accounts. This is considered by the Committee to be in the interests of shareholders and other stakeholders.

During the year, we commenced the external audit tender process. This is being overseen by the Chair of the Audit Committee and is being carried out in compliance with the provisions of the Competition and Markets Authority Audit Order 2014. It also considers guidance and best practice being issued in light of the current ongoing reviews of the audit market.

During 2019, we have completed several planning steps, including:

- Agreeing detailed selection criteria for the evaluation of the audit firms and a tender timetable to enable a smooth transition from our current external auditor, which subject to relevant Board and shareholder approvals, would enable the selected firm to 'shadow' Deloitte on the external audit of the 2020 financial statements.
- Reviewing the FRC's AQRs in assessing and determining potential firms to invite to participate in the audit tender process.
- Selecting three firms to invite to the tender process.
- Interviewing and selecting potential lead audit partners.
- Approving the Request For Proposal (RFP) that was issued in December 2019. At this stage, one firm withdrew from the process and therefore two firms progressed to the next stage.

Full details of the decision and the full process of review and assessment underpinning it, will be included in next year's Annual Report.

Statement of compliance

The Company has complied throughout the reporting year with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Appointment of the auditor for non-audit services

The Audit Committee has a formal policy, reviewed annually, on whether the Company's external auditor should be employed to provide services other than audit services. In line with the Code, the Committee has regard to the relevant ethical guidance regarding the provision of non-audit services by Deloitte.

As part of that policy, the Committee has determined that the following assignments should not be undertaken by the auditors:

- Bookkeeping or other services related to the accounting records or financial statements.
- Internal audit outsourcing services.
- The provision of advice on large Information Technology systems.
- Services connected with valuation, litigation support, legal, recruitment or remuneration.

Where non-audit services have an initial or forecast face value in excess of £100,000 there must be prior review and authorisation by the Group Finance Director and the Committee.

The Board is satisfied that this policy meets the EU Audit Directive and Audit Regulation 2016, and will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

Deloitte undertook non-audit services in the form of assurance work carried out in connection with the announcement of the Company's half year results for 2019, which is of direct benefit to shareholders although it is not formally regarded as 'audit' work for reporting purposes.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2019 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.1 million in 2019 (2018: £0.1 million) which represents approximately 14% of the audit fee as set out in Note 6 to the Accounts on page 161.

Internal Audit

Internal Audit's primary role is to support the Board and Management, and to protect the assets, reputation and sustainability of the Group. The function is led by the Head of Internal Audit who has direct access to the Chair of the Audit Committee and the Chair of the Board, protecting the function's independence. The Head of Internal Audit also has access to the Chief Executive and the other Executive Directors, as required.

Internal Audit reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets; to quantify, price, transfer, avoid or mitigate risks; and to monitor the activities of the Group in accomplishing established objectives.

The Internal Audit plan, and the individual audits conducted in line with the audit plan, are driven primarily by the Group's strategic plan and key risks. Following each review, an Internal Audit report is provided to both the management responsible for the area reviewed and the GMT. These reports outline Internal Audit's opinion of the management control framework in place together with actions indicating improvements proposed or made as appropriate. The Chief Executive, the GMT and senior management consider the reports on a regular basis and are responsible for ensuring that improvements are made as agreed. A database of audit recommendations and improvement initiatives is maintained. Follow-up and escalation processes ensure that such improvements are implemented and fully embedded in a timely manner.

The Company belongs to and participates in industry-wide forums and other initiatives aimed at combating fraud within the housebuilding and construction industry.

Summaries of all key Internal Audit reviews and activity and resulting reports are provided to the Audit Committee for review and discussion.

The Internal Audit function also reviews proposed related-party transactions, such as purchases by employees from Group companies, to provide assurance that proper procedures are followed and that such procedures are undertaken strictly in accordance with the formal policy in place and, where applicable, company law.

The most recent independent formal evaluation of the Internal Audit function was carried out in 2015 on behalf of the Audit Committee by PwC and its finding was that Internal Audit continues to operate effectively. A number of initiatives were progressed subsequently to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group. The next such evaluation is currently being planned for 2020 and will consider the recommendations included in the Code of Practice for effective internal audit in the private and third sectors, published in January 2020 by the Chartered Institute of Internal Auditors.

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks and uncertainties identified on pages 48 to 52. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. The Committee reviewed the forecasts and the Directors' expectations based thereon, and agreed that they were reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Viability Statement

The Viability Statement is designed to be a longer term view of the sustainability of the Company's strategy and business model and related resourcing, in the light of projected wider economic and market developments. The Committee considered whether there should be any change to the five-year period chosen for the statement but remained of the opinion that this continued to be appropriate, taking into account the balance sheet strength and development cycle. The Committee also reviewed the Directors' expectations; the criteria upon which they were based; and the sensitivities applied, including how these linked to the Principal Risks faced by the business; and agreed that they were reasonable. The statement appears on page 52 together with details of the processes, assumptions, and testing which underpin it.

Annual Report and Accounts 2019

Fair, balanced and understandable

A key requirement of our financial statements is that they are fair, balanced and understandable, and that they include the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Committee monitors the integrity of the Group's reporting process and financial management; and reviews in detail the work of the external auditor and any significant financial judgements and estimates made by Management.

It considers the output from the above and reviews the Full Year and Half Year financial statements before proposing them to the Board for consideration.

The review of the Company's Annual Report and Accounts took the form of a detailed assessment of the collaborative process of drafting them, which involves the Company's Investor Relations; Company Secretariat; and Finance functions, with guidance and input from other relevant functions and external advisers. It ensured that there is a clear and unified link between this Annual Report and Accounts and the Company's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Reports; and the Financial Statements.

In particular, the Committee:

- Reviewed all material matters, as reported elsewhere in this Annual Report.
- Ensured that it correctly reflected the Company's performance in the reporting year, as described in this Annual Report.
- Ensured that it presented a consistent message throughout.
- Ensured that it correctly reflected the Company's business model, as described on pages 30 and 31.
- Ensured that it correctly described the Company's strategy, as described on pages 24 to 29.
- Considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

Significant items

The items below are those that the Audit Committee has considered in discharging its duties and in considering the financial reporting of the Group.

Cost allocation of inventory

The cost allocation framework used across the Group, controls the way in which inventory is costed and allocated across each development. It also ensures that any costs incurred in excess of the original budget are recognised appropriately as the site progresses. The Committee reviewed reports and recommendations from the senior management team in relation to areas of the business recognising cost excesses. The Committee also reviewed the work undertaken by Deloitte which included testing of the Group-wide controls to monitor cost allocation. These reviews enabled the Committee to gain assurance that the framework is applied consistently.

Defined Benefit Pension valuations and Pension Increase Exchange (PIE)

The Committee reviewed the funding position of the Taylor Wimpey Pension Scheme and discussed and agreed the market-based assumptions used to establish the net pension deficit recognised on the balance sheet at 31 December 2019.

The Committee also reviewed the assumptions used in calculating the credit to the income statement as a result of the PIE exercise undertaken in the year for members of the Taylor Wimpey Pension Scheme.

ACM cladding and leasehold provisions

The Committee reviewed senior management's updates on the progress of rectification of buildings identified with ACM cladding materials, together with utilisation and estimates of the remaining provision. The Committee also reviewed the level of applications received in respect of the Ground Rent Review Assistance Scheme, the utilisation of the provision and latest management assumptions.

Recommendation to the Board

The outcome of the above processes, together with the views presented by Deloitte, was that the Committee recommended, and in turn the Board confirmed, that the 2019 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

More detail on how the Board and the Audit Committee have addressed the assessment, control and mitigation of risk, and the oversight of the internal and external audit functions, appear in the Audit Committee Report on pages 101 to 104

Remuneration

Remuneration Committee report

Gwyn Burr
Chair of the Remuneration Committee

Dear Shareholder

Following my appointment as Chair of Taylor Wimpey's Remuneration Committee in April 2019, I am pleased to present the 2019 Directors' Remuneration Report for Taylor Wimpey.

The Remuneration Committee (the Committee) remains mindful of the continuing debate around Executive Director remuneration from both a workforce and wider societal perspective. As a Committee we look to ensure that our remuneration policies and practices are directly linked to the Company's purpose and values; and to the successful delivery of our long term strategy for the benefit of our shareholders and our wider stakeholders.

The 2018 UK Corporate Governance Code

The Committee welcomes the wider remit and responsibilities placed on it by the introduction of the 2018 UK Corporate Governance Code (the Code). During 2019 we focused on embedding the new responsibilities into our existing processes and updated the Committee's Terms of Reference to ensure that they meet both the Code and wider best practice and also to ensure that the Committee considers all relevant matters when discharging its responsibilities.

Remuneration Policy review

This Report looks at how the current remuneration policy (current policy) for Executive Directors has been applied during 2019 and will also explain the Committee's thinking around the proposed new policy (New Policy) which, if approved by shareholders, will apply from 2020 to 2022.

Our current policy has successfully accommodated the significant changes that have taken place to our business and its leadership during its three-year term. Over a period of strong financial performance, we believe that there has been a clear and appropriate link between performance and reward. We have administered the current policy robustly including, for example, using Committee discretion to scale back 2017 Executive Director bonuses; and accordingly, the vote each year on our Directors' Remuneration Report has been strongly supported by shareholders – which has been very much appreciated. Further details on how the current policy has been applied during 2019 can be found on pages 121 to 131.

We believe that current remuneration levels are appropriately positioned and no changes to the maximum limits of either the Executive Incentive Scheme bonus (EIS, our annual bonus) or Performance Share Plan (PSP, our long term incentive plan) are proposed under the New Policy. Therefore, it is proposed that the structure of the current policy be effectively rolled over for the next three-year policy period – albeit updated to bring it into line with the Code and investor requirements on matters such as pension provision and post-employment shareholding requirements.

Under the proposed New Policy, the Committee has carefully considered pension arrangements for Executive Directors. We propose to reduce all Executive Directors' pension contributions to 10%, which is the level of the pension contribution available to the majority of the workforce. As this will be a reduction in the Executive Directors' contractual entitlements, the Committee proposes that this will be done over the next five years. Further details of how this will be done can be found on pages 113, 116 and 121.

Remuneration Committee Summary

The Committee is chaired by Gwyn Burr. The Committee consists of three independent Non Executive Directors as required by the Code and also the Chair-designate and Chair of the Board. Its members are set out in the table below.

Committee members	Meetings attended
Gwyn Burr (Chair)[(a)]	4/4
Kate Barker[(b)]	4/4
Kevin Beeston[(c)]	4/4
Irene Dorner[(d)]	1/1
Angela Knight	4/4

(a) Appointed as Chair of the Committee on 25 April 2019.
(b) Stood down as Chair of the Committee on 25 April 2019.
(c) To stand down from the Board on 26 February 2020.
(d) Appointed to the Committee on 1 December 2019 and as Chair of the Company on 26 February 2020.

Main objective

To establish and maintain formal and transparent procedures for developing policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of individual Directors and senior executives; and to review wider workforce remuneration and other policies in accordance with the 2018 Code.

2019 activities

- Reviewed the Remuneration Policy and developed a new Remuneration Policy for consideration at the 2020 AGM.
- Reviewed and adopted updated Terms of Reference in line with the 2018 Code.
- Embedded ways in which employee views were taken into account in relation to pay at Board and senior management level.
- Reviewed the performance conditions for the EIS and PSP.
- Continued to encourage share ownership across the business through participation in our all-employee share plans.
- Agreed the retirement arrangements for the Group Legal Director and Company Secretary and agreed the fee for the Chair-designate.

2020 objectives

- Implement the revised Remuneration Policy (subject to shareholder approval at the 2020 AGM).
- Continue to consider the evolution of the performance conditions in line with the business strategy.
- Monitor senior management remuneration in line with the Code.

The Committee has also reviewed the required minimum level of share ownership (which is 200% of salary) and considers this to remain appropriate for the New Policy, recognising that two of the three Executive Directors are building their shareholdings to this level and the value of the Chief Executive's shareholding is significantly in excess of this minimum. In addition, in line with the Code and shareholder guidance, we are introducing a post-employment shareholding requirement for the Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years.

Overall, we believe that these changes represent a sensible evolution of the current policy, showing restraint and embracing the latest best practice requirements from both corporate governance guidance and feedback from shareholder engagement. Further details on the proposed changes and why the Committee believes the New Policy is in accordance with the Code can be found on page 112.

Wider workforce remuneration

The Committee took the wider workforce remuneration policies and practices into consideration when determining the New Policy for Executive Directors. We have also used both internal and external measures to ensure that it remains appropriate (including pay gaps and pay ratios). The Committee is comfortable that the incentives and rewards available to the wider workforce are directly linked to the culture and strategy of Taylor Wimpey at all levels, including the Remuneration Policy for Executive Directors.

I was pleased to attend the National Employee Forum (NEF) where I took the opportunity to discuss the proposed New Policy and the wider remuneration policies and practices alignment with executive pay more generally. I was encouraged to see the level of engagement from the NEF employee members and look forward to further engagement with the NEF in the near future.

Subject to shareholder approval at the 2020 AGM, management will apply the New Policy and review the Group's overall remuneration policies and incentive arrangements for the wider management team, to ensure a clear and coherent policy cascade supporting the Group's strategy, throughout the policy period. The Committee will be providing input and challenge as part of this process.

The Committee also encourages employee share ownership across the business and is pleased that 57% of all employees either participate in one or both of our all-employee share schemes, or are otherwise shareholders in the business.

Shareholder engagement

The Committee has continued its much-valued and long-established practice of engaging and consulting with its key institutional investors and with shareholder representative bodies. We are very grateful for the constructive engagement that has taken place with regard to both the proposed New Policy, performance during 2019, and remuneration proposals for 2020.

Board changes

The Committee considered the remuneration arrangements in relation to the Board changes that happened during 2019. These included the retirement arrangements for James Jordan as Group Legal Director and Company Secretary and the appointment of Irene Dorner as Chair-designate.

Committee activities during 2019

February 2019

- Reviewed feedback from major shareholders on the remuneration consultation conducted in December 2018 around the Company's remuneration proposals for 2019.
- Considered and approved the salary review proposals for 2019 for the Executive Directors and the wider executive team.
- Considered and approved the outcome of the EIS for 2018 and of the PSP Award vesting in 2019.
- Considered and approved the Committee's Terms of Reference which had been updated in line with the Code.
- Reviewed and approved the Remuneration Report for the Company's 2018 Annual Report and Accounts.
- Reviewed and approved the EIS scheme rules, which had been updated to include malus and clawback.
- Received an update from Korn Ferry and agreed the proposed timeline in respect of the 2020 Remuneration Policy update.
- Received an overview of the Company-wide remuneration policies and practices.

March 2019

- Approved the retirement arrangements for James Jordan (Group Legal Director and Company Secretary) and the remuneration of Alice Marsden (Group General Counsel and Company Secretary).

July 2019

- Initial consideration of the 2020 Remuneration Policy update.
- Agreed the fee for Irene Dorner (Chair-designate).

As announced on 28 March 2019, James Jordan stepped down from the Board on 31 December 2019. Remuneration paid to James during 2019, and until he retires from the business on 31 March 2020, is in accordance with his contractual terms and the current policy which is consistent with the statement published on the Company's website on 31 December 2019. Further details can be found on page 123.

As announced, our new Chair, Irene Dorner, has been appointed and from her accession to the Chair of the Board on 26 February 2020 she will receive a fee of £320,000 per annum, the same as Kevin Beeston, her predecessor. Irene joined the Board on 1 December 2019 as a Non Executive Director and Chair-designate and her fees were the same as our basic Non Executive Director fees until she became Chair. I am also pleased to have welcomed Irene to the Committee and look forward to working with her in 2020 and beyond.

2019 performance and incentive plan payments

During the year, the current policy operated as intended in terms of Company performance and quantum. The EIS and PSP continued to operate with clearly defined performance conditions, which are set at the start of the relevant performance period.

Our trading performance during 2019 was very much in line with our expectations, against the backdrop of strong sales rates but also ongoing political and macro-uncertainty. As a result the EIS outturn for 2019 was 50.6% of the maximum.

The PSP award granted in 2017, which measured performance up to the end of 2019 vested in part. Cash Conversion, Return on Net Operating Assets (RONOA) and Total Shareholder Return (TSR) against the FTSE 100 vested in full, Operating Profit Margin partially vested and the TSR measure against the housebuilder peer group did not vest. On this basis, the performance against the five measures led to an overall vesting of 62.8% of the 2017 PSP Award.

Full details of the performance targets and the results achieved for both the EIS and PSP can be found on pages 125 and 126 of this report.

The Committee looked at the broader circumstances in which performance against the measures for both incentive plans has been delivered and is comfortable that there has been a strong link between reward and both financial and operational performance. The Committee is also comfortable that there are no exceptional circumstances that require the consideration of discretion to be applied.

2020 remuneration approach and alignment to strategic objectives

The Committee reviews the performance conditions for the Company's incentive plans each year to ensure that they remain appropriate and directly linked to our strategy. Therefore, following shareholder consultation, we have taken the opportunity to update and refresh the performance conditions used in both the EIS and PSP to ensure that they remain aligned to the Company's long term strategy.

October 2019

– Further consideration of the Remuneration Policy update and the application of the policy to senior management.

December 2019

– Final consideration of the proposed changes to be made to the 2020 Remuneration Policy.
– Agreed the remuneration consultation letter to be sent to major shareholders and shareholder representative bodies setting out the proposed changes to be made for the 2020 Remuneration Policy.
– Considered reports from Korn Ferry on executive remuneration benchmarking.
– Considered a general governance update from Korn Ferry on remuneration considerations.
– Preliminary discussions on salary proposals for 2020; projected outcomes of the 2019 EIS and PSP Award vesting in 2020.
– Considered the performance measures and targets for the 2020 EIS and 2020 PSP Award.

Customer Service

As detailed in the Strategic Report on pages 24 and 25 over the last two years there has been an increased emphasis on the business strategy that places the customer front and centre in what Taylor Wimpey does. As a result, the Committee has decided to reflect this by including a customer service measure in each of the EIS and PSP to ensure that customers remain the focus both in the short and longer term. A customer services measure has operated in the EIS for several years; however, this will be the first time that customer performance is measured over the three-year performance period in the PSP.

Healthy cash returns

Cashflow is considered to be a critical measure for the business as there continues to be a level of uncertainty in relation to the housing market. Therefore, the Committee has decided that a cashflow measure, Cash Conversion, will operate in both the EIS and the PSP (Cash Conversion will be assessed as an aggregate across the full three-year period for PSP) in 2020. This will ensure that our priority remains converting our profit into healthy cash returns and will provide strong support for further dividend progression over the medium term.

In relation to the EIS performance measures: Group Operating Profit, Customer Service and Build Quality will remain for 2020; however, Order Book and RONOA will be replaced by Cash Conversion and Operating Profit Margin. A focus on Operating Profit Margin will ensure a focus on our cost discipline and mitigate future build cost inflation. Further details on these two new measures can be found on page 122.

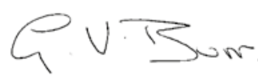
The performance conditions to be used in the PSP will retain TSR as a measure; however, to simplify the TSR element, the relative TSR measured against the FTSE 100 will no longer be used. Instead 40% of the Award will focus solely on our performance against a listed housebuilder peer group. Customer Service will replace Operating Profit Margin, but Cash Conversion will remain a measure for the 2020 Award. This reduces the number of measures that performance is measured against and ensures a simpler, more direct link to strategy, in respect of the Award.

The targets for the performance conditions in both the EIS and PSP are stretching and challenging and will not reward mediocre performance. Further details on the weightings and targets for both incentive plans can be found on page 122.

The average salary increase being proposed across the Company for 2020 is 2% and will apply with effect from 1 April 2020. This increase will also apply to Pete Redfern, Chris Carney and Jennie Daly as well as to the wider senior management team.

Finally, I'd like to take the opportunity to thank Kate Barker for her stewardship of the Remuneration Committee since 2016, and Kevin Beeston for his wise counsel to the Committee during his nine years of membership of the Committee.

I very much hope that you will feel able to support our New Policy; the level of remuneration paid with respect to 2019; and the manner in which we propose to implement the New Policy during 2020.



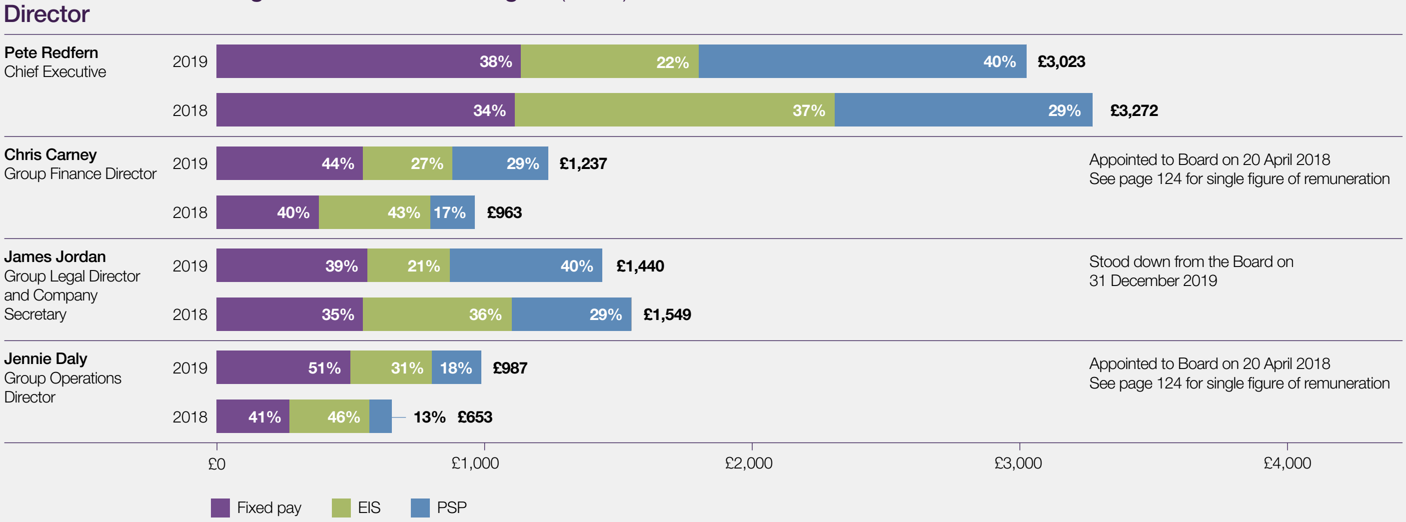
Gwyn Burr
Chair of the Remuneration Committee

25 February 2020

Executive Directors' total remuneration

The chart below compares the 2019 single figure for total remuneration for each of the Executive Directors with the equivalent figure for 2018.

Executive Director **Single total remuneration figure** (£'000)



Remuneration at a glance

Application of the current Remuneration Policy in 2019

	Policy elements	Award timeline Year 1	Year 2	Year 3	Year 4	Year 5	Purpose	Measure	Strategic goal	KPI	Stakeholders
Variable Pay	**Executive Incentive Scheme (Annual bonus) (EIS)**						To reward the achievement of stretching objectives that support the Company's annual and strategic goals	Operating Profit*	●		●
								RONOA*	●		●
								Order Book		●	●
								Customer Service		●	●
								Build Quality		●	●
	Long Term Incentive Plan (PSP)						To assist with retention and the incentivisation and motivation of senior executives to deliver long term returns to shareholders	TSR v Peer Group			●
								TSR v FTSE 100			●
								Cash Conversion*	●		●
								Operating Profit Margin*	●		●
								RONOA*	●		●
Fixed Pay	**Base salary**						To recruit and reward executives of a suitable calibre for the role and duties required				
	Benefits						To provide a competitive package of benefits to assist with recruitment and retention of staff				
	Pension						To provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders				

Performance period   Deferral / holding periods

* Read more about our financial definitions on page 58.

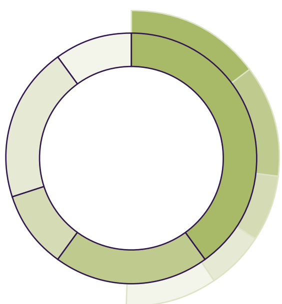
Read more about our strategic goals on page 24

Read more about our KPIs on pages 25 to 29

Read more about our stakeholders on pages 32 to 43

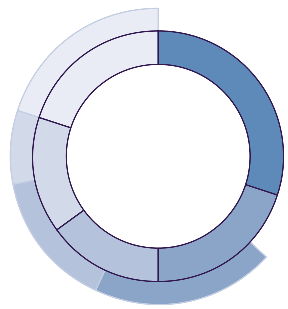
Executive Directors' remuneration in 2019

2019 EIS outcome



	Weighting	Outcome
Operating Profit	40%	14.9%
RONOA	20%	12.1%
Order Book	10%	7.3%
Customer Service	20%	6.3%
Build Quality	10%	10%

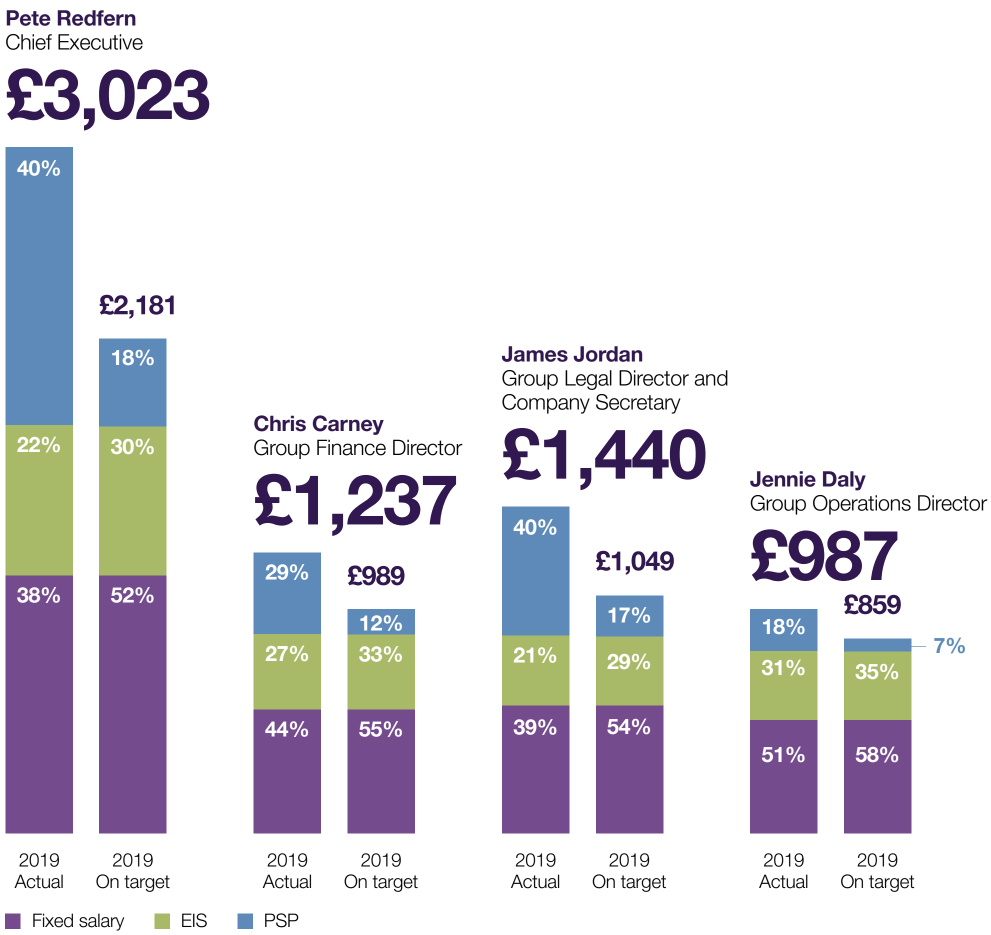
2017 PSP outcome



	Weighting	Outcome
TSR v Peer Group	30%	0%
TSR v FTSE 100	20%	20%
Cash Conversion	15%	15%
Operating Profit Margin	15%	7.8%
RONOA	20%	20%

2019 actual remuneration v 2019 on target potential

(£000's)



Remuneration across Taylor Wimpey

Workforce remuneration

"Rewards available to the wider workforce are directly linked to the culture and strategy of Taylor Wimpey at all levels."

Gwyn Burr, Chair of the Remuneration Committee

Read more about wider workforce remuneration on page 118

Gender pay reporting

"We are passionate about attracting, developing and retaining a diverse range of talent, and ensuring a culture where, regardless of background, each person thrives to meet their potential."

Anne Billson-Ross,
Group HR Director

2% Mean Pay Gap

The mean pay for women is 2% lower than that of men (2018: 6%)

-4% Median Pay Gap

The median pay for women is 4% higher than that of men (2018: 0%)

Read the Company's Gender Pay Report at www.taylorwimpey.co.uk

Proposed remuneration policy summary (the New Policy)

How will the New Policy align with the wider Company remuneration policy?

The Committee received an update on wider workforce remuneration and related policies and took this into account when determining the proposed changes to the current policy.

The Committee is satisfied that the incentives and rewards available to the wider workforce are directly linked to the culture and strategy at Taylor Wimpey at all levels.

In addition, the Committee Chair attended the Taylor Wimpey National Employee Forum (the NEF) and discussed the proposed changes to the remuneration policy. Further information can be found on page 118.

How will the New Policy align with the 2018 UK Corporate Governance Code (the Code)?

It is proposed that the structure of the policy will be updated to bring it into line with the Code, which applied with effect from 1 January 2019, and investor requirements.

The Code sets out principles against which the Committee should determine the policy for executives, as follows:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	– We have operated a consistent approach which is well understood internally by executives and externally with strong levels of shareholder support – We have consulted the NEF (the Taylor Wimpey workforce advisory panel) on our proposed changes to the remuneration policy. Further information on the NEF can be found on page 78
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	– There is, naturally, more complexity for Executive Director remuneration packages in order to ensure a robust link to performance and avoid reward for failure and to comply with investor and Code requirements, but this aside they have been designed to be as simple as possible – Where possible we cascade the remuneration policy down throughout the remuneration practices in the business consistent with the shareholder approved policy
Risk – remuneration arrangements should ensure that potential reputational and other risks arising from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	– We have mitigated these risks through careful plan design, including long term performance measurement, deferral and shareholding requirements (including post cessation of employment) and discretion and clawback provisions
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	– We look carefully at the range of likely performance outcomes when setting performance target ranges for threshold, target and maximum payouts and have used discretion where necessary
Proportionality – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance	– Incentive plans are determined based on a proportion of base salary so there is a sensible balance between fixed pay and performance-linked elements – Performance conditions are all linked to the business strategy. There is no personal performance element as we feel that the annual appraisal process is a better mechanism to review personal performance and development – There are provisions to override the formula-driven outcome of incentive plans, as well as deferral and clawback mechanisms to ensure that poor performance is not rewarded
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	– Bonus plans operate widely throughout the Company and are reviewed by the Committee to ensure consistency with Company purpose, values and strategy

Proposed changes to the current policy

		Summary of current policy	Proposed change and rationale
Variable Pay	**Executive Incentive Scheme (Annual bonus) (EIS)**	– Maximum EIS opportunity is 150% of base salary and target is 75% – Performance measures and targets are set at the beginning of each year and are based on a scorecard of designated objectives to meet annual and strategic goals – One-third of any EIS payable is deferred into shares and held in trust on the Executive Director's behalf for three years – Dividends will accrue during the three-year deferral period – Malus and clawback mechanism applies for three years post the payment date	– Specific provision to be incorporated for the Committee to be able to use discretion to override a formula-driven outcome in exceptional circumstances
Variable Pay	**Long Term Incentive Plan (PSP)**	– Annual PSP Award. Maximum award is 200% of base salary and threshold performance would pay out 40% of base salary – Performance conditions and targets are set at the beginning of the three-year performance period and are stretching and appropriate for the medium term – Dividends accrue during the performance period and holding period – Malus and clawback mechanism applies for three years post vesting – Two-year holding period post vesting	– Specific provision to be incorporated for the Committee to be able to use discretion to override a formula-driven outcome in exceptional circumstances – In line with best practice, the PSP has operated a compulsory two-year holding period since 2018, however this will now be specifically incorporated into the New Policy
Fixed Pay	**Base salary**	– Salaries are reviewed annually although there is no automatic entitlement to an increase – The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce	– No change proposed
Fixed Pay	**Benefits**	– Benefits include: company-provided car or a cash allowance, provision of a fuel card, life assurance and private medical insurance	– No change proposed
Fixed Pay	**Pension**	– Pension benefits are provided through one or more of the following arrangements: defined contributions; defined benefit arrangements; or a cash allowance – Pete Redfern, Chris Carney and Jennie Daly receive a pension contribution of 24.05%, 20% and 20% respectively	– Incumbent Executive Directors pension contributions will be reduced in broadly equal increments over a period of five years to 10% which is the pension contribution available to the majority of the wider workforce – The first reduction will take effect on 1 April 2020 and Pete Redfern, Chris Carney and Jennie Daly will receive a pension contribution of 21.24%, 18% and 18% respectively – New Executive Directors' pension contributions will be in line with the usual contribution of the wider workforce
	Shareholding guidelines	– Executive Directors must build a holding of shares worth 100% of salary within five years and then the balance to 200% of salary at a timeframe agreed with the Chair – Executives must retain no less than 50% of any vested PSP award or EIS deferred shares until these guideline thresholds are achieved	– To increase transparency and reduce complexity, the guidelines will be simplified so that the time frame is removed and Directors must retain not less than 50% of any vested PSP award or EIS deferred shares until the 200% of salary shareholding level is achieved – A post-employment shareholding requirement will require Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years. To help facilitate this, there will be no early vesting of deferred bonus shares, or PSP awards on leaving (either unvested or vested shares and the two-year holding period will continue to apply in respect of these), other than in exceptional circumstances

Introduction

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (Regulations), and has also been prepared in line with the recommendations of the 2018 UK Corporate Governance Code (the Code) and the UK Listing Authority Listing Rules.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

The 2019 Remuneration Report includes disclosures which reflect in full the Regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report: this sets out the new Remuneration Policy that will be proposed to shareholders at the 2020 AGM, describing the framework within which the Company remunerates its Directors. The Policy will apply, if approved by shareholders, for a period of three years from the date of the 2020 AGM or until a revised Policy is approved by shareholders if sooner. Any existing remuneration commitments or contractual arrangements, such as historical share awards, agreed prior to the approval and implementation of this Policy in accordance with any policy in place at the time, namely before 23 April 2020, will be honoured in accordance with their original terms.
- Annual Report on Remuneration: this sets out how the Company's existing Remuneration Policy was applied during 2019 and how it is proposed that the New Policy will be implemented during 2020. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 23 April 2020. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 198.

The Regulations require that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts have been properly prepared in accordance with the requirements. The Remuneration Policy Report, which describes the Committee's current Remuneration Policy for Executive Directors and which has applied since its approval by shareholders on 27 April 2017, contains unaudited information. Some elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2019, contain audited information.

Remuneration Policy Report

Unaudited information

The Company's current Remuneration Policy was subject to a binding shareholder vote at the 2017 AGM of the Company and was approved by 98% of shareholders who voted. The three-year life of that policy will expire at the 2020 AGM and we are required to seek binding shareholder approval for a new policy.

The New Policy is designed to ensure that the remuneration framework will support and drive the Taylor Wimpey strategy forward by both challenging and motivating the Executive Directors and the senior management team to deliver it, and this will drive value for our shareholders whilst having due regard to our other stakeholders. The New Policy is set out on pages 115 to 117 and is also available to view on the Company's website at www.taylorwimpey.co.uk/corporate/our-company/governance.

The main changes proposed by the Committee in the New Policy are summarised and set out on page 113.

Policy overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is, of course, key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Company's strategic objectives within a framework which is aligned with the long term interests of the Company's shareholders. This alignment is achieved through a combination of: deferral into shares of a percentage of the EIS; a two-year retention period for vested PSP awards; share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares, either directly or by retaining vested PSP share awards and deferred EIS amounts; and also now requiring shares to be retained by the Executive after they have ceased employment.

The above requirements ensure that a significant percentage of the overall remuneration package of Executive Directors and senior management is subject to performance. With all packages for Executive Directors substantially geared towards meeting challenging targets set under the EIS and PSP, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately balance reward and risk.

In line with best practice, the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, the Committee under its Terms of Reference may, where it considers appropriate, take ESG matters into account when considering the overall remuneration structure and as part of its overall discretion.

Proposed New Policy

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that they remain positioned appropriately. There is no automatic entitlement to an increase each year. Salary level and increases take into account the following: – The performance, role and responsibility of each individual Director. – The economic climate, general market conditions and the performance of the Company. – The level of pay awards across the rest of the business. – Salary levels in comparably-sized companies and other major housebuilders.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope or responsibilities of the role. – To apply salary progression for a newly / recently appointed Director. – Where the Director's salary has fallen below the market positioning.	Company and individual performance are factors considered when reviewing salaries.
Chair of the Board and Non Executive Director fees	The Chair's and Non Executive Directors' fees should be in line with recognised best practice and be sufficient to attract and retain high calibre non executives.	Fees consist of a single consolidated fee for the Chair, an annual fee for the other Non Executives and additional fees for roles such as the Chair of the Audit Committee, Chair of the Remuneration Committee and Senior Independent Director. Set by reference to the responsibilities undertaken by the non executive, taking into account that each Non Executive Director is expected to be a member of the Nomination Committee and / or the Audit Committee and / or Remuneration Committee. Reviewed periodically but generally annually and at least every other year. Takes into account levels in comparably-sized companies and other major housebuilders. Non Executive Directors do not participate in any incentive, share scheme, benefits-in-kind or pension arrangements.	Aggregate annual limit of £1 million imposed by the Company's Articles of Association.	N/A
Other benefits, including benefits-in-kind	Provides a competitive package of benefits to assist with recruitment and retention of staff.	The main benefits offered: – Company-provided car or a cash allowance in lieu. – Provision of a fuel card. – Life assurance. – Private medical insurance. – A 5% discount on the price of a new home acquired from the Group.	The value of a company-provided car or a cash allowance in lieu is of a level appropriate to the individual's role and is subject to review from time to time. The fuel card covers the cost of all fuel, for both business and personal use. Life assurance of up to four times basic salary. For home purchases, the price discount is calculated at the plot release price less the average discount to third party buyers for that house type on that development, less a further 5% employee discount. No more than one home per annum can be acquired at a discount under the scheme; and no more than three homes can be acquired in a five-year period. The maximum discount over a five-year period is £100,000.	N/A

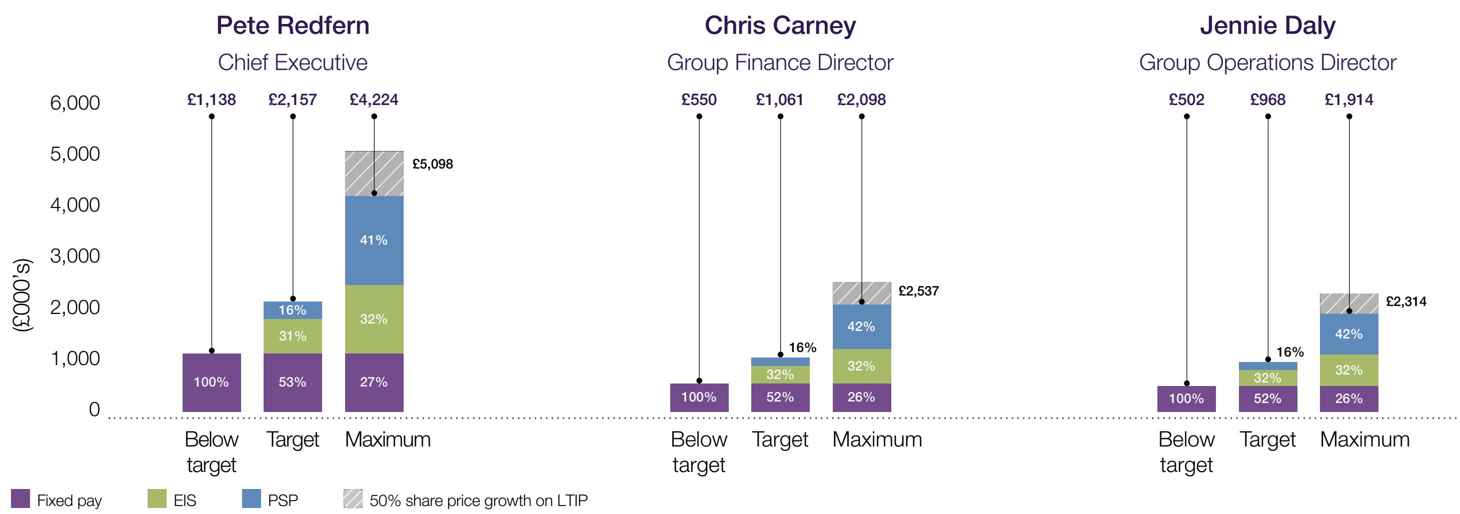
Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Executive Incentive Scheme (EIS)	Rewards the achievement of stretching financial performance targets and other objectives that support the Company's annual and strategic goals. Compulsory deferral in shares further aligns the interests of Directors with shareholders.	EIS awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year. One-third of any EIS is payable in shares which are held in trust for three years. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts, error, misconduct, reputational damage or corporate failure. The discovery period for the event that would give rise to the clawback is three years from the date of payment.	The maximum EIS opportunity for Executive Directors is set at 150% of salary. Target is set at 75% of salary and threshold at 0%.	The EIS measures are based on a scorecard of designated key annual financial, operational and environmental measures.
Performance Share Plan (PSP)	Annual grants of share-based long term incentives assist with retention, incentivisation and motivation of senior executives to achieve long term sustainable returns for shareholders. A post-vest holding period helps align the interests of senior executives with those of the Company's shareholders.	Executive Directors and other designated senior executives can receive annual PSP awards. PSP awards provide alignment with shareholders as they deliver (subject to meeting performance conditions) the full value of the shares, which can increase and decrease in value over the three-year performance period. The value of dividends or other distributions will accrue during the performance and holding periods and will be received with any shares that vest in favour of participants after the applicable performance period. Dividends will normally be accrued and paid in shares. Performance measures are normally measured over three financial years. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts, error, misconduct, reputational damage or corporate failure. The discovery period for the event that would give rise to the clawback is three years from the date of payment.	The maximum award (currently in performance shares) is normally over shares with a face value of 200% of salary. In exceptional circumstances this can be increased up to 300% of salary.	The performance conditions are aligned to the long term business strategy. The Committee may vary the measures that are included in the plan and the weightings between the measures from year to year. Awards vest at 20% for threshold performance.
Pension	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders. Over five years the pension contributions will reduce to the level of the workforce pension.	Pension benefits are provided through one or more of the following arrangements: – Personal Choice Plan; – Taylor Wimpey Pension Scheme; – or as a cash allowance.	Pete Redfern: cash allowance in 2020 of 21.24% of salary and then reducing annually thereafter by 2.81% of salary until the pension rate is the same as the majority of the workforce. Chris Carney and Jennie Daly: cash allowance of 18% of salary in 2020 and then reducing annually thereafter by 2% of salary until the pension rate is the same as the majority of the workforce. Company contributions to any pension scheme in respect of a new Executive Director will be in line with the pension contribution rate applying to the majority of the workforce, currently 10% of salary.	N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
All-employee share schemes	All employees including Executive Directors are encouraged to become shareholders through the operation of all-employee share plans such as the HMRC tax-advantaged Sharesave plan and a Share Incentive Plan (SIP).	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months' service can participate.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum monthly saving set by legislation or by HMRC. Options can be exercised during the six months following the end of the contract. SIP: Employees can elect to contribute an amount per month or per tax year by one or more lump sums. The maximum saving or contribution level is set by legislation or Government from time to time and the Committee reserves the right to increase contribution levels to reflect any approved Government legislative changes.	N/A
Shareholding guidelines	Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors are expected to achieve and maintain a holding of the Company's shares at least equal to 200% of salary and until this level is achieved, are required to retain no less than 50% of the value of any vested EIS or PSP awards, after tax. A post-employment shareholding requirement will require Executive Directors to hold 200% of salary, or their shareholding level at the time of cessation if their 200% shareholding requirement has not yet been met, for at least two years. This requirement may be reduced by the Committee in exceptional circumstances, such as serious ill-health.	Executive Directors: 200% of salary	N/A

The Committee may amend this shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.

Illustration of the Remuneration Policy for 2020

The charts below illustrate the level and mix of remuneration based on the Remuneration Policy depending on the achievement of below target, target and maximum for the Executive Directors under the policy.



1. Salary is £891,644, £447,372 and £408,000 for Pete Redfern, Chris Carney and Jennie Daly, respectively with effect from 1 April 2020 (see page 121 for further details).
2. Benefits are £54,000, £20,000 and £18,000 for Pete Redfern, Chris Carney and Jennie Daly, respectively, being the 2019 value (see page 121 for further details).
3. Pension is 21.24% for Pete Redfern and 18% for Chris Carney and Jennie Daly with effect from 1 April 2020.
4. For the EIS the target and maximum award is 75% and 150% of base salary, respectively.
5. For the PSP the target (assumed for these purposes to be at threshold performance) and maximum are 40% and 200% of base salary, respectively.

Committee discretion

The Committee recognises that the exercise of discretion must be undertaken in a careful and considered way as it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this Report and that the maximum levels available under any relevant plans would not be exceeded. There would be full disclosure in the following Directors' Remuneration Report and major investors would be consulted if necessary.

With regard to both the EIS and the PSP, the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans but in all cases within the applicable scheme rules.

How shareholder views are taken into account

The Remuneration Committee appreciates and considers very seriously all shareholder feedback received in relation to remuneration each year and guidance from shareholder representative bodies more generally. Shareholder views are key inputs when shaping the Remuneration Policy and the Committee welcomes any comment or feedback on any aspects of remuneration and will always consider and respond.

The Committee regularly engages with its largest shareholders and shareholder representative bodies regarding the ongoing Remuneration Policy and implementation, and will take into account any feedback when determining any changes that might apply. The last such consultation took place in January 2020 and included the proposed changes to the Remuneration Policy and the performance targets and weightings of both the EIS and PSP.

The Committee follows the principles of good governance relating to Directors' remuneration as set out in the Principles and Provisions of the Code. The Committee reviews and takes into account governance-related developments and guidance that arise, on an ongoing basis.

How our employees' voice is taken into account

The Committee supports and welcomes the introduction of the 'employee voice' initiative.

The Taylor Wimpey National Employee Forum (NEF) was established in 2017 and continues to work with members of the Group Management Team and build upon the existing business wide regional Employee Consultation Committee structure.

As part of the remuneration policy update, Gwyn Burr attended the NEF in her capacity as Chair of the Remuneration Committee. During the meeting Gwyn explained the corporate governance process more generally and the role of the Committee in setting pay and undertaking the remuneration policy review for Executive Directors. The meeting also discussed how executive remuneration aligns with the wider company pay practices and policies. The NEF were encouraged to hear that it was proposed that the Executive Directors pension entitlements would be reduced to be aligned with those available to the wider workforce.

The feedback received from the NEF was positive and they confirmed that the session was clear and extremely informative.

Remuneration Policy for the wider workforce

When setting the policy for Executive Directors, the Committee is made fully aware of pay structures across the workforce. In addition, the Committee will conduct a formal review of relevant elements of remuneration across the Group and for all levels of employee at least every three years as part of its Remuneration Policy review.

Virtually all of the Company's employees participate in incentive arrangements.

Many of our employees can elect to take their performance-related payment in Taylor Wimpey shares (and benefit from a 20% uplift) rather than in cash, further enhancing the link and alignment between shareholder value and employee reward throughout the Company, which both the Company and the Committee consider important. Alternatively, employees can elect to invest their performance-related payment into their pension and will therefore benefit from tax efficiencies.

The Company also offers both Sharesave and Share Incentive schemes to all eligible UK employees with more than three months' service and is delighted with the level of participation from across the business.

How performance measures were chosen

The performance metrics that are used for each of the short term and long term incentive plans have been selected to reflect the Group's key strategic goals and are designed to align the Executive Directors' and senior management's interests with those of the Company's shareholders. The Committee consults with major shareholders where any significant changes are proposed.

Directionally we propose to move to a broader scorecard approach including a more equal balance of financial and non-financial measures, including environmental ones. However, for 2021 our priorities are margin improvement and cashflow and so we propose that these measures should be incorporated into the plans for 2020 and therefore the use of cashflow as a measure will be included on both plans in the short to medium term.

The Committee will continue to review the choice of performance measures and the appropriateness of the performance targets each year. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company. Maximum rewards require substantial out-performance of our challenging plans approved at the start of each year, with a significantly lower level of rewards available for delivering threshold performance levels.

For further information on the 2020 performance measures for the EIS and PSP see page 122.

External non Executive Director positions

Subject to Board approval and provided that such appointments fall within the general requirements of the Code (and do not give rise to any conflict issues which cannot be managed by the Board and the Executive Director), Executive Directors are permitted to take on one non executive position with another company. Executive Directors are permitted to retain their fees in respect of such positions.

Details of any external positions held by the Executive Directors can be found in their biographies on pages 66 and 67.

Remuneration policy on recruitment or promotion

Base salary levels will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual. Where appropriate, the Company may offer a below market salary initially with a view to making above market and workforce increases over a number of years to reach the desired salary positioning, subject to individual and Company performance. Benefits will be provided in line with those offered to other Executive Directors and pension will be provided in line with the wider workforce, and relocation expenses will be provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company, if considered appropriate and reasonable to do so.

The variable pay elements that may be offered will be subject to the maximum levels described in the policy table on pages 115 to 117. The Company may also consider applying different performance measures if it feels these more appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointee.

In the case of an external hire, the Company may choose to buy-out any incentive pay or benefit arrangements which would be forfeited on leaving the previous employer. This will only occur where the Company feels that it is a necessary requirement to aid the recruitment. The replacement value would be provided for, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using Taylor Wimpey's existing share plans wherever and to the extent possible, although in exceptional circumstances awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new directors to acquire Company shares up to a pre-agreed level. Shareholders will be informed of any buy-out payments at the time of appointment.

In the case of an internal hire including a promotion, as previously reported, the Company will honour any commitments entered into prior to their appointment to the Board even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled.

Directors' contracts and policy on payments for loss of office

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice either way.

Name	Date of appointment	Notice period
Pete Redfern	12 July 2007	12-months
Chris Carney	20 April 2018	12-months
Jennie Daly	20 April 2018	12-months

Pete Redfern, Chris Carney and Jennie Daly are proposed for re-election at the 2020 AGM and each will have at that date an unexpired service contract term of one year. As has previously been noted, James Jordan stood down from the Board on 31 December 2019 and will not be seeking re-election.

Each of the Executive Directors' service contracts provides for:

– The payment of a base salary
– An expensed company car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance
– Employer's contribution to a pension
– A notice period by either side of 12 months
– A provision requiring a Director to mitigate losses on termination

Each service contract contains the following performance-related provisions:

– Participation in the EIS
– Participation in one or more long term incentive plan

The Company has the right to terminate contracts by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits in kind and pension entitlements. The Company will be mindful, on termination of an Executive Director's employment, of the need to mitigate costs and phase payments, which cease when the individual obtains an alternative role. There are no change of control provisions that apply in relation to the service contract of any Executive Director.

Other than in certain 'good leaver' circumstances (which could include redundancy, ill-health or retirement), no payment would usually be due under the EIS unless the individual remains employed at the payment date. Any payment to a good leaver under the EIS would be based on an assessment of their and the Company's performance over the applicable period and pro-rated for the proportion of the EIS year worked.

Where an Executive Director is considered by the Committee to be a good leaver, deferred EIS awards (shares) would vest. In other circumstances, awards would lapse.

With regard to long term incentive plan awards, the rules of the PSP provide that, other than in certain good leaver circumstances, awards lapse on cessation of employment. Where an individual is a good leaver, the Committee's normal policy is for the award to vest at the normal time following the application of performance targets and a pro-rata reduction to take account of the proportion of the applicable performance period outstanding post the cessation. The Committee also has discretion for both early vesting and reducing the impact of pro-rating. In doing so, it will take account of the reason for the departure and the performance of the individual through to the time of departure.

In situations where an Executive Director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith:

- in discharge of an existing legal obligation (or by way of damages for breach of such an obligation);
- by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment; or
- to contribute towards the individual's legal fees and fees for outplacement services.

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment over a term of three years, which are reviewed annually. Both the Company and the aforementioned Directors have a notice period of six months and the Directors are not entitled to compensation on termination other than for the normal notice period if not worked out.

Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection at the Company's Registered Office during normal business hours and at the AGM.

Terms of engagement

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment as follows:

Name	Date of appointment as Director	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	3 years, reviewed annually	6	6
Irene Dorner	1 December 2019	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	3 years, reviewed annually	6	6
Gwyn Burr	1 February 2018	3 years, reviewed annually	6	6
Angela Knight	1 November 2016	3 years, reviewed annually	6	6
Robert Noel	1 October 2019	3 years, reviewed annually	6	6
Humphrey Singer	9 December 2015	3 years, reviewed annually	6	6

Legacy arrangements

Any commitment which is consistent with the approved Remuneration Policy in force at the time that the commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2020 AGM.

Remuneration Committee

The role of the Remuneration Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and senior management which will attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long term success of the Company.

The Committee's Terms of Reference are available on the Company's website at www.taylorwimpey.co.uk/corporate/our-company/governance. The Committee's main responsibilities are to:

- Establish and maintain formal and transparent procedures for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and senior management, and to monitor and report on them.
- Determine the remuneration, including pension arrangements, of the Executive Directors and senior management.
- Approve annual and long term incentive arrangements together with their targets and levels of awards.
- Determine the level of fees for the Chair of the Board.
- Select and appoint the external advisers to the Committee.
- Review wider workforce remuneration and other policies.

For the majority of 2019, the Committee comprised three Independent Non Executive Directors and also the Chair of the Board. Gwyn Burr became Chair of the Committee on 25 April 2019. Although Kate Barker stood down as Chair of the Committee on 25 April 2019, she remains a member of the Committee alongside Angela Knight and Kevin Beeston. Irene Dorner became a member of the Committee when she was appointed to the Board as Chair-designate on 1 December 2019 and will remain on the Committee once she assumes the role of Chair of the Board on 26 February 2020.

Details of attendance at Committee meetings held during 2019 appear on page 106.

No Director or other executive is involved in any decisions about his or her own remuneration. Conflicts of interest are managed carefully. No Director is involved in any decisions about their own remuneration and a conflicts of interest register is maintained by the Company Secretary in accordance with the Company's Conflicts Policy.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and during the year it continued to retain the services of Korn Ferry.

Korn Ferry is a member of the Remuneration Consultants Group and signatory to its Code of Conduct. During 2019 Korn Ferry also provided other ad hoc remuneration services outside the scope of the Committee to the Company. The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice provided is objective and independent.

The Committee also receives legal advice from Slaughter and May, the Company's solicitors, as and when necessary. This generally relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements. The Committee is satisfied that the advice provided by Slaughter and May is objective and independent.

The fees paid to the Committee's advisers in 2019 were: Korn Ferry £112,722 on a time and materials basis (2018: £115,280). No significant amount of advice was sought from Slaughter and May during the year.

Pete Redfern (Chief Executive), James Jordan (former Group Legal Director and Company Secretary), and Anne Billson-Ross (the Group Human Resources Director) each attended the Committee meetings during 2019 by invitation only but were not present for any discussions that relate directly to their own remuneration. Alice Marsden (who was appointed as Group General Counsel and Company Secretary in November 2019) attended the December Committee meeting.

How the Remuneration Policy will be applied in 2020

Base salary

The Committee reviewed the Executive Directors' salaries in February 2020 and decided to award increases of 2% to each Executive Director with effect from 1 April 2020, in line with the general workforce increase.

The salaries of the Executive Directors effective from 1 April 2020 will be as follows:

Executive Director	Salary at 1 April 2019	Salary at 1 April 2020	Increase
Pete Redfern	£874,161	£891,644	2%
Chris Carney	£438,600	£447,372	2%
Jennie Daly	£400,000	£408,000	2%

Pension and benefits

As detailed on page 106, with effect from 1 April 2020 the Executive Directors' pension contributions will be reduced in broadly incremental amounts over a five year period to the level of pension arrangements enjoyed by the wider workforce. Therefore, during 2020 Pete Redfern, Chris Carney and Jennie Daly will receive a pension contribution of 21.24%, 18% and 18% of salary respectively.

Annual Bonus Scheme

The Executive Incentive Scheme (EIS) performance metrics and their weightings for 2020 are shown in the table below. The precise details of the targets themselves are deemed to be commercially sensitive as they relate to the current financial year. However, detailed retrospective disclosures of the targets and performance against them will be provided in next year's Remuneration Report in the usual way.

Measure	Weighting
Group Operating Profit	35%
Cash Conversion	15%
Operating Profit Margin	10%
Customer Service	20%
Build Quality	20%

The metrics and weightings have changed in light of the updated business strategy to ensure that the EIS continues to remain in line with our business priorities and market expectations, whilst maintaining a structure that has a weighting of 60% linked directly to financial targets.

Given the Company's increased strategic focus on placing customers at the heart of decision making, Customer Service and Build Quality remain the two non-financial measures operating within the EIS. The Committee has decided to increase the weighting for Build Quality as it continues to be used as a measure to underpin our goal to deliver high-quality homes and to reduce the number of instances requiring remediation.

The Customer Service measure will continue to be based on the independent NHBC scores at both eight-weeks and the longer term nine-month customer satisfaction surveys. At eight weeks, this specifically measures how likely our customers would be to recommend Taylor Wimpey.

Cash Conversion and Operating Profit Margin have been reintroduced as measures for 2020 as the Committee believes that these are both critical measures at an operational level and will ensure that our priority remains converting our profit into healthy cash returns and providing strong support for further dividend progression over the medium term.

The Committee may use discretion to adjust payments where necessary.

One-third of any EIS payment will be payable in shares which must then be held for three years.

Clawback and malus provisions are in line with the Code requirements and the Committee is satisfied that they remain fully enforceable if ever needed.

Long Term Incentive Plan

In accordance with the Remuneration Policy, long term incentives take the form of the Taylor Wimpey Performance Share Plan (PSP) award with a maximum award of 200% of base salary (face value of shares at date of award). The annual awards granted to Executive Directors in 2019 will be subject to the following performance conditions:

Measure	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
TSR v Peer Group	40%	Below median	Median	Upper quartile
RONOA in (2020-2022)	20%	Below 26%	26%	33%
Cash Conversion (2020-2022)	20%	Below 70%	70%	80%
Customer Service (2020-2022)	20%	Below 83%	83%	87%

Awards vest on a straight-line basis between the above threshold and maximum vesting levels.

The Committee has made some modifications to the performance measures for 2020 to reflect the Company's long term strategic priorities.

As mentioned on page 109, customer service continues to be a key strategic priority for the Company and therefore has been included as a performance measure for 2020.The Customer Service element of the PSP will be based on a broader set of questions independently measured through the NHBC eight-week survey, therefore will be on a different measurement basis to the EIS customer service measure.

TSR will remain a performance condition. However, to simplify the TSR element, relative TSR measured against the FTSE 100 will no longer be used, instead 40% of the Award will focus solely on performance against a listed housebuilder peer group (the Peer Group). The Peer Group is an unweighted index comprised of Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group (now Vistry Group), Countryside Properties, Crest Nicholson, Persimmon and Redrow. Galliford Try has been removed from the Group following the acquisition of its housing division (Linden Homes) by Vistry Group. By retaining TSR as a measure it aligns the rewards received by executives with the returns received by shareholders.

There will continue to be a Cash Conversion and RONOA measure (which will both be assessed as aggregates across the full three-year period) to ensure that returns to shareholders and the generation of cash to fund them are the result of long term sustainable financial performance.

The Committee has reviewed all targets and believes they remain stretching and appropriate in the present market outlook for the medium term.

The Committee may use discretion to adjust payments where necessary to avoid formulaic driven outcomes in light of significant negative events.

Clawback and malus provisions are in line with the Code requirements and the Committee is satisfied that they remain fully enforceable if ever needed.

PSP awards are subject to a two-year post-vesting holding period.

Dividend equivalents and other distributions will accrue on vested awards and continue to accrue to the extent awards remain unexercised post vesting. In line with best practice, from 2020 it is intended that all accrued dividends will be paid via shares rather than in cash and will be subject to the aforementioned two-year post-vesting holding period.

Retirement of James Jordan, Group Legal Director and Company Secretary

As announced on 28 March 2019, James Jordan stepped down from the Board as Group Legal Director on 31 December 2019 (having already relinquished his role as Company Secretary on 4 November 2019). James will continue to have an active role in the business until he formally retires on 31 March 2020. The following arrangements will be applied in respect of James Jordan's remuneration in line with the remuneration policy.

The amounts disclosed in the single figure table on page 124 relate to the entire 2019 period. As James had an active role in the business for the entirety of 2019 he is eligible to participate in the 2019 EIS arrangements for the full year and as the EIS outcome was 50.6% James will receive £308,048. One-third of this EIS award will be deferred into shares for three years and will vest at the normal time in March 2023.

As detailed on page 125, the Company partially achieved the 2017 PSP Award performance conditions and therefore the Award will vest at 62.8%. James will be entitled to exercise 258,946 shares on the normal vesting date and will also receive a dividend equivalent payment. The two-year holding period will apply.

No EIS award will be payable for 2020 and James will not receive a PSP award in 2020.

The Committee determined that James should receive good leaver treatment in respect of his unvested EIS deferred shares and unvested PSP Awards. James' unvested 2016, 2017 and 2018 Deferred Bonus Plan awards (over 78,148; 69,773 and 106,031 shares respectively) will vest at the normal time together with any dividend equivalent payments (in March 2020, March 2021 and March 2022). His outstanding PSP Awards (granted in March 2018 and March 2019) over 417,125 and 440,336 shares respectively will be scaled back pro-rata based on time employed subject to performance measured over the relevant three-year performance period and subject to the two-year post-vesting holding period.

Clawback and malus provisions will continue to apply after cessation of employment.

James will continue to have an active role in the business until he retires on 31 March 2020 therefore he will continue to receive salary, benefits and pension, in accordance with his contractual entitlements; which will total £139,383 for 1 January 2020 to 31 March 2020.

Payments for loss of office to former Directors (audited)

There were no payments made to former Directors.

Fees

The current fees for the Chair of the Board and Non Executive Directors are set out below. As announced, Irene Dorner will become Chair of the Board on 26 February 2020 and will receive the same fee as Kevin Beeston, her predecessor.

	Annual fees as at 1 April 2020
Chair of the Board	£320,000
Basic Non Executive Director and Chair-designate	£60,000
Senior Independent Director	£17,500
Audit Committee Chair	£17,500
Remuneration Committee Chair	£17,500

Implementation of the Remuneration Policy during 2019

Director emoluments (audited)

£'000	Year	Fees and salary	Benefits[a]	EIS	PSP[b]	Pension[c]	All-employee schemes[d]	Total
Executive								
Pete Redfern	**2019**	**870**	**54**	**663**	**1,225**	**209**	**2**	**3,023**
	2018	852	54	1,195	964	205	2	3,272
Chris Carney (appointed 20 April 2018)	**2019**	**436**	**20**	**333**	**359**	**87**	**2**	**1,237**
	2018	300	21	416	165	60	1	963
James Jordan (stood down 31 December 2019)	**2019**	**404**	**51**	**308**	**569**	**100**	**8**	**1,440**
	2018	395	51	555	448	98	2	1,549
Jennie Daly (appointed 20 April 2018)	**2019**	**400**	**18**	**304**	**183**	**80**	**2**	**987**
	2018	216	12	298	83	43	1	653
Non Executive								
Kevin Beeston	**2019**	**320**	**1**	**–**	**–**	**–**	**–**	**321**
	2018	308	1	–	–	–	–	309
Irene Dorner (appointed 1 December 2019)	**2019**	**5**	**-**	**–**	**–**	**–**	**–**	**5**
	2018	–	–	–	–	–	–	–
Kate Barker	**2019**	**83**	**–**	**–**	**–**	**–**	**–**	**83**
	2018	87	–	–	–	–	–	87
Gwyn Burr	**2019**	**72**	**–**	**–**	**–**	**–**	**–**	**72**
	2018	55	–	–	–	–	–	55
Angela Knight	**2019**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	2018	60	–	–	–	–	–	60
Robert Noel (appointed 1 October 2019)	**2019**	**15**	**–**	**–**	**–**	**–**	**–**	**15**
	2018	–	–	–	–	–	–	–
Humphrey Singer	**2019**	**78**	**–**	**–**	**–**	**–**	**–**	**78**
	2018	73	–	–	–	–	–	73
Total	**2019**	**2,743**	**144**	**1,608**	**2,336**	**476**	**14**	**7,321**
	2018	2,346	139	2,464	1,660	406	6	7,021

(a) Benefits comprise non-cash payments to Pete Redfern, James Jordan, Chris Carney and Jennie Daly for private medical insurance, life assurance and company car provision (the value of the company car provided was £39,129, £38,594, £16,574 and £14,693 respectively). Kevin Beeston's benefit relates to the provision of private medical insurance.

(b) This column shows the vesting during 2019 and 2018 of the PSP as set out in the tables at the top of page 125 and includes the value of dividends accrued during the performance period and payable on vesting. The 2018 totals have been restated to reflect the actual share price at vesting of 177.0 pence. The 2018 figures for Chris Carney and Jennie Daly have been pro-rated. None of the values received in 2018 and 2019 relate to a share price increase from the date of Award and date of Vesting.

(c) For Pete Redfern and James Jordan these figures represent the cash allowances payable. For Chris Carney and Jennie Daly these figures represent pension contributions up to the amount permissible under HMRC rules and cash allowances beyond this level.

(d) These figures represent the value of the 20% discount on the Sharesave option price, matching shares under the Share Incentive Plan and the payment of special dividends accrued on Sharesave options exercised by James Jordan during 2019 and grossed-up for income tax and national insurance.

Performance Share Plan (audited)

PSP awards included in the 2018 total remuneration figure – overall vesting 50.0%

Award	Performance target	Weighting	% of maximum	Date of end of performance period	Date of vesting	Share price at vesting
2016 PSP[a]	TSR FTSE	20%	0%	31/12/2018	27/02/2019	177.0[a]
	TSR Peer Group	30%	0%	31/12/2018	27/02/2019	177.0[a]
	RONOA	25%	25%	31/12/2018	27/02/2019	177.0[a]
	Cash Conversion	25%	25%	31/12/2018	27/02/2019	177.0[a]

(a) The share price shown is the closing middle market share price on the date of vesting – 27 February 2019.

PSP awards included in the 2019 total remuneration figure – overall vesting 62.8%

Award	Performance target	Weighting	% of maximum	Date of end of performance period	Date of vesting	Share price at vesting
2017 PSP[a][b]	TSR FTSE 100	20%	20%	31/12/2019	26/02/2020	172.2[a]
	TSR Peer Group	30%	0%	31/12/2019	26/02/2020	172.2[a]
	RONOA	20%	20%	31/12/2019	26/02/2020	172.2[a]
	Cash Conversion	15%	15%	31/12/2019	26/02/2020	172.2[a]
	Operating Profit Margin	15%	7.8%	31/12/2019	26/02/2020	172.2[a]

(a) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2019) and will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 26 February 2020.
(b) On exercise, an equivalent proportion of cash accrued in lieu of dividends paid during the performance period, will also be paid net of income tax and national insurance.

Vesting of PSP awards in 2019 (audited)

2017 PSP Award

The performance period for all elements of the 2017 PSP award ended on 31 December 2019 and the final measurement was undertaken based on this date, with the performance outcome being independently calculated by Korn Ferry and as part of the overall audit process.

The outcomes were as follows:

Measure	Weighting	Vesting scale: No vesting	Vesting scale: 20% vesting	Vesting scale: 100% vesting	Performance achieved	% of maximum
TSR FTSE 100	20%	Below median	Median	Upper quartile or above	Above upper quartile	20%
TSR Peer Group	30%	Below Index TSR	Index TSR	Index TSR +8% p.a. (multiplicative) or above	TW TSR: 51.3% Median TSR: 61.5%	0%
RONOA in 2019	20%	Below 26%	26%	30% or above	31.4%	20%
Cash Conversion (averaged over 2017-2019)	15%	Below 65%	65%	75% or above	87.6%	15%
Operating Profit Margin (averaged over 2017-2019)	15%	Below 20%	20%	Above 22%	20.8%	7.8%
Total	**100%**					**62.8%**

In deciding whether, and to what extent, any vesting of awards should take place under any PSP, the Committee also considers the overall financial performance of the Company during the period. The Committee has determined that the overall financial performance of the Company has been strong and therefore determined that the 2017 PSP awards should vest at 62.8% based on the achievement of three performance measures in full, as set out in the table above.

Directors' PSP awards granted during 2019 (audited)

Performance awards were made in March 2019 as summarised below:

	Award	Type	Number of shares	Face value (% of salary)[a]	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	PSP	Nil-cost options	947,769	£1,714,042 (200%)	30% on TSR v Peer Group Index 20% on TSR v FTSE 100 20% on RONOA 15% on Cash Conversion 15% on Operating Profit Margin	01/01/2019 – 31/12/2021	20%
Chris Carney	PSP	Nil-cost options	475,532	£860,000 (200%)	As above	As above	As above
James Jordan	PSP	Nil-cost options	440,036	£795,804 (200%)	As above	As above	As above
Jennie Daly	PSP	Nil-cost options	442,355	£800,000 (200%)	As above	As above	As above

(a) Calculated using the share price of 180.85 pence being the average of the closing prices for 28 February, 1 and 4 March 2019.

EIS in respect of 2019 (audited)

For 2019, the Committee measured performance against each individual performance target, which is directly linked to the achievement of the Company's strategy, as described in more detail on pages 24 and 108, as follows:

				Summary of targets				
Measure	Strategic goal / KPI		Weighting	Entry (10% vesting)	Target (50% vesting)	Stretch (100% vesting)	Result	% of maximum
Operating Profit (£)	To increase aggregate profit		40%	£830m	£860m	£900m	£850.5m	14.9%
RONOA (%)	Driving capital efficiency		20%	30%	31%	33%	31.4%	12.1%
Order Book (£)	Provide greater emphasis on sales volume		10%	£1,848m	£2,189m	£2,324m	£2,252.2m	7.3%
Build Quality	To deliver high-quality homes and to reduce remediation		10%	3.90	3.95	4.00	4.13	10%
Customer Service	Improving and delivering customer service based on key National House-Building Council performance standards	8-week survey	10%	72%	86%	89%	80%	3.3%
		9-month survey	10%	70%	72%	74%	71%	3%
Total			**100%**					**50.6%**

The amounts paid to the Executive Directors in respect of 2019 are set out in the Directors' emoluments table on page 124. One-third of the bonus paid will be deferred in shares for three years.

Governance

Executive Directors' interests in the Company's share schemes (audited)

Details of the options and conditional awards over shares held by Directors who served during the year are as follows:

	Maximum potential outstanding shares as at 1 January 2019	Additional maximum potential awarded during the year	Dividend re-investment shares added during the year	Delivered / exercised during the year	Lapsed during the year	Maximum potential receivable as at 31 December 2019	Maximum shares vesting in: 2020	2021	2022
Pete Redfern									
Deferred shares (EIS)	563,443	228,375	65,304	204,026	–	653,096	218,036	181,313	253,747
Performance Share Plan (PSP)	2,675,251	947,769	–	444,360	444,360	2,734,300	888,108	898,423	947,769
Sharesave Plan	18,863	–	–	–	–	18,863	–	–	18,863
Total	**3,257,557**	**1,176,144**	**65,304**	**648,386**	**444,360**	**3,406,259**	**1,106,144**	**1,079,736**	**1,220,379**
Chris Carney									
Deferred shares (EIS)	–	108,810	12,088	–	–	120,898	–	–	120,898
Performance Share Plan (PSP)	771,087	475,532	–	108,458	108,459	1,029,702	260,021	294,149	475,532
Sharesave Plan	20,891	–	–	–	–	20,891	–	11,460	9,431
Total	**791,978**	**584,342**	**12,088**	**108,458**	**108,459**	**1,171,491**	**260,021**	**305,609**	**605,861**
James Jordan									
Deferred shares (EIS)	261,595	106,031	30,318	94,726	–	303,218	101,229	84,180	117,809
Performance Share Plan (PSP)	1,242,079	440,036	–	206,309	567,279	908,527	412,335	312,844	183,348
Sharesave Plan	12,534	7,413	–	6,876	–	13,071	5,658	–	7,413
Total	**1,516,208**	**553,480**	**30,318**	**307,911**	**567,279**	**1,224,816**	**519,222**	**397,024**	**308,570**
Jennie Daly									
Deferred shares (EIS)	–	76,315	8,480	–	–	84,795	–	–	84,795
Performance Share Plan (PSP)	467,244	442,355	–	54,438	54,439	800,722	132,719	225,648	442,355
Sharesave Plan	22,921	–	–	–	–	22,921	–	22,921	–
Total	**490,165**	**518,670**	**8,480**	**54,438**	**54,439**	**908,438**	**132,719**	**248,569**	**527,150**

Vesting of the deferred shares and Sharesave Plan options are not dependent on any performance conditions. The vesting of the PSP is subject to the achievement of performance conditions.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The market price of the ordinary shares on 31 December 2019 was 193.40 pence and the range during the year was 136.85 pence to 201.20 pence. Details of any share awards made to the Executive Directors during 2020 will be included in the 2020 Remuneration Report.

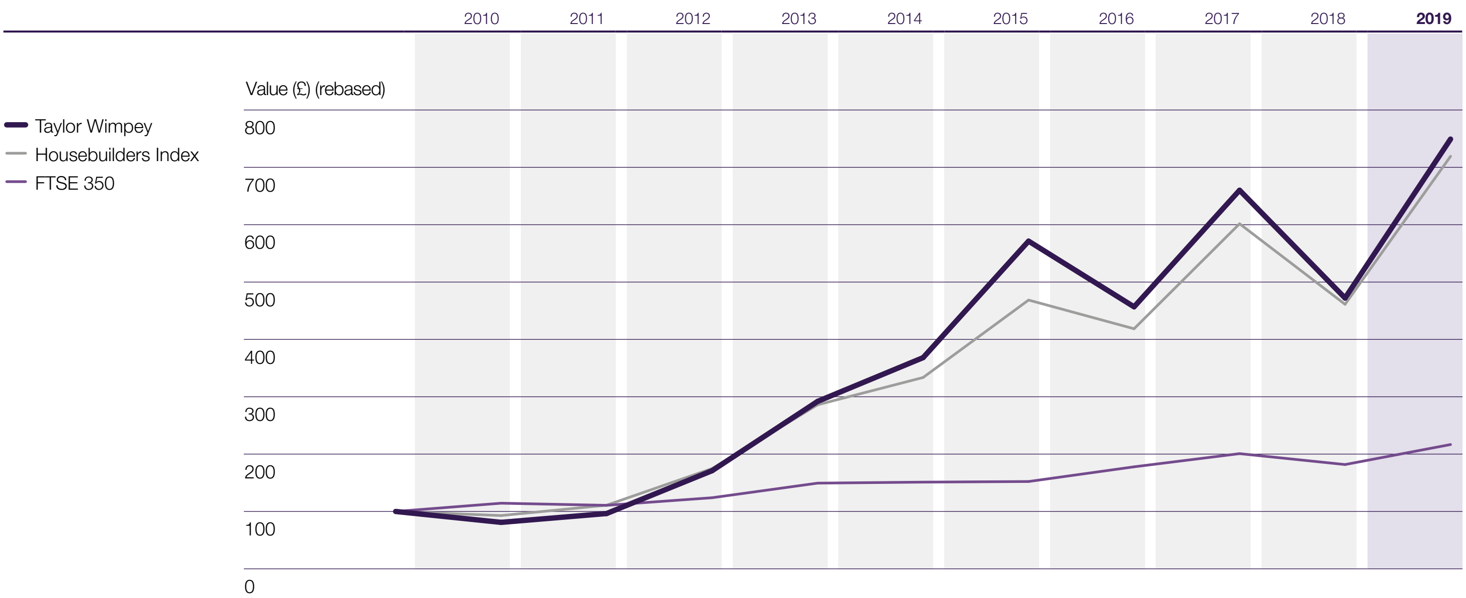
James Jordan stood down from the Board on 31 December 2019. His leaving arrangements are set out on page 123. His outstanding Performance Share Plan awards have been pro-rated to his leaving date of 31 March 2020. For transparency, these lapses are shown in the 'lapsed during the year' column.

The Directors do not hold any vested but unexercised share options.

Performance graph (unaudited)

This graph shows the value of £100 invested in Taylor Wimpey plc on 31 December 2009 compared with the value of £100 invested in the FTSE 350 and in the average of the Housebuilder Index introduced for the 2012 Performance Share Plan awards onwards and as varied subsequently for the 2014 and 2016 awards. These benchmarks have been chosen as Taylor Wimpey is a constituent of both.

Total shareholder return



Source: Thomson Reuters Datastream.

Chief Executive historic remuneration (unaudited)

	Year ending 31 December									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Total remuneration (£'000)	1,542	1,674	3,009	6,724	6,250	6,888	4,072	3,697	3,272	**3,023**
EIS (%)	85	82	95	90	90	78	80	66	93	**50.6**
PSP vesting (%)	0	0	40	85	94	100	81	78	50	**62.8**

The table above shows the total remuneration figure for the Chief Executive over the same 10-year period as is shown in the TSR graph above. The total remuneration figure includes the EIS and PSP awards which vested based on performance in those years. The EIS and PSP percentages show the payout for each year as a percentage of the maximum award that could have been paid or received.

CEO pay ratios (unaudited)

Year	Method	CEO single figure	All UK employees	Lower quartile	Median	Upper quartile
			Ratio	103:1	77:1	41:1
2018[a]	Option B	£3,151,748	Total pay	£30,375	£41,135	£76,575
			Salary	£26,412	£26,873	£52,458
			Ratio	**93:1**	**73:1**	**48:1**
2019[b]	**Option B**	**£3,023,654**	**Total pay**	**£32,342**	**£41,483**	**£62,418**
			Salary	**£27,500**	**£31,277**	**£45,621**

(a) The 2018 CEO single figure disclosed has not been restated to reflect the share price on the date the 2016 PSP Award vested. We have chosen to do this for transparency purposes so that we are comparing the ratios disclosed in 2018.
(b) The three representative employees were determined on 31 December 2019.

Our CEO pay ratios have been calculated using 'option B' which is to use the 2019 gender pay gap data to identify the three employees that represent the lower quartile, the median and the upper quartile. We believe this provides us with a clear methodology involving less adjustments to calculate Full-Time Equivalent earnings and is more likely to produce more robust reporting year on year.

The Committee has reviewed the results of the calculations and is satisfied that they continue to be representative of the respective quartiles.

The lower quartile and median ratios have both reduced. This decrease is attributed to the CEO single figure being lower than in 2018; this is predominantly a result of the short term incentive bonus outturn for 2019 being significantly lower than the previous year (2019: 50.6%; 2018: 93%). Further details of the different elements of the CEO pay can be found on page 124.

The impact of the reduced bonus payment for 2019 has resulted in an increase in the upper quartile ratio. This increase is a result of the representative employee in the upper quartile having a relatively high maximum bonus potential in comparison to the lower quartile and median employees which, as is the case for the CEO, achieved a lower actual payment for 2019, and lower than last year's equivalent representative employee.

There has been no significant change to the Company's employee remuneration structure during the year; however there continues to be a focus on increasing our use of direct labour within the Company to mitigate the industry-wide skills shortage. The Company now employs 643 apprentices; trainees and apprentices are lower paid and impact on inter-quartile range.

As has been noted on page 118, the Committee has reviewed the remuneration policies and practices for the wider workforce in conjunction with the Directors' Remuneration Policy review during the year – this includes the maximum bonus potential for all new employees. The Committee is satisfied that there is a good level of consistency in relation to pay policies throughout Taylor Wimpey.

Change in Chief Executive pay compared to that of Taylor Wimpey employees (unaudited)

The table below shows the percentage year on year change in salary, benefits and annual bonus earned between 2018 and 2019 for the Chief Executive and compared to the average percentage year on year change of Taylor Wimpey employees during the same year.

	Salary	Benefits	Annual bonus scheme
Pete Redfern	2%	0%	-45%
Average pay of Taylor Wimpey employees	3%	0%	-20%

Change in Company performance relative to change in remuneration (unaudited)

	2018	2019	Change (%)
Profit before tax, interest and exceptional items	£880.2m	**£850.5m**	-3.4%
Dividends paid per ordinary share			
– interim 2019 / interim 2018 (3.84p / 2.44p)			
– final 2019 / final 2018 (3.80p / 3.80p)			
– special 2019 / special 2018 (10.7p / 10.4p)	16.64p	**18.34p**	10.2%
Employee pay in aggregate (See Note 7 to the financial statements)	£270.4m	**£290.4m**	7.4%
Employee pay average per employee (See Note 7 to the financial statements)	£49,688	**£49,363**	-0.7%

Directors' interests in shares of the Company

Share ownership guidelines

The Taylor Wimpey share ownership guidelines are designed to encourage shareholding in Taylor Wimpey plc by executives at various levels within the Company for the purpose of alignment with the Company's shareholders. The guidelines cover the Executive Directors and those executives who participate in long term incentive plans with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans.

The level of required shareholding for Executive Directors to attain is two times base salary. Subject to shareholder approval at the 2020 AGM the shareholding guidelines will be simplified by requiring Executive Directors to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired pursuant to the Company's Long Term Incentive Plans, until such time as the guidelines have been met. Beneficially owned shares count toward the guidelines, together with the portion of the annual bonus (EIS) deferred into shares (on a net of tax basis) and any vested but unexercised PSP awards. As mentioned earlier in this Report, any shares that are acquired through a PSP award vesting must, as a standard requirement, be retained by executives for at least 24 months.

The Chair and the Non Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders.

Directors' interests in shares of the Company (audited)

	Beneficially owned		Outstanding interests in share plans			Share interests expressed as a % of salary
Director	at 01/01/19 (ordinary shares)[a]	at 31/12/19 (ordinary shares)	EIS deferred shares (gross)	PSP[b]	Sharesave	Value of shares (including EIS deferred shares on a net basis) as at 31/12/19[c]
Kevin Beeston[d]	718,432	777,596	–	–	–	–
Pete Redfern	2,993,706	1,188,804	653,096	2,734,300	18,863	339%
Chris Carney	190,606	253,182	120,898	1,029,702	20,891	140%
James Jordan[e]	937,858	1,106,146	303,218	908,527	13,071	603%
Jennie Daly	67,477	98,484	84,795	800,722	22,921	69%
Kate Barker	60,000	60,000	–	–	–	–
Gwyn Burr	–	–	–	–	–	–
Irene Dorner	–	15,000	–	–	–	–
Angela Knight	10,000	10,000	–	–	–	–
Robert Noel	–	–	–	–	–	–
Humphrey Singer	25,000	25,000	–	–	–	–

(a) Or date of appointment.
(b) Vesting is subject to the achievement of performance conditions.
(c) This has been calculated on the basis of beneficially owned shares and the net amount of EIS shares.
(d) Some of Kevin Beeston's shares are held by a connected person.
(e) James Jordan stood down from the Board on 31 December 2019.

The only changes to the Directors' interests as set out above during the period between 31 December 2019 and 25 February 2020 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern, Chris Carney and Jennie Daly who acquired 292 shares each.

Directors' pension entitlements (audited)

Defined benefit schemes

The Taylor Wimpey Pension Scheme

Pete Redfern and James Jordan are members of the Taylor Wimpey Pension Scheme (TWPS). The following table sets out the transfer value of their accrued benefits under the TWPS calculated in a manner consistent with The Occupational Pension Schemes (Transfer Values) Regulations 2008.

Director	Normal retirement age	Accrued pension as at 31/12/18	Increase in accrued pension from 31/12/18 to 31/12/19	Accrued pension as at 31/12/19[a]	Transfer value gross of Director's contributions at 31/12/19[b]	Transfer value gross of Director's contributions at 31/12/18[b]	Increase (decrease) in transfer value from 31/12/18 to 31/12/19 less Director's contributions[c]
Pete Redfern	62	15,255	370	15,625	389,163	313,150	76,013
James Jordan	62	28,220	684	28,904	848,009	712,473	135,536

(a) The pension benefits are based on service up to 31 August 2010 when the George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual. Members of the GWSPS were transferred into the Taylor Wimpey Pension Scheme (TWPS) on 1 October 2013 and there was no change to members' benefit entitlement. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 2.5% per annum. Once in payment, pensions accrued up to 5 April 2006 are guaranteed to increase in line with inflation limited each year to 5%, pensions accrued after 5 April 2006 are guaranteed to increase in line with inflation limited each year to 2.5%. The Company has only taken into account defined benefits accrued over the period to 31 August 2010 and has not included any Defined Contribution pension benefits accrued after this date.
(b) Transfer values have been calculated in accordance with The Occupational Pension Schemes (Transfer Value) Regulations 1996 (as amended).
(c) The transfer value includes the effect of fluctuations due to factors beyond the control of the Company and Directors, such as financial market movements.

Note: Pete Redfern and James Jordan received cash allowances of £209,226 (2018: £204,991) and £99,896 (2018: £98,001) respectively in lieu of Company pension contributions.

There were no changes to benefits during the year and consequently no difference between the changes to any Director's pension benefits in comparison with those of other employees.

Non-Group pension arrangements

	2019 (£)	2018 (£)
Chris Carney	**9,988**	6,985
Jennie Daly	**10,007**	6,981

Notes: Chris Carney and Jennie Daly also received pension allowances of £77,290 (2018: £52,592) and £70,008 (2018: £36,114) respectively in lieu of Company pension contributions over the Tapered Annual Allowance limit introduced in April 2016. Allowances for 2018 are pro-rated to their appointment date.

Statement of shareholder voting (unaudited)

At the 2019 AGM, the result of the shareholders' vote on the Company's Remuneration Report for 2018 was:

	2019 (Votes)
For	**2 billion (97%)**
Against	**71 million (3%)**
Withheld	**11,910,493**

At the 2017 AGM, the result of the shareholders' vote on the Company Remuneration Policy was:

	2017 (Votes)
For	1.9 billion (98%)
Against	38 million (2%)
Withheld	1,502,137

Approval

This Remuneration Report was approved by the Board of Directors on 25 February 2020 and signed on its behalf by the Remuneration Committee Chair:

G. V. Burr

Gwyn Burr
Chair of the Remuneration Committee

25 February 2020

Statutory, regulatory and other information

Introduction

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts, as detailed below:

Matter	Page(s) in this Annual Report
An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic Report	2 to 58
The Group's profit before taxation and the profit after taxation appear in the Consolidated income statement and in the Notes to the financial statements	148 and 153 to 182
The Company's Viability statement	52 and 53
The Remuneration Committee report	106 to 131
Details of the Company's long term incentive schemes as required by Listing Rule 9.4.3R are set out in the Remuneration Committee report	106 to 131
The reporting of the Company's carbon footprint	44 and 138
A list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year	189 and 190
Changes in asset values are set out in the Consolidated balance sheet and in the Notes to the financial statements	150 and 153 to 182
A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	169 to 172
Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	133 and 199
A statement that this Annual Report and Accounts meets the requirements of Section 4, Principle N, Provision 27 of the 2018 UK Corporate Governance Code (fair, balanced and understandable)	63
A statement outlining our engagement with employees and other stakeholders	32 to 43 and 76 to 81

All information required to be reported by Listing Rule 9.8.4R and applicable to the Company or Group for this reporting period is set out in the table above.

Directors

The following Directors held office throughout the year:

- Kevin Beeston, Chair of the Board
- Pete Redfern, Chief Executive
- Chris Carney, Group Finance Director
- Jennie Daly, Group Operations Director
- Kate Barker DBE, Independent Non Executive Director
- Angela Knight CBE, Independent Non Executive Director
- Humphrey Singer, Independent Non Executive Director
- Gwyn Burr, Independent Non Executive Director

In addition to the above, James Jordan stood down from the Board as Group Legal Director and Company Secretary on 31 December 2019, Irene Dorner was elected to the Board as an Independent Non Executive Director and Chair-designate on 1 December 2019, and Robert Noel was appointed to the Board as an Independent Non Executive Director on 1 October 2019.

The Directors, together with their biographical information, are shown on pages 66 and 67.

Retirement and re-election

The Company has determined that in accordance with the 2018 UK Corporate Governance Code (the Code), all Directors, with the exception of our Chair, Kevin Beeston, who will have stepped down from the Board by that time, should seek election or re-election, as appropriate, at this year's Annual General Meeting (AGM) as explained in the Notes to the Notice of Annual General Meeting on pages 196 and 197.

Each of the Directors proposed for election or re-election at the AGM is being unanimously recommended by all the other members of the Board. This recommendation follows the completion of the annual Board evaluation process, which was internally facilitated this year. This included a detailed appraisal of the Board, its Committees and also each Director individually, which in turn included a review of their respective time commitments.

Further information relating to the evaluation is set out on pages 92 and 93.

The Articles of Association of the Company regulate the appointment and removal of Directors, in addition to the provisions of the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by special resolution of the shareholders as necessary. The various powers and responsibilities of the Directors are described on pages 82 and 85.

Qualifying third party indemnity

The Company has granted an indemnity in favour of its Directors and Officers and those of its Group companies, including the Trustee Directors of its Pension Trustee Company, against the financial exposure that they may incur in the course of their professional duties as Directors and Officers of the Company and / or its subsidiaries / affiliates. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 in respect of which the Company took advice from its corporate lawyers, Slaughter and May.

Audit and auditor

Each Director has, at the date of approval of this Report, formally confirmed that:

- to the best of his or her knowledge there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP (Deloitte) has confirmed its willingness to continue in office as auditor of the Company. Following a review by the Audit Committee of its effectiveness, details of which are set out on page 102, a resolution to reappoint Deloitte will be proposed at the AGM.

It is the Company's general policy that its auditor will not carry out non-audit services except where it is appropriate to do so and in accordance with the Company's policy for the carrying out of such work. In addition, and in line with the Code, the Audit Committee takes into account the relevant ethical and auditing professional standards guidance regarding the provision of non-audit services to the Group during the year within the policy framework as described in Note 6 on page 161.

Annual General Meeting

The AGM will be held at 11:00am on 23 April 2020 at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Formal notice of the AGM including details of the special business being proposed is set out in the Notice of Annual General Meeting on pages 192 to 198 and on the Company's website at: www.taylorwimpey.co.uk/corporate. In line with recent practice and good governance, voting on all resolutions at this year's AGM will again be conducted by way of a poll. The Board believes that this method of voting gives as many shareholders as possible the opportunity to have their votes counted as part of the process, whether their votes are tendered by proxy in advance of, or in person at, the AGM.

Web communications

With shareholders' consent, the Company has adopted web communication. The benefits of web communication are that it:

- Enables the Company to significantly reduce its printing and postage costs.
- Enables shareholders to access information faster, on the day documents are published on the Company's website.
- Reduces the amount of resources consumed, such as paper, and therefore helps to reduce the impact of printing, mailing and related activities on the environment.

Shareholder communications (including the 2019 Annual Report and Accounts) are available electronically through the Company's website.

90% of the Company's shareholders use either electronic or web communication.

The Company will, of course, continue to provide hard copy documentation to those shareholders who have requested this and is happy to do so.

Registrar

The Company's Registrar is Link Asset Services. Their details, together with information on the services and facilities available to shareholders, are set out in the shareholder facilities section on pages 199 and 200.

Capital structure

Details of the Company's issued share capital, together with information on the movements in the Company's issued share capital during the year, are shown in Note 23 on page 177.

The Company has two classes of shares: Ordinary Shares of 1p, each of which carries the right to one vote at general meetings of the Company and such other rights and obligations as are set out in the Company's Articles of Association, and Deferred Shares which carry no voting rights.

The authority to make market purchases pursuant to the resolution passed at the 2019 AGM was not exercised during 2019 or prior to the date of this Report. The Company has no current intention of exercising this authority but will nevertheless be seeking the usual renewal of this authority at the AGM, and the Board will continue to keep the position under regular review. The Company currently holds no shares in treasury.

There are no specific restrictions on the size of a holding, the exercise of voting rights, or on the transfer of shares, which are governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreement or agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in the Remuneration Committee report on pages 106 to 131. The Employee Share Ownership Trust (ESOT) which holds shares on trust for employees under various share schemes, generally abstains from voting at shareholder general meetings in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Dividend

An interim ordinary dividend of 3.84 pence per ordinary share was paid on 8 November 2019 and the Directors recommended a final ordinary dividend of 3.80 pence per ordinary share which, together with the interim dividend, increases the total ordinary dividend for the year to 7.64 pence (2018: 6.24 pence). Information relating to the recommended 2019 final ordinary dividend is set out on page 58 and in the notes to resolution 2 in the Notes to the Notice of Annual General Meeting on page 196. The Directors have also recommended a special dividend for 2020 of 10.99 pence per ordinary share (2018: 10.7 pence). Information relating to the recommended 2020 special dividend is set out on page 58 and in the notes to resolution 3 in the Notes to the Notice of Annual General Meeting on page 196.

The Company will be operating a Dividend Re-Investment Plan (DRIP), further details of which are set out on page 199 of this Annual Report. The DRIP will operate automatically in respect of the 2019 final ordinary dividend for those shareholders who have previously registered a DRIP mandate (unless varied by shareholders beforehand) and also in respect of all future dividends, including special dividends, until such time as each participating shareholder elects to withdraw from the DRIP, or the DRIP is suspended or terminated in accordance with the terms and conditions of the plan. The Board will continue to keep the availability of the DRIP under regular review.

Shareholders are again reminded to check their position with regard to any dividend mandates that are in place, should they wish to either participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

The right to receive any dividend has been waived in part by the Trustees of the Company's ESOT over that Trust's combined holding of 10,743,775 shares. More details of the ESOT are contained in Note 26 on page 178.

Substantial interests

The persons set out in the table below have notified the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 25 February 2020, no change in these holdings had been notified nor, according to the Register of Members, did any other shareholder at that date have a disclosable holding of the Company's issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Committee report on page 130. The Board strongly believes in the alignment of interests between senior management and the Company's shareholders.

Substantial interests in the Company's shares were as follows:

		As at 31 December 2019		As at 25 February 2020
Name	Number of shares held (millions)	Percentage of issued voting share capital	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock Inc	182.5	5.58	182.5	5.58
Legal & General Group plc	98.5	3.02	98.5	3.02
Standard Life Investments Limited	96.5	3.02	96.5	3.02

In addition to the substantial interests shown above, the Company held in its ESOT 10.7 million of its own shares at 31 December 2019, representing 0.33% of the shares in issue at that date (2018: 13.9 million; 0.42%). The Company currently holds no shares in treasury.

Research and development

Our research and development initiatives (Project 2020) continued throughout 2019 with a focus on quality improvements. This focus led to the introduction of quality managers to the majority of our regions and improved our Construction Quality Review (CQR) score to lead the industry in this measure. We have engaged with key suppliers and manufacturers to develop a focused training, competency and audit programme for site teams. The aim is to expand knowledge and update site teams about new installation regulations and guidance through e-learning and practical on site training, which is followed up by site based audits from the suppliers' technical training teams.

The vision for 2020 and beyond is to develop this platform in collaboration with suppliers and the Safety Management Advisory Service into an 'approved installer scheme' ultimately improving installer status across the UK. These initiatives are about getting it right first time, enabling us to provide a better quality customer experience and future proof our Company.

Following our 2016 architectural competition with the Royal Institute of British Architects, we have built nine prototypes of the winning entry, Openstudio Architects' Infinite House, on three sites in Glasgow, Manchester and Didcot. The Infinite House is designed to offer maximum flexibility, customisation, cost efficiency, enhanced daylight levels and the ability to use diverse construction techniques.

The Infinite House's external envelope can be adapted to suit different contexts without appearing to be a repeated house type, thus offering aesthetic variety while maintaining the efficiency and cost effectiveness of repetition and structural standardisation.

Whilst building the prototypes, the regional teams have trialled different build methodologies in the innovative designs. In Didcot, we built five homes trialling cross laminated timber construction; in Manchester we built two homes using traditional masonry construction; and in Glasgow we built one home from standard timber frame and one from advanced timber frame.

Since completion, we have conducted customer focus groups in the houses to gauge the attractiveness of the modern layouts and elevations. The results were very favourable and we will be using the knowledge gained in the design of our new house type range. As well as customer feedback, we gathered detailed information on the construction, commercial and planning aspects of the houses. We also carried out post completion testing on the houses to assess the various build methodologies in relation to forthcoming improvement of energy measures in the building regulations.

The use of timber frame construction increased during 2019 in line with the developed strategy to diversify construction methods and we remain on course to achieve the strategy target of 20% of all plot completions being built in timber frame by the end of 2020.

During 2019 we continued to support the Horizon Group at the Supply Chain Sustainability School. The Horizon Group have a vision of a more sustainable built environment through the development and implementation of collaborative industrial and academic supply chain research. We worked with energy experts and portacabin manufacturers to design a highly efficient portacabin which we are now looking to pilot. We also set up a series of electricity sub-meters on two building sites to determine where most electricity is used. In 2019 we supported a Master's degree thesis at Aston University on supply chain carbon.

Throughout the year we also worked with universities and expert consultants to assess the design impacts of future regulatory requirements in relation to health and wellbeing in new homes.

Also in 2019, we continued to pursue a hybrid direct labour model in response to the predicted skills shortage in the housebuilding industry. Our hybrid labour model allows for the recruitment of both experienced tradespeople and the attraction and development of new talent into a shrinking workforce. We will continue to employ and develop key tradespeople such as bricklayers, carpenters, scaffolders, roofers and painters. All of our business units are actively recruiting apprentices and we are continuing to develop our apprentice training programme, which aims to train and develop apprentices at a faster rate and to a higher standard than the traditional route.

Additionally, we are driving a programme encouraging those seeking a change of career to join the housebuilding industry, for example by encouraging the recruitment of ex-Armed Forces personnel.

The widely publicised and continuing skills shortage coupled with shorter build timescales and a desire to improve quality for our customers have accelerated our efforts to explore several off site construction methods in order to build 'right first time'. We continue to explore new and alternative working practices, products and technologies to improve the operational efficiencies of our business. These alternatives can offer improved build speeds, better health and safety and improved quality. This may also alleviate the demand for specific skilled tradespeople and could offer a solution in geographical locations where certain tradespeople are difficult to source.

Our internal Placemaking Design competition is another way in which we continue to improve the quality of the neighbourhoods and communities we deliver. One of the objectives of this competition is to stimulate thought processes and critical thinking with regard to placemaking, whilst following the framework of 'Building for Life'. The winners and shortlisted schemes displayed the key attributes of a scheme that has placemaking at the heart of its design proposal. Key attributes include achieving character and identity, visual interest, effective use of parks and green open spaces, the provision of community infrastructure and a great sense of place. This competition promotes and celebrates the stand out schemes across the country and shares knowledge and best practice around the business.

Employee involvement and communication

Employee engagement

We are proud of how committed our employees are to the long term success of the Company and we strive to listen and engage with all employees. The results from our 2019 employee engagement 'Talkback' survey were extremely positive with over 3,700 (67%) employees choosing to respond and overall employee engagement remaining strong at 93%. Additionally, 98% of respondents said they were 'willing to go the extra mile' and 95% were 'proud to work for Taylor Wimpey'.

It was also pleasing to see strong results in key areas such as health and wellbeing, customer experience and employees' belief in our commitment to becoming an inclusive employer. In addition, we have continued to enhance our work environment by increasing collaboration through moving to open-plan offices, improving site technology, promoting a flexible working mindset and supporting our employees with our focus on health and wellbeing.

We plan to run another 'Talkback' survey in 2021 and again will respond to our employees' feedback. We undertake this engagement survey periodically and it forms an important part of how we involve, gain feedback from and communicate with our employees.

In our regional business units, we have active Employee Consultation Committees, which involve elected representatives meeting with management to consult on appropriate issues. As we continue to develop our strategy, senior leaders including the Chief Executive, Group Operations Director and Group Human Resources Director have chaired strategy focus groups. These have provided valuable feedback and insight on how we can continue to improve our employee experience, which then helps to inform our people strategies.

Furthermore, our National Employee Forum (NEF) continues to meet regularly, with four meetings held in 2019. Chaired by a Divisional Managing Director, the NEF ensures the employee voice continues to build. The Chief Executive has attended meetings as have other members of senior management, including the Group Finance Director and the Group Human Resources Director.

Topics of discussion may be proposed by any employee, but generally consist of key areas on which the Company seeks the views of and feedback from employees, including:

- Receiving an overview of the Company benefits, including a detailed review of target setting for the Company bonus scheme.
- Discussion of the Company's new vision, mission, values and cultural principles, including further developing how this meshes with the Company's strategic aim of becoming a truly customer-focused business.
- Roll out of defibrillators throughout all Company offices and sites, including the location of the equipment and training prior to the roll out being actioned.
- An overview of how the Board operates, including the role of the Chief Executive.
- A review of the use of technology in the business and updates on progress with IT projects, including the roll out of new hardware and how we as a business can ensure that employees receive training to maximise this.
- The new Company induction process both at the initial stages and also when it was being finalised.
- An introduction to the Diversity and Inclusion Committee and discussion as to how the NEF can support and drive its vision.
- Review and feedback on the national results of the 2019 employee survey.
- Agile working, how it is being received within the business units and any actions required to support it.

Furthermore, the Chair of the Remuneration Committee attended the NEF in January 2020 to discuss the wider workforce remuneration policies and practices.

We also communicate with our employees via our half-yearly TeamTalk magazine and regular TeamTalk email newsletter. Our intranet is continually updated with a wide range of employee information from Human Resources policies, to advice on sustainable living. Information is also regularly cascaded throughout the Company via email, including regular communications from the Chief Executive and via verbal briefings and management presentations. Furthermore, employees are able to contact the Chief Executive directly via email, should they wish to do so.

The Company has participated in the 2019 Workforce Disclosure Initiative which aims to provide greater disclosure on workplace practices, including in the areas of supply chain, employee contracts, and Board oversight of the Company's workforce. The initiative is aimed at focusing companies' attention on workforce practices in areas where there is risk of harmful workplace practices.

Social media platforms have been utilised to inform our employees of developments around the Company and to invite their feedback on them. Our employees have enthusiastically engaged with this internal communication channel and we have seen an increase in the sharing of examples of best practice. Also, the ability of employees to interact and share across the Company is leading to the spread of knowledge and success throughout the Company.

Recruitment

Externally, we have continued to focus on improving our careers site and our presence on digital channels such as LinkedIn and Glassdoor. We have refined content on our careers site to drive further interest and focus on future talent and have done more with content to represent the diversity of available careers and the diversity of our workforce. We have also redesigned our whole search and apply interface making it easier for candidates to find roles based on location and functional area. We have continued to develop our external channels to market to increase our reach and visibility to a wider candidate audience. Carefully selected updates to our social recruitment channels over the course of the year have resulted in our new follower audience on Glassdoor and LinkedIn increasing significantly by 36% and 72% respectively.

In Glassdoor's list of Best Places to Work 2020, the Company was voted within the top 50 for the third year running. This ranking is based on reviews and ratings from past and present employees on topics such as culture and values, work / life balance, salaries and career opportunities.

In the next year, the careers site's functionality and technology will continue to be improved with a view to creating a better applicant experience. An overhaul of the look and feel will bring a more modern design to the careers pages. If we want to become an employer of choice, then a strong first impression is key. New video and photo content will also be published in line with this change. Prospective candidates can now fully complete an application for any vacancy via a mobile device for the first time, upload their CV from a wider variety of sources and proactively register their interest in future vacancies so they are notified if a new role is posted that fits their interest. All this functionality is critical to attract talent in what we already know is a very competitive labour market.

Induction

Taylor Wimpey aspires to be an employer of choice, meaning we want to bring new talent into the industry, specifically to work for Taylor Wimpey. The way we onboard and induct our employees plays a big part in the efforts to support this initiative. With this in mind, a Company-wide induction experience has been created. The new induction experience is called 'Laying the Foundations' and comprises two parts, a pre-start and post-start experience.

The pre-start content is delivered via a text or email link to the new employee, two weeks prior to their start date. The content comprises a blend of videos, articles and downloads which aim to excite and engage the new employee, and help them believe that they have made a great decision to join the business.

The post-start content delivers a three month experience that supports their local orientation, educates them about the business, provides introductions to key people, and builds their connections to housebuilding and their sense of working for a FTSE 100 company. The post-start content delivers experiences and information at key times, without overwhelming new employees.

The benefits of the Laying the Foundations programme include the attraction of talent to the business, a reduction in attrition and an increase in retention, improved manager satisfaction with new employees, and speeds up the time taken for new employees to become effective in their role.

Alongside the development of Laying the Foundations, our Line Manager and Leadership programmes have been through a redesign process based on business need. The introduction of the new Company values and required leadership behaviours for the future have driven this exercise and we now have a series of development modules that support our new and existing managers from the start of their management career right through to their development as senior leaders across the business. These programmes will be under constant review throughout 2020 and beyond to ensure they remain relevant, are updated at relevant times and continue delivering the skills and behaviours in the business that will help us to achieve our Company goals.

Health and wellbeing

During 2019, we continued to communicate our support for the health and wellbeing of our employees through the introduction of a health and wellbeing project. This has focused on supporting our employees through improved support and awareness across four main areas: mental, financial, social and physical health.

We continued our mental health commitment by providing awareness sessions and training for employees and line managers focusing on the importance of mental health in the workplace. Our mental health first aiders are able to provide early intervention help and support to those who may be developing a mental health issue. This project is helping to reduce the stigma associated with mental health in the workplace and signals to our employees that we value their health and wellbeing. This project is further supported by the Employee Assistance Programme which is accessible to all employees and provides counselling and support to help individuals with issues that may be affecting their health and wellbeing.

Employee share ownership

The Company promotes employee share ownership as widely as possible across the business. In addition to the various share related reward plans described in the Remuneration Committee report on pages 106 to 131 and referred to below, the Company also offers a scheme whereby employees who do not participate in the Executive Incentive Scheme (cash bonus scheme) are offered the opportunity each year to exchange any cash bonus awarded for exceptional performance for shares in the Company, offering a 20% enhancement to the value if taken entirely in shares and retained for a designated period. The scheme has operated since 2012 and in 2019 resulted in 423,839 shares (2018: 377,277) being acquired by 302 employees (2018: 289).

In addition, the Company also has two all-employee share plans, the Save As You Earn share option plan and the Share Incentive Plan, which are offered to all UK based employees once they have worked for the Company for three months. The percentage of our eligible employees who either participate in one or both plans or who are already shareholders in the Company is over 57% (2018: 59%).

Equal opportunities

We strive to treat our employees fairly and with respect at all times. We have policies and processes in place to ensure that we act in accordance with our vision, mission and values which include equal opportunities, anti-harassment and bullying, anti-corruption and whistleblowing. We encourage our employees and subcontractors to speak up about concerns over any wrongdoing at work and provide access to an independent third party whistleblowing hotline.

We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the local communities in which we operate and will strive to reflect their richness and character, including such aspects as gender, race and religion but also diversity of thought, background and experience.

As set out in our Diversity Policy, we remain committed to equality of opportunity in all of our employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate.

No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non-membership of a trade union, or disability. We are committed to making reasonable adjustments wherever possible. In exceptional circumstances, for example due to health and safety considerations on construction sites, some adjustments are not possible. Our induction content highlights the importance of equal opportunities and we share this information within our recruitment and selection training to ensure all are identifying talent in the right way.

Our Diversity Policy can be found on the Company's website at: www.taylorwimpey.co.uk/corporate/our-company/governance

Employment of people with disabilities

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group.

The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will receive an equal opportunity to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating reasonable adjustments to the job, workplace or equipment.

We have increased the number of employees with disabilities recruited. Working with key partners, we hope to increase permanent and secondment opportunities for people with disabilities.

For example, we continue to engage with the Leonard Cheshire Disability Change 100 Programme, a charity that provides talented disabled students with the opportunity to participate in a 100-day summer internship and professional development programme. Feedback from the students who participated in the programme in 2019 has been very positive and we intend to engage with the programme further during 2020.

Modern Slavery Act

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and continues to take its responsibilities under the Act with the seriousness required and deserved. A dedicated multidisciplined team is responsible for ensuring that objectives continue to be met. The Company will shortly be publishing its fourth statement under the Modern Slavery Act 2015 which will be available on our website at: www.taylorwimpey.co.uk

Charitable donations

We recognise the important work done by charities around the UK and we aim to make a positive impact through donations of time, money and materials, as well as through encouraging our employees to get involved. Our volunteering policy allows employees to take up to four half days, or two full days, of paid leave per year to participate in volunteering.

Our focus is on charities which promote aspiration and education in disadvantaged areas, intervening and improving homeless situations for seriously economically disadvantaged groups in the UK and local projects that have a direct link with our regional businesses and developments. Our six national charity partners are:

- Youth Adventure Trust, which helps young people fulfil their potential.
- End Youth Homelessness, a Centrepoint led partnership.
- Crisis, a homelessness charity.
- St Mungo's, a homelessness charity.
- CRASH, a construction and property industry charity for the homeless.
- Foundations Independent Living Trust, which helps older and vulnerable people live with dignity in their own homes.

The Charity Committee oversees and prioritises our national charity donations. The Committee includes senior leaders such as the Group Human Resources Director and Group General Counsel and Company Secretary, among a variety of other employees including Directors, managers, personal assistants and graduate trainees.

In addition to the national charities we support, our regional businesses have a discretionary charity budget to support local charities and initiatives in communities close to our sites.

During 2019, Group companies donated £945,000 (2018: £927,000) to various charities and local community causes, the majority of which were in the UK. In addition to giving their time in line with our volunteering policy, many employees at all levels of the business and all around the country gave up their work and free time to participate in fundraising events for charitable causes, which raised a further £364,000 (2018: £357,000).

We want to understand the difference that we are making to our charity partners and how we can increase our impact. During the year, we carried out visits to our charity partners and used their feedback to direct our donations even more effectively.

Further information on the Group's donations, activities and initiatives can be found in the Charities section on pages 38 to 39 and in the Sustainability Report 2019 which is available on the Company's website at: www.taylorwimpey.co.uk/corporate/sustainability

Political donations

The Company has a policy of not making donations to political parties, and has not made any this year and neither does it intend to make any going forward. The Company does support certain industry-wide and trade organisations which directly assist the housebuilding industry such as the Home Builders Federation and the Confederation of British Industry. Whilst we do not regard this support as political in nature in any way, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation, subscription or membership fee paid to such organisations or to a charity could retrospectively be categorised as a political donation from a strict legal perspective.

Accordingly, as a matter of prudent corporate governance, the Company will therefore be seeking the usual annual dispensation from its shareholders at the 2019 AGM, so as to be able to continue with the above memberships and make charitable donations up to defined levels, without inadvertently breaching the applicable legislation.

Further information can be found in the Notice of the AGM on pages 192 to 198.

Agreements

The Company's borrowing and bank facilities contain the usual change of control provisions which could potentially lead to prepayment and cancellation by the other party upon a change of control of the Company. There are no other significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

Branches

A subsidiary, Taylor Wimpey Developments Limited, has a branch in Spain, the former activities of which were taken over some years ago by our Spanish subsidiary Taylor Wimpey de España S.A.U, whose details appear on page 200.

Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Greenhouse gas emissions (scope 1 and 2) and energy use for the period 1 January 2019 – 31 December 2019

We have achieved the Carbon Trust Standard for our overall approach to carbon management, including our policy, strategy and verification of our data and processes.

		2019	2018	2017	2016	2015
Scope 1 GHG emissions – combustion of fuel	tonnes CO_2e	**21,018**	20,328	18,889	17,983	17,768
Scope 2 GHG emissions – market based	tonnes CO_2e	**3,563**	4,509	4,794	10,827	12,947
Total scopes 1 and 2 – market based	tonnes CO_2e	**24,581**	24,837	23,683	28,809	30,716
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO_2e/100 sqm	**1.62**	1.73	1.73	2.13	2.40
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	**101,352**	95,170	89,550	92,236	90,524
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	**6.8**	6.8	6.5	6.8	7.1

Data is provided as tonnes of carbon dioxide equivalent (CO_2e) for all operations. Scope 1 and 2 emissions are from our sites, offices, show homes and sales areas, plots before sale and car fleet. Data on scope 3 emissions is included in our Sustainability Report.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for data gathered to fulfil our requirements under the Mandatory Carbon Reporting (MCR) requirements, and emission factors from the Government's GHG Conversion Factors for our corporate reporting. We use the market-based method of the revised version of the GHG Protocol Scope 2 Guidance for calculating our scope 2 emissions.

We have 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.

Operational energy use and operational energy intensity figures are for our UK business only.

The following sources of emissions were excluded or part-excluded from this report:

- Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring data
- Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type
- Certain emissions from District Heating Schemes where we are receiving a rebate from customers prior to handover to the long term operator
- Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other homebuilders have captured MCR-related data

See our Carbon Reporting Methodology Statement at www.taylorwimpey.co.uk/corporate/sustainability for more detail on our calculations.

The energy consumption figure in the table relates to UK sites and offices only. If energy use from our fleet and our Spanish sites and offices is included the figure is 116,207 MWh. 98.6% of this total energy consumption is from the UK and 1.4% from offshore areas (Spain) and 97.7% of total emissions are from the UK and 2.3% from offshore areas (Spain). During the last year, we have reduced energy and emissions through our purchase of green tariff electricity for our sites during construction, and through the efforts of our Sustainability Champions including working with Site Managers to increase the use of natural ventilation methods for drying out homes and checking thermostats in show homes to ensure heating is only used when necessary. This reporting meets the SECR (Streamlined Energy and Carbon Reporting) requirements which commenced for financial years that started on or after 1 April 2019.

Company law requires the Directors to prepare financial statements for each financial year. Accordingly, Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standard ('IAS') Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (United Kingdom Accounting Standards and applicable law). In accordance with company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in the IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 4, Principle N, Provision 27 of the Code as set out in the Corporate Governance Report on page 63, the Directors are required, inter alia, to ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Details of how this was addressed are set out in the Audit Committee report on page 104.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face.
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Report of the Directors was approved by the Board of Directors on 25 February 2020.

Alice Marsden
Group General Counsel and Company Secretary, Taylor Wimpey plc

25 February 2020

Independent auditor's report to the members of Taylor Wimpey plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

– the financial statements of Taylor Wimpey plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
– the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

– the consolidated income statement;
– the consolidated statement of comprehensive income;
– the consolidated and Parent Company balance sheets;
– the consolidated and Parent Company statements of changes in equity;
– the consolidated cash flow statement; and
– Notes 1 to 33 relating to the consolidated financial statements and Notes 1 to 15 relating to the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – inventory costing and margin recognition; – defined benefit pension scheme accounting; and – accounting for the leasehold provision. Within this report, key audit matters are identified as follows: Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £41.0 million which was determined on the basis of 5% of pre-tax profit for the year, excluding exceptional items.
Scoping	Based on our scoping assessment, our Group audit was focused on the UK Housing division (excluding joint ventures) which represented the principal segment within the Group and accounted for 97% of the Group's net operating assets, 97% of the Group's revenue and 96% of the Group's pre-tax profit before exceptional income.
Significant changes in our approach	In relation to the key audit matters, we have removed the accounting for the cladding provision as a key audit matter in the current year. The provision was established in 2018 and the Group has completed replacement works at a number of developments during 2019. Subsequent to the year end the Group has commenced further work on additional developments. Due to the progress of the replacement works conducted by the Group we no longer consider this area to be a key audit matter. There have been no other significant changes in our approach.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

– the disclosures on pages 45-52 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;

– the Directors' confirmation on page 75 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or

– the Directors' explanation on pages 52-53 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. Key audit matters continued

5.1. Inventory costing and margin recognition

Refer to page 105 (Audit Committee report) page 157 (source of estimation uncertainty) and page 167 (financial statements disclosures).

Key audit matter description

The value for inventory as at 31 December 2019 is £4,196.0 million (2018: £4,188.2 million) and as such is the most significant asset on the balance sheet (page 150). Inventory comprises land and work in progress ('WIP'); WIP includes the construction cost of developing a site, and is transferred to cost of sales as each legal completion takes place.

The Group's cost allocation framework determines the profit forecasted for each site, and acts as a method of allocating land and build cost of a development to each individual plot, ensuring the forecast gross margin (in percentage terms) to be achieved on each individual plot is equal across the development. This cost allocation framework drives the recognition of costs as each plot is sold. We consider the appropriate margin recognition across the life of the site to be a key audit matter.

There is significant judgement and a potential risk of fraud in the following areas:

- estimating the selling price and build costs included within the initial site budget. This is due to the inherent judgement relating to forecasting external factors such as future selling prices and build cost inflation which can be impacted by events in the wider macro-economic environment;
- appropriately allocating costs such as shared infrastructure costs relating to a development so that the gross profit margin (in percentage terms) budgeted on each individual plot is equal; and
- recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately spread across the remainder of the development.

These judgements impact the carrying value of inventory in the balance sheet and therefore the profit recognised on each plot sold.

How the scope of our audit responded to the key audit matter

We visited a number of the Group's business units (as described on page 145). During these visits we obtained an understanding of and tested the relevant controls in relation to:

- the preparation and approval of site budgets;
- the process of recording costs; and
- the regular review meetings where Management reviews actual costs against site budgets.

We have also performed substantive testing as noted below:

For all UK business units we enquired with local Management as to the primary judgements associated with cost allocation. Upon reviewing this correspondence we performed additional substantive procedures targeted to certain developments.

For a sample of sites we have analysed completions in the period and compared the achieved margin to the initial margin determined when the original site budget was approved. Where differences fell outside of an acceptable threshold, we performed corroborative inquiries with Management and obtained evidence supporting the variance.

For a further sample of sites tested, we have reviewed the total excesses and savings balance identified for each given site, and through recalculation of the expected income statement impact (based on the number of legal completions in the year), we have determined that the excesses and savings have been appropriately allocated and recognised.

Through the use of IT interrogation techniques:

- we have analysed journal postings being made to the inventory balances to highlight any items which potentially should have been recorded as an expense. Additionally, we have tested WIP additions to the inventory balance to determine whether the costs have been appropriately capitalised, by tracing these through to supporting invoices; and
- we have analysed the cumulative cost over time for a sample of live sites to identify any unusual trends in the costs allocated at a site. Where such a trend was identified we performed corroborative inquiries with Management and obtained evidence with regards to the trend.

We have analysed the cost per square foot of plots sold at a regional business unit level for the current year and compared this to cost per square foot in previous years, to analyse for any unusual trends which required corroboration from Management.

We performed a review of sites where the initial site budget was created a number of years ago, which may indicate the use of an outdated budget. Given the age of these sites, we challenged Management where savings from the budget had been made or additional costs had not been recorded.

With the involvement of our internal specialists, who are quantity surveyors, we assessed the costs to complete included within a sample of sites and whether the assumptions used by Management were reasonable. This included reviewing forward looking assumptions in relation to future costs.

Key observations

Based on the procedures performed, we concluded that the Group's cost allocation framework appears reasonable for the intended purpose of recognising appropriate margins on plot completion.

The accounting for cost allocation, both at the inception of a site and on an ongoing basis is in line with this framework.

5.2. Defined benefit pension scheme accounting

Refer to page 105 (Audit Committee report) page 157 (key source of estimation uncertainty) and pages 172-176 (financial statements disclosures).

Key audit matter description	The total value of the defined benefit pension scheme at the balance sheet date is a net deficit of £84.5 million (2018: £133.0 million). The liabilities (including an adjustment for IFRIC 14) and assets are valued at £2,366.7 million (2018: £2,237.2 million) and £2,282.2 million (2018: £2,104.2 million) respectively. As shown on page 175 the position of the scheme is driven by the adjustment for IFRIC 14 and the total value of net deficit matches the contributions the Group is obligated to pay into the scheme in the future. Certain contributions are associated with the funding status of the scheme as detailed on page 173. There is judgement in assessing the nature and quantum of future contributions that the Group is obligated to pay. These judgements impact the value of the future funding contributions and the size of the IFRIC 14 adjustment. This adjustment directly influences the value of the total net deficit. Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates. A change in any of these assumptions could cause a material change in the value of the liabilities overall and there is a risk that the calculated net deficit could be in excess of the total value of future contributions the Group is required to pay into the scheme thereby understating the net deficit position. As explained in Note 6 (page 160), in the year the Group introduced a new Pension Increase Exchange ("PIE") scheme and recorded a £15.3 million exceptional credit in relation to the scheme. There is judgement in estimating the future up-take of the scheme and the financial impact this will have on the value of the net deficit. These accounting judgements are inherently complex, require a high level of Management judgement and specialist actuarial input.
How the scope of our audit responded to the key audit matter	We assessed the competence and objectivity of the qualified actuary engaged by the Group to value the scheme's defined benefits pension position under IAS 19 "Employee benefits". We reviewed the pension scheme documentation to determine the size and nature of the future funding contributions. This included reviewing the judgements made by Management's actuaries in determining the future funding status of the scheme. In doing so we reviewed the schedule of payments the Group is obligated to provide and checked whether the calculation was arithmetically correct. With involvement of our internal actuarial specialists we assessed the appropriateness of the assumptions used to account for the defined benefit scheme. This included comparison of key data with market benchmarks and to challenge the methodology used by the scheme actuary. We considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date. Furthermore, we have performed a sensitivity analysis on the key assumptions determined by the Directors. With involvement of our internal actuarial specialists we have also reviewed the quantum and the methodology used to determine the PIE adjustment.
Key observations	Based on the procedures performed, we concurred with the IFRIC 14 adjustment recorded and that this included the relevant funding commitments the Group has, based on the current schedule of payments agreed during the latest triennial valuation. We concluded that the methodology and assumptions used in valuing the pension scheme liabilities are within an acceptable range. We concluded that the quantum of the PIE adjustment and the methodology used to calculate it are reasonable. We concurred with the inclusion of Accounting for Employee Benefits as a key source of estimation uncertainty in Note 1 to the consolidated financial statements.

5. Key audit matters continued

5.3. Accounting for the leasehold provision

Refer to page 157 (source of estimation uncertainty) and page 177 (financial statements disclosures).

Key audit matter description	The provision the Group has made in relation to remediating certain historical lease structures at 31 December 2019 stands at £72.2 million (2018: £102.1 million), the reduction relating to costs incurred and payments made over the twelve month period. Accounting for these provisions is complex and involves Management making a number of forward-looking estimates. The judgements related to this key audit matter lie in estimating the number and value of final settlements with the stakeholders impacted by the historical lease structure. This provision has multiple components that relate to payments to a number of parties including freeholders and individual customers. Within the provision are additional costs relating to the implementation of the measures that have been identified. There is a risk that the number of claimants or the value of the costs provided are inaccurately estimated or valued.
How the scope of our audit responded to the key audit matter	In addressing this key audit matter we have obtained Management's current estimation of the total costs. For each component of the provision we have performed procedures to assess, based on current facts and circumstances, whether the estimates made by Management are accurate. We have had correspondence with legal counsel to ascertain whether Management's model reflects the progress of negotiations that have been held with freeholders. The largest component of this calculation are the payments to be made to freeholders in order to alter the terms of the leases. In order to verify these amounts we have confirmed the status of negotiations with freeholders and, where these negotiations had been completed, obtained a sample of the agreements and recalculated the specific amounts that have been provided for. Where these negotiations have not been completed we have assessed the value that was provided for these freeholder payments. We have also assessed the additional costs the Group is required to pay in order to remediate certain historical lease structures.
Key observations	Based on the procedures performed and considering the judgements as a whole and the potential range of outcomes, we consider that the value provided by Management is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent Company financial statements**
Materiality	£41.0 million (2018: £42.0 million)	£38.6 million (2018: £39.2 million)
Basis for determining materiality	5% (2018: 5%) of pre-tax profit for the year, excluding exceptional items, of £821.6 million (2018: £856.8 million) as described on page 148.	1% (2018: 1%) of net assets of £3,862.4 million (2018: £3,918.2 million).
Rationale for the benchmark applied	Pre-tax profit, excluding exceptional items, has been chosen for the basis for materiality as this is the measure by which stakeholders and the market assess the wider performance of the entity. The exceptional items are excluded as they do not represent part of the underlying trading performance of the business.	Net assets is used as the benchmark as this entity is a Parent Company and not a trading entity.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0 million (2018: £2.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the UK Housing division (excluding joint ventures) which represents the principal segment within the Group and accounts for 97% (2018: 98%) of the Group's net operating assets, 97% (2018: 97%) of the Group's revenue and 96% (2018: 97%) of the Group's pre-tax profit before exceptional items. Our audit work on the principal segment was executed at a lower level of materiality (£39.0 million (2018: £39.9 million)).

We audited all of the Group's UK subsidiaries which are subject to audit at statutory materiality level, which in most cases is substantially lower than Group materiality. The subsidiary statutory audits were finalised subsequent to the audit of the Group financial statements.

For the Spanish operations and material joint ventures desktop review procedures were conducted by the UK team.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The audit was performed centrally and includes all of the 24 regional business units within the Group's UK housing division. We chose to visit a sample of these business units on a rotational basis. The purpose of these visits was to conduct procedures over selected controls that are in place at each business unit and also to perform substantive testing of certain balances. In the current year we performed regional visits to four (2018: four) locations. In addition we also visited other business units throughout the entity. During these visits we assessed the commonality of the controls in line with the group-wide controls identified, as well as performing substantive testing. This was performed at four (2018: four) locations.

The Parent Company is located in the UK and audited directly by the Group audit team to the materiality level specified above.

7.2. Our consideration of the control environment

In assessing the control environment of the Group, we performed testing of the relevant general IT controls associated with the production of certain system generated data from the key accounting, reporting and consolidation systems. We also considered the relevant controls related to certain business processes. These processes were cost allocation, inventory and work in progress expenditure, budgeting, land creditor valuation and the private sales revenue process. This was to assess whether we could adopt a controls reliance approach which would impact the extent of substantive audit testing that was required.

We selected a sample of relevant controls for testing based on the frequency of each control. Based on the procedures performed we were able to take a controls reliance approach on the IT systems and in the business processes that we planned to and we did not significantly alter our audit approach.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, actuarial, IT and quantity surveyor specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the inventory costing and margin recognition and revenue recognised on a percentage of completion basis. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation, and housebuilding and construction legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified inventory costing and margin recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

– reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
– enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
– performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
– reading minutes of meetings of those charged with governance and reviewing internal audit reports;
– in addressing the fraud risk in revenue recognised on a percentage completion basis, which is primarily within the partnership housing revenue stream, we have tested a sample of revenue recorded in the year through agreement to the contract, valuation certificates and bank statements. Additionally, at an analytical review level, we developed an expectation of the revenue balance with reference to the unit completion figures; and
– in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
– the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or
– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were reappointed by the shareholders on 25 April 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

Following the merger of Taylor Woodrow and George Wimpey in 2007, we were appointed as auditor of the merged Group for subsequent financial periods. The period of total uninterrupted engagement of the merged Group is 13 years from the year ended 31 December 2007 to 31 December 2019. Prior to that we were the auditor of Taylor Woodrow.

As explained on page 102, our final year of association with the Group will be the year ending 31 December 2020. After the 2020 year-end we are required to mandatorily rotate from our role as auditor.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dean Cook

Dean Cook MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

25 February 2020

Consolidated income statement

for the year to 31 December 2019

£ million	Note	Before exceptional items 2019	Exceptional items 2019	Total 2019	Before exceptional items 2018	Exceptional items 2018	Total 2018
Continuing operations							
Revenue	4	**4,341.3**	**–**	**4,341.3**	4,082.0	–	4,082.0
Cost of sales		**(3,297.2)**	**–**	**(3,297.2)**	(3,007.5)	–	(3,007.5)
Gross profit before positive contribution		**1,034.0**	**–**	**1,034.0**	1,066.8	–	1,066.8
Positive contribution from written down inventory		**10.1**	**–**	**10.1**	7.7	–	7.7
Gross profit		**1,044.1**	**–**	**1,044.1**	1,074.5	–	1,074.5
Net operating expenses	6	**(201.6)**	**14.3**	**(187.3)**	(199.6)	(46.1)	(245.7)
Profit on ordinary activities before finance costs		**842.5**	**14.3**	**856.8**	874.9	(46.1)	828.8
Finance income	8	**2.9**	**–**	**2.9**	2.9	–	2.9
Finance costs	8	**(31.8)**	**–**	**(31.8)**	(26.3)	–	(26.3)
Share of results of joint ventures	13	**8.0**	**–**	**8.0**	5.3	–	5.3
Profit before taxation		**821.6**	**14.3**	**835.9**	856.8	(46.1)	810.7
Taxation charge	9	**(159.3)**	**(2.7)**	**(162.0)**	(162.3)	8.2	(154.1)
Profit for the year		**662.3**	**11.6**	**673.9**	694.5	(37.9)	656.6

	Note	2019	2018
Basic earnings per share	10	**20.6p**	20.1p
Diluted earnings per share	10	**20.6p**	20.0p
Adjusted basic earnings per share	10	**20.3p**	21.3p
Adjusted diluted earnings per share	10	**20.2p**	21.2p

All of the profit for the year is attributable to the equity holders of the Parent Company.

Consolidated statement of comprehensive income

for the year to 31 December 2019

£ million	Note	2019	2018
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	**(5.5)**	1.5
Movement in fair value of hedging instruments	25	**4.1**	(0.7)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	21	**(8.9)**	(84.3)
Tax credit on items taken directly to other comprehensive income	14	**1.7**	14.7
Other comprehensive expense for the year net of tax		**(8.6)**	(68.8)
Profit for the year		**673.9**	656.6
Total comprehensive income for the year		**665.3**	587.8

All of the comprehensive income for the year is attributable to the equity holders of the Parent Company.

Consolidated balance sheet

at 31 December 2019

£ million	Note	2019	2018
Non-current assets			
Intangible assets	11	**7.0**	3.2
Property, plant and equipment	12	**25.6**	21.6
Right-of-use assets	19	**27.4**	27.1
Interests in joint ventures	13	**55.3**	48.3
Trade and other receivables	16	**43.7**	55.7
Deferred tax assets	14	**29.8**	40.7
		188.8	196.6
Current assets			
Inventories	15	**4,196.0**	4,188.2
Trade and other receivables	16	**161.0**	134.7
Tax receivables		**–**	0.5
Cash and cash equivalents	16	**630.4**	734.2
		4,987.4	5,057.6
Total assets		**5,176.2**	5,254.2
Current liabilities			
Trade and other payables	18	**(974.8)**	(1,044.3)
Lease liabilities	19	**(7.6)**	(8.2)
Tax payables		**(67.9)**	(70.4)
Provisions	22	**(72.7)**	(76.9)
		(1,123.0)	(1,199.8)
Net current assets		**3,864.4**	3,857.8
Non-current liabilities			
Trade and other payables	18	**(499.7)**	(491.3)
Lease liabilities	19	**(20.3)**	(19.2)
Bank and other loans	17	**(84.7)**	(90.1)
Retirement benefit obligations	21	**(85.0)**	(133.6)
Provisions	22	**(55.7)**	(93.4)
		(745.4)	(827.6)
Total liabilities		**(1,868.4)**	(2,027.4)
Net assets		**3,307.8**	3,226.8
Equity			
Share capital	23	**288.6**	288.5
Share premium	24	**762.9**	762.9
Own shares	26	**(17.6)**	(22.7)
Other reserves	25	**43.6**	45.0
Retained earnings		**2,230.3**	2,153.1
Total equity		**3,307.8**	3,226.8

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 25 February 2020. They were signed on its behalf by:

P Redfern
Director

C Carney
Director

Consolidated statement of changes in equity

for the year to 31 December 2019

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2018	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3
Other comprehensive income/(expense) for the year net of tax	–	–	–	0.8	(69.6)	(68.8)
Profit for the year	–	–	–	–	656.6	656.6
Total comprehensive income for the year	–	–	–	0.8	587.0	587.8
Impact on adoption of IFRS 16	–	–	–	–	(1.5)	(1.5)
Own shares acquired	–	–	(9.9)	–	–	(9.9)
Utilisation of own shares	–	–	8.5	–	–	8.5
Cash cost of satisfying share options	–	–	–	–	(7.0)	(7.0)
Share-based payment credit	–	–	–	–	12.2	12.2
Tax charge on items taken directly to statement of changes in equity	–	–	–	–	(1.1)	(1.1)
Dividends approved and paid	–	–	–	–	(499.5)	(499.5)
Total equity at 31 December 2018	288.5	762.9	(22.7)	45.0	2,153.1	3,226.8
Other comprehensive expense for the year net of tax	**–**	**–**	**–**	**(1.4)**	**(7.2)**	**(8.6)**
Profit for the year	**–**	**–**	**–**	**–**	**673.9**	**673.9**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(1.4)**	**666.7**	**665.3**
New share capital subscribed	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Utilisation of own shares	**–**	**–**	**5.1**	**–**	**–**	**5.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Share-based payment credit	**–**	**–**	**–**	**–**	**8.0**	**8.0**
Tax credit on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**1.9**	**1.9**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(599.7)**	**(599.7)**
Total equity at 31 December 2019	**288.6**	**762.9**	**(17.6)**	**43.6**	**2,230.3**	**3,307.8**

Consolidated cash flow statement

for the year to 31 December 2019

£ million	Note	2019	2018
Profit on ordinary activities before finance costs		**856.8**	828.8
Adjustments for:			
Depreciation and amortisation		**13.5**	13.1
Pension contributions in excess of charge to the income statement		**(60.6)**	(16.1)
Share-based payment charge		**8.0**	12.2
Gain on disposal of property, plant and equipment		**–**	(0.2)
(Decrease)/increase in provisions excluding exceptional payments		**(6.2)**	32.1
Operating cash flows before movements in working capital		**811.5**	869.9
Increase in inventories		**(21.7)**	(1.7)
Increase in receivables		**(12.7)**	(10.9)
Decrease in payables		**(74.9)**	(41.9)
Cash generated by operations		**702.2**	815.4
Payments related to exceptional charges		**(36.8)**	(25.9)
Income taxes paid		**(149.0)**	(139.6)
Interest paid		**(6.4)**	(8.6)
Net cash from operating activities		**510.0**	641.3
Investing activities			
Interest received		**2.9**	2.8
Dividends received from joint ventures		**7.4**	14.3
Proceeds on disposal of property, plant and equipment		**–**	0.4
Purchase of property, plant and equipment	12	**(7.2)**	(2.1)
Purchase of software	11	**(5.4)**	(0.3)
Amounts invested in joint ventures		**(6.3)**	(6.4)
Net cash (used in)/generated from investing activities		**(8.6)**	8.7
Financing activities			
Lease capital repayments		**(8.4)**	(8.3)
Proceeds from the issue of own shares		**0.1**	–
Cash received on exercise of share options		**5.4**	1.5
Purchase of own shares		**–**	(9.9)
Dividends paid		**(599.7)**	(499.5)
Net cash used in financing activities		**(602.6)**	(516.2)
Net (decrease)/increase in cash and cash equivalents		**(101.2)**	133.8
Cash and cash equivalents at beginning of year		**734.2**	600.5
Effect of foreign exchange rate changes		**(2.6)**	(0.1)
Cash and cash equivalents at end of year	27	**630.4**	734.2

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except as otherwise stated below.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Adoption of new and revised standards

The Group has adopted and applied the following standards and amendments in the year, which are relevant to its operations, none of which had a material impact on the financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IAS 28 'Investments in Associates and Joint Ventures' (amendments) – long term interests in associates and joint ventures
- IAS 19 'Employee Benefits' (amendments) – plan amendment, curtailment or settlement
- Annual Improvements to IFRS Standards 2015-2017 Cycle

At the date of authorisation of these financial statements, the Group has not applied the following new or revised standards and interpretations that have been issued but are not yet effective:

- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 3 'Business Combinations' (amendments) – definition of a business
- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (amendments) – definition of material

The Directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group.

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks identified on pages 48 to 52. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair value of the assets and liabilities recognised. Subsequently, all comprehensive income is attributed to the owners and the non-controlling interests, which may result in the non-controlling interest having a debit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control of the rights and assets of the undertaking via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses.

Joint operations arise where the Group has joint control of an operation but has rights to only its own assets and obligations related to the operation. These assets and obligations, and the Group's share of revenues and costs, are included in the Group's results.

Joint ventures and joint operations are entered into to develop specific sites. Each arrangement is site or project specific and once the development or project is complete the arrangement is wound down.

Segmental reporting

The Group operates in the United Kingdom and Spain.

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team. In addition, there is an operating segment covering the corporate functions, Major Developments and Strategic Land.

As a result, the Group has the following reporting segments:

- Housing United Kingdom:
  - North
  - Central and South West
  - London and South East (including Central London)
  - Corporate
- Housing Spain

Revenue

Revenue is recognised when the performance obligation associated with the sale is completed. The transaction price comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Housing and land sales

Revenue is recognised in the income statement when control is transferred to the customer. This is deemed to be when title of the property passes to the customer on legal completion and the performance obligation associated with the sale is completed.

Revenue in respect of the sale of residential properties, whether under the Government's Help to Buy scheme or not, is recognised at the fair value of the consideration received or receivable on legal completion.

1. Significant accounting policies continued

(b) Long term contracts

Revenue arising on contracts which give the customer control over properties as they are constructed, and for which the Group has a right to payments for work performed, is recognised over time. Revenue and costs are recognised over time with reference to the stage of completion of the contract activity at the balance sheet date where the outcome of a long term contract can be estimated reliably. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. When legal title to land is transferred at the start of a long term contract, revenue is recognised at that point in time for the land.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue where recoverability is probable is recognised to the extent of contract costs incurred. The costs associated with fulfilling a contract are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) Part exchange

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for costs to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to net operating expenses. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

(d) Cash incentives

The transaction price may include cash incentives. These are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

Cost of sales

The Group determines the value of inventory charged to cost of sales based on the total budgeted cost of developing a site. Once the total expected costs of development are established, they are allocated to individual plots to achieve a standard build cost per plot.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the income statement at the point of sale.

Positive contribution

The positive contribution presented on the face of the income statement represents the net amount of previous impairments allocated to inventory on a plot that has subsequently resulted in a gross profit on completion. This is due to the combination of selling prices and costs, or product mix improvements exceeding market assumptions in the previous net realisable value (NRV) exercise. These amounts are stated before the allocation of overheads, which are excluded from the Group's NRV exercise.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'. Should these items be reversed, disclosure of this would also be as exceptional items.

Finance income

Interest income on bank deposits is recognised on an accruals basis. Also included in interest receivable are interest and interest-related payments the Group receives on other receivables.

Finance costs

Borrowing costs are recognised on an accruals basis and are payable on the Group's borrowings and lease liabilities. Also included are the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operation are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are recognised within other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the income statement in the period in which the operation is disposed of.

The Group uses foreign currency borrowings to hedge its net investment exposure to certain overseas subsidiaries.

Leases

The Group as a lessee

The Group assesses at inception whether a contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Group has the right to direct the use of the asset.

At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

1. Significant accounting policies continued

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

Intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses. Brands are amortised over their estimated useful life on a straight-line basis.

Software

Costs that are directly associated with the acquisition or production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation.

Depreciation is charged to expense the cost or valuation of assets over their estimated useful lives. Other assets are depreciated using the straight-line method, on the following bases:

– Plant and equipment: 20-33% per annum
– Leasehold improvements: over the term of the lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the income statement.

Where an impairment loss subsequently reverses, due to a change in circumstances or in the estimates used to determine the asset's recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so long as it does not exceed the original carrying value prior to the impairment being recognised. A reversal of an impairment loss is recognised as income immediately in the income statement.

Financial instruments

Financial assets

Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

– Measured at amortised cost
– Measured subsequently at fair value through profit or loss (FVTPL)
– Measured subsequently at fair value through other comprehensive income (FVOCI)

The classification of financial assets depends on the Group's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method.

Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Group as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within net operating expenses.

The Group currently has no financial assets measured at FVOCI.

Trade and other receivables

Trade and other receivables are measured at amortised cost, less any loss allowance.

Shared equity loans

Shared equity loans were provided to certain customers to facilitate a house purchase. The contractual cash flows on shared equity loans are linked to a national house price index. Under IFRS 9, financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Accordingly, shared equity loans are classified as FVTPL with fair value gains and losses arising on the remeasurement of the loan presented in the income statement within net operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to insignificant risk of changes in value.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Significant accounting policies continued

Financial liabilities
Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- Measured at amortised cost
- Measured subsequently at fair value through profit or loss (FVTPL)

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Group has no non-derivative financial liabilities measured at FVTPL.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost.

Trade and other payables
Trade and other payables are measured at amortised cost. When the acquisition of land has deferred payment terms a land creditor is recognised. Payables are discounted to present value when repayment is due more than one year after initial recognition or the impact is material.

Customer deposits
Customer deposits, measured at amortised cost, are recorded as a liability on receipt and released to the income statement as revenue upon legal completion.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Parent Company are recorded as the proceeds are received, net of direct issue costs.

Derivative financial instruments and hedge accounting
The Group uses foreign currency borrowings and derivatives to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the Parent Company.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the consolidated income statement. Gains or losses from remeasuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued if the hedged item is sold or no longer qualifies for hedge accounting at which point any cumulative gain or loss on the hedging instrument accumulated in other comprehensive income is transferred to the income statement for the period.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories
Inventories are initially stated at cost and held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that the option will not be exercised.

Taxation
The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will vest after adjusting for the effect of non-market vesting conditions.

1. Significant accounting policies continued

Employee benefits

For defined benefit plans a finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the service period of employees, past service costs are recognised as an expense at the earlier of when the plan is amended or curtailment occurs, at the same time as which the entity will recognise related restructuring costs or termination benefits. Certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents either the net deficit position of the scheme or, should the scheme be in an IAS 19 accounting surplus, the IFRIC 14 liability equal to the present value of future committed cash contributions.

Payments to defined contribution schemes are charged as an expense as they fall due.

2. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. Management have considered whether there are any such sources of estimation or accounting judgements in forming the financial statements and highlight the following areas. In identifying these areas, management have considered the size of the associated balance and the potential likelihood of changes due to macro-economic factors.

Critical accounting judgements

Management have not made any individual critical accounting judgements that are material to the Group.

Key sources of estimation uncertainty

Key sources of estimation uncertainty are those which present a significant risk of potential material misstatement to carrying amounts of assets or liabilities within the next financial year.

Employee benefits

The value of the defined benefit plan liabilities is determined by using various assumptions, including discount rate, future rates of inflation, growth, yields, returns on investments and mortality rates. The value of the defined benefit scheme recorded on the balance sheet is currently subject to IFRIC 14, which under certain circumstances requires an adjustment to turn an accounting surplus into a liability equal to the present value of committed future payments to the scheme. Determining the IFRIC 14 adjustment requires the use of actuarial assumptions to project forward the funding position of the scheme over the commitment period. As actual changes in inflation, growth, yields and investment returns may differ from those assumed, this is a key source of estimation uncertainty within the financial statements. Changes in these assumptions over time and differences to the actual outcome will be reflected in the statement of comprehensive income. Note 21 details the main assumptions in accounting for the Group's defined benefit pension scheme, along with sensitivities of the liabilities to changes in these assumptions.

Other sources of estimation uncertainty

Provision for leasehold

The value of this provision has been established using information available to management at 31 December 2019, together with a range of assumptions including the number of units which have been sold by the original Taylor Wimpey customer and as such are not eligible for the scheme, and the final deed of variation valuations for those freeholders with whom the Group has not yet agreed a settlement. The value of the assumptions applied by management directly impacts the final provision recognised. These outcomes are not known with certainty as at 31 December 2019 but represent management's best estimate. It is not anticipated that any reasonable changes would lead to a material adjustment in the value of the provision held.

Aluminium Composite Materials (ACM) provision

This provision was established to provide for the cost of replacing ACM cladding on a small number of legacy buildings. The Group has estimated the cost of replacement based on engagement with contractors and, where applicable, the management companies of the affected developments. Determining the total cost of replacing cladding across a number of different buildings contains inherent estimation uncertainty. The scope of the replacement may also be impacted by future government guidance or regulations.

Cost allocation

In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments, and make estimates relating to future sales price margins on those developments and units. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

3. General information

Taylor Wimpey plc is a Company incorporated in the United Kingdom. The Company's registered office is Taylor Wimpey plc, Gate House, Turnpike Road, High Wycombe, HP12 3NR. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 58.

These financial statements are presented in pounds Sterling as the currency of the primary economic environment in which the Group operates.

4. Revenue

An analysis of the Group's continuing revenue is as follows:

£ million	2019	2018
Housing:		
Private sales	**3,798.3**	3,550.5
Partnership housing	**490.6**	465.3
Other	**14.5**	9.6
Total housing	**4,303.4**	4,025.4
Land sales	**37.9**	56.6
	4,341.3	4,082.0

Other revenue includes income from the sale of commercial properties developed as part of larger residential developments and the sale of leasehold properties.

The Group's revenue includes revenue from construction contracts that are recognised over time by reference to the stage of completion of the contract with the customer. All other revenue is recognised at a point in time when control of the property is transferred to the customer.

£ million	2019	2018
Recognised at a point in time	**4,013.7**	3,792.0
Recognised over time	**327.6**	290.0
	4,341.3	4,082.0

At 31 December 2019, the aggregate amount of the transaction price allocated to unsatisfied performance obligations on construction contracts was £692.7 million (2018: £448.0 million), of which approximately 45% is expected to be recognised as revenue during 2020.

5. Operating segments

The Group operates in two countries, the United Kingdom and Spain.

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team. In addition, there is a single operating segment covering the corporate functions, Major Developments and Strategic Land. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs including salaries of Divisional and Group management.

Segment information about these businesses is presented below:

For the year to 31 December 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Revenue						
External sales	**1,547.9**	**1,447.3**	**1,214.4**	**11.3**	**120.4**	**4,341.3**
Result						
Profit/(loss) before joint ventures, finance costs and exceptional items	**320.0**	**316.2**	**227.3**	**(53.1)**	**32.1**	**842.5**
Share of results of joint ventures	**–**	**–**	**7.6**	**0.4**	**–**	**8.0**
Operating profit (Note 32)	**320.0**	**316.2**	**234.9**	**(52.7)**	**32.1**	**850.5**
Exceptional items (Note 6)	**–**	**–**	**–**	**14.3**	**–**	**14.3**
Profit/(loss) before finance costs	**320.0**	**316.2**	**234.9**	**(38.4)**	**32.1**	**864.8**
Net finance costs						**(28.9)**
Profit before taxation						**835.9**
Taxation charge						**(162.0)**
Profit for the year						**673.9**

At 31 December 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	**1,310.1**	**1,345.4**	**1,372.6**	**270.9**	**161.7**	**4,460.7**
Joint ventures	**0.8**	**4.1**	**46.6**	**3.8**	**–**	**55.3**
Segment operating liabilities	**(425.1)**	**(538.1)**	**(391.9)**	**(277.1)**	**(83.6)**	**(1,715.8)**
Net operating assets/(liabilities)	**885.8**	**811.4**	**1,027.3**	**(2.4)**	**78.1**	**2,800.2**
Net current taxation						**(67.9)**
Net deferred taxation (Note 14)						**29.8**
Net cash (Note 27)						**545.7**
Net assets						**3,307.8**

5. Operating segments continued

For the year to 31 December 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	**1.9**	**0.7**	**0.9**	**3.7**	**–**	**7.2**
Right-of-use asset additions	**4.4**	**1.0**	**0.6**	**3.1**	**0.4**	**9.5**
Software additions	**–**	**–**	**–**	**5.4**	**–**	**5.4**
Property, plant and equipment depreciation	**(0.5)**	**(0.9)**	**(0.8)**	**(0.9)**	**(0.1)**	**(3.2)**
Right-of-use asset depreciation	**(2.2)**	**(1.5)**	**(2.4)**	**(2.3)**	**(0.3)**	**(8.7)**
Amortisation of intangible assets	**–**	**–**	**–**	**(1.6)**	**–**	**(1.6)**

For the year to 31 December 2018 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Revenue						
External sales	1,418.7	1,347.2	1,210.3	1.6	104.2	4,082.0
Result						
Profit/(loss) before joint ventures, finance costs and exceptional items	307.0	344.7	265.3	(71.3)	29.2	874.9
Share of results of joint ventures	0.1	–	5.3	(0.1)	–	5.3
Operating profit (Note 32)	307.1	344.7	270.6	(71.4)	29.2	880.2
Exceptional items (Note 6)	–	–	–	(46.1)	–	(46.1)
Profit/(loss) before finance costs	307.1	344.7	270.6	(117.5)	29.2	834.1
Net finance costs						(23.4)
Profit before taxation						810.7
Taxation charge						(154.1)
Profit for the year						656.6

At 31 December 2018 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,213.0	1,290.7	1,504.3	254.0	168.5	4,430.5
Joint ventures	2.0	3.7	40.5	2.1	–	48.3
Segment operating liabilities	(375.5)	(520.9)	(510.0)	(355.0)	(105.5)	(1,866.9)
Net operating assets/(liabilities)	839.5	773.5	1,034.8	(98.9)	63.0	2,611.9
Net current taxation						(69.9)
Net deferred taxation (Note 14)						40.7
Net cash (Note 27)						644.1
Net assets						3,226.8

For the year to 31 December 2018 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	0.2	0.8	–	1.0	0.1	2.1
Right-of-use asset additions	1.5	0.8	5.7	2.5	0.2	10.7
Software additions	–	–	–	0.3	–	0.3
Property, plant and equipment depreciation	(0.6)	(0.9)	(0.5)	(1.1)	–	(3.1)
Right-of-use asset depreciation	(2.5)	(1.5)	(2.6)	(2.2)	(0.2)	(9.0)
Amortisation of intangible assets	–	–	–	(1.0)	–	(1.0)

6. Net operating expenses and profit on ordinary activities before finance costs

Profit on ordinary activities before finance costs for continuing operations has been arrived at after charging/(crediting):

£ million	2019	2018
Administration expenses	**211.7**	212.9
Other expenses	**4.3**	3.9
Other income	**(14.4)**	(17.2)
Exceptional items	**(14.3)**	46.1

Other income and expenses include profits on the sale of property, plant and equipment and the revaluation of certain shared equity mortgage receivables, pre-acquisition and abortive costs, and profit/loss on the sale of part exchange properties.

Exceptional items: £ million	2019	2018
Net Pension Increase Exchange credit	**(14.3)**	–
Provision in relation to Aluminium Composite Materials cladding	**–**	30.0
Guaranteed Minimum Pension equalisation charge	**–**	16.1
Exceptional items	**(14.3)**	46.1

Pension Increase Exchange (PIE)

During the year, the Group initiated a Pension Increase Exchange exercise which enables pension scheme members to elect to exchange future pension increases on part of their pensions for a one-off increase in pension. The PIE exercise consisted of two stages – the option to select the exchange at retirement for members who have not yet retired and a bulk exercise for members already drawing a pension. The credit arising from the implementation of the PIE was considered a past service credit and recognised through the income statement in accordance with IAS 19. The impact of future changes in estimates and assumptions related to the PIE is accounted for as scheme experience and will be recognised in other comprehensive income.
The exceptional credit recognised is net of costs associated with the PIE implementation.

Aluminium Composite Materials (ACM) cladding

Following the tragic fire at Grenfell Tower, the Group conducted a detailed review into all legacy and current buildings ACM cladding and worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, the Group has in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support our customers both financially and practically with removal and replacement of ACM cladding, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. This decision was taken for buildings recently constructed by the Group because management believe that it is morally right, not because it is legally required. Uncertainty over the remediation costs will remain until all the works are fully designed and contracted. Following the creation of the exceptional provision, the Government issued further guidance which the Group considered as part of its ongoing review.

Guaranteed Minimum Pension (GMP) equalisation

A High Court judgment handed down in October 2018, relating to defined benefit pension schemes, held that the GMP element of pension accrued by men and women should be comparable and any additional obligation required to equalise the members' benefits must be allowed for in the scheme liabilities. The additional obligation was considered a past service cost and recognised through the income statement in accordance with IAS 19.
The impact of future changes in estimates and assumptions related to the equalisation of GMP is accounted for as scheme experience and recognised in other comprehensive income.

6. Net operating expenses and profit on ordinary activities before finance costs continued

Profit on ordinary activities before finance costs has been arrived at after charging/(crediting):

£ million	2019	2018
Cost of inventories recognised as an expense in cost of sales	3,203.6	2,921.1
Property, plant and equipment depreciation	3.2	3.1
Right-of-use asset depreciation	8.7	9.0
Gain on disposal of property, plant and equipment	–	(0.2)
Amortisation of intangible assets	1.6	1.0

The remuneration paid to Deloitte LLP, the Group's external auditor, is as follows:

£ million	2019	2018
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Total audit fees	0.5	0.5
Other assurance services	0.1	0.1
Total non-audit fees	0.1	0.1
Total fees	0.6	0.6

Non-audit services in 2019 and 2018 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditor, or work resulting from knowledge and experience gained as part of the role. In both 2019 and 2018 the fees relating to other assurance services predominantly related to the review of the interim statements. The work was either the subject of a competitive tender or was best performed by the Group's auditor because of its knowledge of the Group. In 2019, non-audit fees also include £1,000 (2018: £23,000) of other services related to consultancy.

7. Staff costs

Number	2019	2018
Average number employed		
United Kingdom	5,796	5,358
Spain	87	84
	5,883	5,442

£ million	2019	2018
Remuneration		
Wages and salaries	275.9	258.0
Redundancy costs	0.9	0.4
Social security costs	29.8	27.7
Other pension costs	14.5	12.4
	321.1	298.5

The information relating to Director and Senior Management remuneration required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained in Note 30 and pages 106 to 131 in the Directors' Remuneration report.

8. Finance costs and finance income

£ million	2019	2018
Interest receivable	2.9	2.9

Finance costs are analysed as follows:

£ million	2019	2018
Interest on bank and other loans	5.5	5.2
Foreign exchange movements	1.1	1.0
	6.6	6.2
Unwinding of discount on land creditors and other items	21.5	18.5
Interest on lease liabilities	0.5	0.5
Net interest on pension liability (Note 21)	3.2	1.1
	31.8	26.3

9. Taxation

Tax (charged)/credited in the income statement is analysed as follows:

£ million		2019	2018
Current tax:			
UK:	Current year	(138.1)	(143.4)
	Adjustment in respect of prior years	(5.2)	(5.3)
Overseas:	Current year	(5.2)	(3.6)
	Adjustment in respect of prior years	(0.6)	–
		(149.1)	(152.3)
Deferred tax:			
UK:	Current year	(10.8)	(4.1)
	Adjustment in respect of prior years	0.5	3.7
Overseas:	Current year	(1.8)	(1.4)
	Adjustment in respect of prior years	(0.8)	–
		(12.9)	(1.8)
		(162.0)	(154.1)

Corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate, before exceptional items, is 19.4% (2018: 18.9%). The tax charge for the year includes an exceptional charge of £2.7 million relating to the Pension Increase Exchange exercise. The tax charge for the prior year includes credits of £5.1 million in respect of the exceptional provision for ACM cladding replacement and £3.1 million relating to the exceptional charge for the impact of GMP equalisation on the Group's defined benefit pension scheme. The charge for the year can be reconciled to the profit per the income statement as follows:

£ million	2019	2018
Profit before tax	835.9	810.7
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	(158.8)	(154.0)
Net under provision in respect of prior years	(6.1)	(1.7)
Net impact of items that are not taxable or deductible	3.4	1.7
Recognition of deferred tax asset relating to Spanish business	1.5	2.3
Other rate impacting adjustments	(2.0)	(2.4)
Tax charge for the year	(162.0)	(154.1)

10. Earnings per share

	2019	2018
Basic earnings per share	20.6p	20.1p
Diluted earnings per share	20.6p	20.0p
Adjusted basic earnings per share	20.3p	21.3p
Adjusted diluted earnings per share	20.2p	21.2p
Weighted average number of shares for basic earnings per share – million	3,268.2	3,266.3
Weighted average number of shares for diluted earnings per share – million	3,276.2	3,275.7

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and any associated net tax amounts, are presented to provide a measure of the underlying performance of the Group. A reconciliation of earnings attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below.

£ million	2019	2018
Earnings for basic and diluted earnings per share	673.9	656.6
Adjust for exceptional items (Note 6)	(14.3)	46.1
Adjust for tax on exceptional items	2.7	(8.2)
Earnings for adjusted basic and adjusted diluted earnings per share	662.3	694.5

Million	2019	2018
Weighted average number of shares for basic earnings per share	3,268.2	3,266.3
Long term incentive share options	6.3	6.9
SAYE options	1.7	2.5
Weighted average number of shares for diluted earnings per share	3,276.2	3,275.7

11. Intangible assets

£ million	Brands	Software	Total
Cost			
At 1 January 2018	140.2	11.5	151.7
Additions	–	0.3	0.3
At 31 December 2018	140.2	11.8	152.0
Additions	**–**	**5.4**	**5.4**
At 31 December 2019	**140.2**	**17.2**	**157.4**
Accumulated amortisation			
At 1 January 2018	(140.2)	(7.6)	(147.8)
Charge for the year	–	(1.0)	(1.0)
At 31 December 2018	(140.2)	(8.6)	(148.8)
Charge for the year	**–**	**(1.6)**	**(1.6)**
At 31 December 2019	**(140.2)**	**(10.2)**	**(150.4)**
Carrying amount			
At 31 December 2019	**–**	**7.0**	**7.0**
At 31 December 2018	–	3.2	3.2

The amortisation of software is recognised within administration expenses in the income statement.

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2018	16.4	19.0	35.4
Additions	0.1	2.0	2.1
Disposals	(0.3)	(0.2)	(0.5)
At 31 December 2018	16.2	20.8	37.0
Additions	**0.3**	**6.9**	**7.2**
Disposals	**–**	**(2.7)**	**(2.7)**
Exchange movements	**–**	**(0.1)**	**(0.1)**
At 31 December 2019	**16.5**	**24.9**	**41.4**
Accumulated depreciation			
At 1 January 2018	(1.7)	(10.9)	(12.6)
Charge for the year	(0.6)	(2.5)	(3.1)
Disposals	0.1	0.2	0.3
At 31 December 2018	(2.2)	(13.2)	(15.4)
Charge for the year	**(0.5)**	**(2.7)**	**(3.2)**
Disposals	**–**	**2.7**	**2.7**
Exchange movements	**–**	**0.1**	**0.1**
At 31 December 2019	**(2.7)**	**(13.1)**	**(15.8)**
Carrying amount			
At 31 December 2019	**13.8**	**11.8**	**25.6**
At 31 December 2018	14.0	7.6	21.6

13. Interests in joint ventures

£ million	2019	2018
Aggregated amounts relating to share of all joint ventures:		
Non-current assets	**21.9**	19.4
Current assets	**101.0**	78.0
Total assets	**122.9**	97.4
Current liabilities	**(22.5)**	(22.0)
Non-current liabilities	**(87.9)**	(63.4)
Total liabilities	**(110.4)**	(85.4)
Carrying amount	**18.3**	15.2
Loans to joint ventures	**37.0**	33.1
Total interests in joint ventures	**55.3**	48.3

Loans to joint ventures includes £(5.8) million (2018: £(3.2) million) relating to the Group's share of losses recognised under the equity method in excess of the investment in ordinary shares.

£ million	2019	2018
Group share of:		
Revenue	**99.9**	72.3
Cost of sales	**(85.7)**	(60.3)
Gross profit	**14.2**	12.0
Net operating expenses	**(2.7)**	(3.4)
Profit before finance costs	**11.5**	8.6
Net finance costs	**(1.8)**	(1.9)
Profit before taxation	**9.7**	6.7
Taxation	**(1.7)**	(1.4)
Share of joint ventures' post-tax results for the year	**8.0**	5.3

The Group has five material (2018: five) joint ventures whose principal activity is residential housebuilding or development. The Group considers a joint venture to be material when it is financially or strategically important to the Group.

The particulars of the material joint ventures for 2019 are as follows:

Joint venture	Country of incorporation	Interest in the issued ordinary share capital*
Greenwich Millennium Village Limited	United Kingdom	50%
Chobham Manor Limited Liability Partnership	United Kingdom	50%
Winstanley and York Road Regeneration LLP	United Kingdom	50%
Whitehill & Bordon Development Company Phase 1a Limited	United Kingdom	50%
Whitehill & Bordon Regeneration Company Limited	United Kingdom	50%

* Interests held by subsidiary undertakings.

Further information on the particulars of joint ventures can be found on page 190.

13. Interests in joint ventures continued

The following two tables show summary financial information for the material joint ventures. Unless specifically indicated, this information represents 100% of the joint venture before intercompany eliminations.

£ million	Greenwich Millennium Village 2019	Chobham Manor 2019	Winstanley and York Road Regeneration 2019	Whitehill & Bordon Development Company Phase 1a 2019	Whitehill & Bordon Regeneration Company 2019	Total 2019
Non-current assets	0.4	0.9	–	0.4	37.3	39.0
Current assets	36.2	35.9	76.9	20.8	5.8	175.6
Cash and cash equivalents	6.9	0.7	5.6	0.3	3.3	16.8
Current financial liabilities	(5.5)	(13.1)	(10.3)	(4.8)	(8.3)	(42.0)
Current other liabilities	(1.9)	–	–	–	–	(1.9)
Non-current financial liabilities*	(16.8)	(17.8)	(83.7)	(15.4)	(36.2)	(169.9)
Net assets/(liabilities) (100%)	19.3	6.6	(11.5)	1.3	1.9	17.6
Group share of net assets/(liabilities)	9.7	3.3	(5.8)	0.7	0.9	8.8
Loans to joint ventures	6.1	8.3	22.1	0.6	2.8	39.9
Total interests in material joint ventures	15.8	11.6	16.3	1.3	3.7	48.7
Revenue	60.1	97.5	8.5	19.2	14.5	199.8
Interest (expense)/income	(0.4)	–	(3.1)	(1.0)	0.9	(3.6)
Income tax (expense)/credit	(2.9)	–	–	(0.5)	0.1	(3.3)
Profit/(loss) for the year	12.9	4.9	(5.1)	2.4	0.9	16.0
Group share of profit/(loss) for the year	6.5	2.5	(2.6)	1.2	0.4	8.0

* Non-current financial liabilities include amounts owed to joint venture partners.

During the year, no entity charged depreciation or amortisation. No entity had discontinued operations or items of other comprehensive income.

£ million	Greenwich Millennium Village 2018	Chobham Manor 2018	Winstanley and York Road Regeneration 2018	Whitehill & Bordon Development Company Phase 1a 2018	Whitehill & Bordon Regeneration Company 2018	Total 2018
Non-current assets	0.4	–	–	0.3	32.6	33.3
Current assets	24.6	53.3	34.2	20.5	0.7	133.3
Cash and cash equivalents	4.3	4.2	0.4	1.9	0.5	11.3
Current financial liabilities	(3.5)	(27.0)	(1.5)	(4.6)	(3.7)	(40.3)
Current other liabilities	(2.5)	–	–	–	–	(2.5)
Non-current financial liabilities*	(4.2)	(28.8)	(39.4)	(19.2)	(29.1)	(120.7)
Net assets/(liabilities) (100%)	19.1	1.7	(6.3)	(1.1)	1.0	14.4
Group share of net assets/(liabilities)	9.6	0.9	(3.2)	(0.6)	0.5	7.2
Loans to joint ventures	–	13.3	17.1	1.2	1.6	33.2
Total interests in material joint ventures	9.6	14.2	13.9	0.6	2.1	40.4
Revenue	68.3	47.9	–	5.5	22.9	144.6
Interest expense	(0.4)	–	(1.5)	(1.3)	(0.7)	(3.9)
Income tax (expense)/credit	(2.8)	–	–	0.2	(0.1)	(2.7)
Profit/(loss) for the year	12.0	5.2	(5.8)	(0.7)	(0.1)	10.6
Group share of profit/(loss) for the year	6.0	2.6	(2.9)	(0.3)	(0.1)	5.3

* Non-current financial liabilities include amounts owed to joint venture partners.

During the year, no entity charged depreciation or amortisation. No entity had discontinued operations or items of other comprehensive income.

13. Interests in joint ventures continued

Aggregated amounts relating to share of individually immaterial joint ventures:

£ million	2019	2018
Non-current assets	2.4	2.7
Current assets	4.8	5.7
Total assets	7.2	8.4
Current liabilities	(0.6)	(0.6)
Non-current liabilities	(2.9)	(3.0)
Total liabilities	(3.5)	(3.6)
Carrying amount	3.7	4.8
Loans to individually immaterial joint ventures	2.9	3.1
Total interests in individually immaterial joint ventures	6.6	7.9

£ million	2019	2018
Group share of:		
Revenue	–	–
Cost of sales	–	(0.1)
Gross profit	–	(0.1)
Net operating expense	–	0.1
Profit before finance costs	–	–
Finance costs	–	–
Profit before taxation	–	–
Taxation	–	–
Share of individually immaterial joint ventures' post-tax results for the year	–	–

14. Deferred tax

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2018	5.0	3.1	9.4	10.7	1.1	29.3
Impact of IFRS 16 adoption	–	–	–	–	0.3	0.3
(Charge)/credit to income	(0.7)	(0.7)	(1.1)	(2.8)	3.5	(1.8)
Credit to other comprehensive income	–	–	–	14.7	–	14.7
Charge to statement of changes in equity	(2.0)	–	–	–	–	(2.0)
Foreign exchange	–	–	0.2	–	–	0.2
At 31 December 2018	2.3	2.4	8.5	22.6	4.9	40.7
Credit/(charge) to income	0.3	(0.1)	(2.7)	(10.9)	0.5	(12.9)
Credit to other comprehensive income	–	–	–	1.7	–	1.7
Credit to statement of changes in equity	0.8	–	–	–	–	0.8
Foreign exchange	–	–	(0.5)	–	–	(0.5)
At 31 December 2019	**3.4**	**2.3**	**5.3**	**13.4**	**5.4**	**29.8**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply (based on currently enacted law) for the period when the asset is realised, or the liability is settled. Accordingly, the temporary differences have been calculated at rates between 19% and 17% (2018: 19% and 17%). In the upcoming Budget it is expected that the Government will honour its pledge to retain the 19% rate for corporation tax. If a corporation tax rate of 19% is subsequently enacted, this would increase the deferred tax asset by c.£3.0 million.

14. Deferred tax continued

The net deferred tax balance is analysed into assets and liabilities as follows:

£ million	2019	2018
Deferred tax assets	**31.1**	42.1
Deferred tax liabilities	**(1.3)**	(1.4)
	29.8	40.7

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £2.4 million (2018: £3.0 million) in the UK and £39.6 million (2018: £47.8 million) in Spain. The UK temporary differences have not been recognised as they are predominantly non-trading in nature and insufficient certainty exists as to their future utilisation. The temporary differences in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise these amounts.

At the balance sheet date, the Group has unused UK capital losses of £269.5 million (2018: £269.6 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2019 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2019	2018
Raw materials and consumables	**2.4**	1.8
Finished goods and goods for resale	**49.8**	43.3
Residential developments:		
Land	**2,735.9**	2,757.7
Development and construction costs	**1,402.3**	1,378.9
Commercial, industrial and mixed development properties	**5.6**	6.5
	4,196.0	4,188.2

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. At 31 December 2019, the Group completed a net realisable value assessment of inventory. This review resulted in a reallocation of £4.3 million (2018: £1.1 million) of historically booked provision between sites which continue to hold a provision due to poor site location and complex site requirements and a small increase at one of those historic sites.

At the balance sheet date, the Group held land and work in progress in the UK that had been written down to net realisable value of £39.0 million (2018: £46.6 million) with associated impairments of £30.5 million (2018: £38.7 million). At 31 December 2019, Spain had land and work in progress that has been written down to net realisable value of £20.3 million (2018: £27.2 million) with associated impairments of £38.1 million (2018: £44.3 million).

The table below details the movements on the inventory provision recorded in the year.

£ million	2019	2018
1 January	**83.0**	93.3
Net utilised	**(11.8)**	(10.8)
Foreign exchange	**(2.6)**	0.5
31 December	**68.6**	83.0

16. Other financial assets

Trade and other receivables

	Current		Non-current	
£ million	2019	2018	2019	2018
Trade receivables	120.7	105.3	31.4	43.2
Other receivables	40.3	29.4	12.3	12.5
	161.0	134.7	43.7	55.7

Included within trade receivables are mortgage receivables of £34.0 million (2018: £45.3 million), including shared equity loans. Shared equity loans are provided to certain customers to facilitate their house purchase and are measured at fair value through profit or loss.

Cash and cash equivalents

£ million	2019	2018
Cash and cash equivalents	630.4	734.2

Further information on financial assets can be found in Note 20.

17. Bank and other loans

£ million	2019	2018
€100.0 million 2.02% Senior Loan Notes 2023	84.7	90.1
	84.7	90.1

£ million	2019	2018
Amount due for settlement after one year	84.7	90.1
Total borrowings	84.7	90.1

Further information on loan facilities can be found in Note 20.

18. Trade and other payables

	Current		Non-current	
£ million	2019	2018	2019	2018
Trade payables	458.5	495.0	48.3	33.8
Land creditors	339.9	359.5	389.3	379.1
Customer deposits	65.0	65.1	9.9	10.6
Completed site accruals	97.0	106.8	38.7	41.3
Other payables	14.4	17.9	13.5	26.5
	974.8	1,044.3	499.7	491.3

Revenue recognised in the current year that was included in the customer deposit balance brought forward at the beginning of the period was £65.1 million (2018: £75.8 million). Other payables include £21.0 million (2018: £31.8 million) of repayable grants.

Land creditors are denominated as follows:

£ million	2019	2018
Sterling	710.1	715.7
Euros	19.1	22.9
	729.2	738.6

Land creditors of £429.8 million (2018: £367.1 million) are secured against land acquired for development.

Further information on financial liabilities can be found in Note 20.

19. Leases

The Group as a lessee

The Group's leases consist primarily of office premises and equipment.

Right-of-use assets: £ million	Office premises	Equipment	Total
At 1 January 2019	18.2	8.9	27.1
At 31 December 2019	**18.0**	**9.4**	**27.4**
Additions during the year	**3.6**	**5.9**	**9.5**

Lease liabilities: £ million	2019	2018
Current	**7.6**	8.2
Non-current	**20.3**	19.2
Total	**27.9**	27.4

Amounts recognised in the income statement: £ million	2019	2018
Depreciation charged on right-of-use office premises	**3.8**	3.9
Depreciation charged on right-of-use equipment	**4.9**	5.1
Interest on lease liabilities	**0.5**	0.5
Total	**9.2**	9.5

The total cash outflow for leases during the current year was £8.9 million, including £0.5 million of interest (2018: £8.8 million, including £0.5 million of interest).

20. Financial instruments and fair value disclosures

Capital management

The Group's policy is to maintain a strong balance sheet for the business and to have an appropriate funding structure. Shareholders' equity and long term debt are used to finance intangible assets, property, plant and equipment and the medium to long term inventories. Revolving credit facilities are used to finance net current assets, including development and construction costs. The Group's financing facilities contain the usual financial covenants including minimum interest cover and maximum gearing. The Group met these requirements throughout the year and up to the date of the approval of the financial statements.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

		Carrying value		Fair value	
Financial assets **£ million**	Fair value hierarchy	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
Cash and cash equivalents	a	**630.4**	734.2	**630.4**	734.2
Land receivables	a	**12.8**	9.6	**12.8**	9.6
Trade and other receivables	a	**113.5**	97.8	**113.5**	97.8
Mortgage receivables	b	**34.0**	45.3	**34.0**	45.3
		790.7	886.9	**790.7**	886.9

(a) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements to approximate their fair value.

(b) Mortgage receivables relate to sales incentives, including shared equity loans and are measured at fair value through profit or loss. The fair value is established based on a publicly available national house price index, being significant other observable inputs (level 2).

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed in Note 16, include £44.4 million (2018: £37.7 million) of non-financial assets.

20. Financial instruments and fair value disclosures continued

Financial liabilities £ million	Fair value hierarchy	Carrying value 31 December 2019	Carrying value 31 December 2018	Fair value 31 December 2019	Fair value 31 December 2018
Bank and other loans	a	**84.7**	90.1	**85.8**	90.4
Land creditors	b	**729.2**	738.6	**729.2**	738.6
Trade and other payables	b	**628.2**	698.0	**628.2**	698.0
Lease liabilities	b	**27.9**	27.4	**27.9**	27.4
		1,470.0	1,554.1	**1,471.1**	1,554.4

(a) The fair value of the €100 million fixed rate loan notes has been determined by reference to external interest rates and the Directors' assessment of the margin for credit risk (level 2).

(b) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements to approximate their fair value.

Current and non-current trade and other payables, as disclosed in Note 18, include £117.1 million (2018: £99.0 million) of non-financial liabilities.

The Group has designated the carrying value of €79.0 million of foreign currency borrowings (2018: €54.0 million foreign currency borrowings) as a net investment hedge.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs (level 3), nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €15.0 million (2018: €55.0 million). The fair value of the forward contracts is not material as they were entered into on or near 31 December in each year and mature less than one month later, hence the value of the derivative is negligible.

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks using fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group can be exposed to interest rate risk as the Group borrows funds, when required, at variable interest rates. The exposure to variable rate borrowings can fluctuate during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. Group policy is to manage the volatility risk by a combination of fixed rate borrowings and interest rate swaps such that the sensitivity to potential changes in variable rates is within acceptable levels. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility and no interest-rate hedging has taken place in the current or previous year. This policy has not changed during the year.

To measure the risk, variable rate borrowings and the expected interest cost for the year are forecast monthly and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, is shown in the table below. The Group does not currently have any outstanding interest rate derivatives. The 0.25% change represents a reasonably possible change in interest rates over the next financial period. The table assumes all other variables remain constant in accordance with IFRS 7.

£ million	Income sensitivity 2019	Equity sensitivity 2019	Income sensitivity 2018	Equity sensitivity 2018
0.25% increase in interest rates	**1.6**	**1.6**	1.8	1.8

£ million	Income sensitivity 2019	Equity sensitivity 2019	Income sensitivity 2018	Equity sensitivity 2018
0.25% decrease in interest rates	**(1.6)**	**(1.6)**	(1.8)	(1.8)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. Its Spanish subsidiary is the only foreign operation of the Group.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

20. Financial instruments and fair value disclosures continued

The Group is exposed to the translation risk from accounting for both the income and the net investment held in a functional currency other than Sterling. The net investment risk may be hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates. Income is also measured monthly using the latest exchange rates and compared with a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings, the translation risk of income is not hedged using derivatives. The policy is kept under periodic review and has not changed during the year.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy.

The Group has designated the carrying value of €79.0 million of foreign currency borrowings (2018: €54.0 million borrowings) held at the balance sheet date as a net investment hedge of part of the Group's investment in Euro denominated assets.

The change in the carrying value of the borrowings designated as a net investment hedge offset the exchange movement on the foreign currency net investments and are presented in the statement of other comprehensive income.

Foreign currency sensitivity

The Group is exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis following a 10% (2018: 15%) change in the currency's value against Sterling, all other variables remaining constant.

The 10% change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

£ million	Income sensitivity 2019	Equity sensitivity 2019	Income sensitivity 2018	Equity sensitivity 2018
Euro weakens against Sterling	**(1.2)**	**4.8**	(1.7)	4.7
Euro strengthens against Sterling	**1.5**	**(5.9)**	2.3	(6.3)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating and maximum exposure. There is no significant concentration of risk to any single counterparty.

Land receivables arise from sales of surplus land on deferred terms. If the credit risk is not acceptable, then the deferred payment must have adequate security, either by an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

Mortgage receivables, including shared equity loans, are in connection with the various historical promotion schemes to support sales on a selective basis, and are measured at fair value through profit or loss. The mortgages are secured by a second charge over the property with a low level of experienced credit losses due to non-payment.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. At 31 December 2019, the Group's borrowings and facilities had a range of maturities with an average life of 4.0 years (2018: 4.2 years). In February 2020, the Group agreed with its banks to extend the £550 million facility for one year to February 2025, increasing the average life of the Group's borrowings and facilities to 4.9 years (2018: 5.0 years).

In addition to fixed term borrowings, the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £550.0 million (2018: £550.0 million) and cash and cash equivalents were £630.4 million (2018: £734.2 million).

20. Financial instruments and fair value disclosures continued

The maturity profile of the anticipated future cash flows including interest, using the latest applicable relevant rate, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

£ million	Bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	1.7	346.5	547.5	8.0	903.7
More than one year and less than two years	1.7	197.7	51.7	6.3	257.4
More than two years and less than five years	87.3	191.8	23.7	9.3	312.1
More than five years	–	23.9	5.3	5.6	34.8
31 December 2019	**90.7**	**759.9**	**628.2**	**29.2**	**1,508.0**

£ million	Bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	1.8	367.8	612.2	8.6	990.4
More than one year and less than two years	1.8	205.8	53.9	6.4	267.9
More than two years and less than five years	94.6	183.9	31.4	9.0	318.9
More than five years	–	14.4	0.5	4.6	19.5
31 December 2018	98.2	771.9	698.0	28.6	1,596.7

21. Retirement benefit obligations

Total retirement benefit obligations of £85.0 million (2018: £133.6 million) comprise a defined benefit pension liability of £84.5 million (2018: £133.0 million) and a post-retirement healthcare liability of £0.5 million (2018: £0.6 million).

The Group operates the Taylor Wimpey Pension Scheme (TWPS), a defined benefit pension scheme, which is closed to both new members and to future accrual. The Group also operates defined contribution pension arrangements in the UK, which are available to new and existing UK employees.

Defined contribution pension plan

A defined contribution plan is an arrangement under which the Group pays contributions to an independently administered fund or policy; such contributions are based on a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund/policy once the contributions have been paid. Employees' benefits are determined by the amount of contributions paid by the Group and the employee, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the employee chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that invested assets will not perform in line with expectations) fall on the employee.

The Group's contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's defined contribution plan, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to all new and existing monthly paid employees. The People's Pension is used for auto enrolment purposes for all weekly paid employees and those monthly paid employees not participating in the TWPCP. The People's Pension is provided by B&CE, one of the UK's largest providers of financial benefits to construction industry employers and individuals.

The Group made contributions to its defined contribution arrangements of £14.5 million in the year (2018: £12.4 million), which is included in the income statement charge.

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the TWPS. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on an individual member's length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pension payments are generally increased in line with inflation.

The TWPS was formed by the merger of the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme in 2013. The TWPS is closed to new members and future accrual.

The Group operates the TWPS under the UK regulatory framework. Benefits are paid to members from a Trustee-administered fund and the Trustee is responsible for ensuring that the TWPS is well-managed and that members' benefits are secure. Scheme assets are held in trust.

The TWPS Trustee's other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the TWPS. The Trustee of the TWPS owes fiduciary duties to the TWPS' beneficiaries. The appointment of the Directors to the Trustee Board is determined by the TWPS trust documentation.

21. Retirement benefit obligations continued

During 2017, the Group engaged with the TWPS Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2016. The table below sets out the key assumptions agreed as part of this valuation.

Assumptions	
Discount rate (pre-retirement)	4.20%
Discount rate (post-retirement)	2.35%
RPI inflation	3.50%
CPI inflation	2.70%
Mortality	100% of S2PXA tables, CMI_2016 improvements with 1.50% trend rate and a smoothing factor of 7.5

The result of this valuation was a Technical Provisions deficit at 31 December 2016 of £222.0 million. To meet this deficit, a revised funding plan was agreed in February 2018. The funding plan commits the Group to £40.0 million per annum of deficit reduction contributions from 1 April 2018 to 31 December 2020 and £2.0 million per annum for scheme expenses from 1 February 2018 to 31 January 2023. In addition, £5.1 million per annum is received by the TWPS from the Pension Funding Partnership (as described below). However, £40.0 million per annum of cash contributions are only required whilst the TWPS remains in a Technical Provisions deficit position. Should the TWPS become fully funded, then these cash contributions will be suspended until such time that the scheme's Technical Provisions funding level falls to below 96% at the end of any quarter. In April 2018, the Group paid a one-off contribution of £23.0 million into the TWPS to increase the funding level to 100% and thereby suspend any future contributions from 31 March 2018. The funding level of the TWPS remained above the threshold of 96% until 31 December 2018. Contributions of £40.0 million per annum therefore recommenced from 1 January 2019 and will be payable until 31 December 2020, or until such time as the funding level increases to at least 100% if earlier.

On an IAS 19 accounting basis the underlying surplus in the scheme at 31 December 2019 was £100.5 million (2018: £33.1 million). The terms of the TWPS are such that the Group does not have an unconditional right to a refund of surplus. As a result, the Group has recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £185.0 million, resulting in an IFRIC 14 deficit of £84.5 million, which represents the present value of future contributions under the funding plan.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as seven offices, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within the Pension Funding Partnership do not affect the IAS 19 figures (before IFRIC 14) as they remain assets of the Group, and are not assets of the TWPS. At 31 December 2019 there was £96.0 million of property and £16.1 million of cash held within the structure (2018: £89.9 million of property and £22.4 million of cash). The terms of this Funding Partnership are such that, should the TWPS be in a Technical Provisions deficit at 31 December 2028, then a bullet payment will be due equal to the lower of £100.0 million or the Technical Provisions deficit at that time. The IFRIC 14 deficit at 31 December 2019 does not include any value in respect of this bullet payment as modelling undertaken by an independent actuary indicates that the TWPS is expected to be fully funded by 2028 and no bullet payment is expected to be required.

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The TWPS assets are approximately 90% hedged against changes in both interest rates and inflation expectations on the scheme's long term, 'self-sufficiency' basis. The TWPS also benefits from a bulk annuity contract which covers some of the largest liabilities in the scheme, providing protection against interest rate, inflation and longevity risk.

The duration, or average term to payment for the benefits due, weighted by liability, is approximately 16 years.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the TWPS, as detailed below, are set by the Directors after consultation with independent actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the TWPS.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds with regard for the duration of the TWPS. The assumption for RPI inflation is set by reference to the Bank of England's implied inflation curve with regard for the duration of the TWPS, with appropriate adjustments to reflect distortions due to supply and demand for inflation-linked securities. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist to render implied CPI inflation directly observable.

The life expectancies have been derived using mortality assumptions that were based on the results of a Medically Underwritten Mortality Study conducted by the Group during 2017, combined with experience data. Using the results from this study, the mortality assumption is based on 107% of S2PXA tables, CMI_2018 improvements with a 1.25% trend rate and smoothing factor of 7. The mortality assumption used in 2018 was 107% of S2PXA tables, CMI_2017 improvements with a 1.25% trend rate and a smoothing factor of 7.5.

Accounting valuation assumptions	2019	2018
At 31 December:		
Discount rate for scheme liabilities	**2.10%**	2.95%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.15%**	2.25%
Pension increases*	**2.05%-3.60%**	2.15%-3.70%

* Pension increases depend on the section of the scheme of which each member is a part.

Financial statements

21. Retirement benefit obligations continued

The current life expectancies (in years) underlying the value of the accrued liabilities for the TWPS are:

	2019		2018	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	86	88	86	88
Member currently aged 45	87	89	88	90

The table below shows the impact to the present value of scheme liabilities of movements in key assumptions, measured using the same method as the defined benefit scheme.

Assumption	Change in assumption	Impact on defined benefit obligation	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £35m	1.5
Rate of inflation*	Increase by 0.1% p.a.	Increase by £24m	1.0
Life expectancy	Members live 1 year longer	Increase by £87m	3.7

* Assumed to affect deferred revaluation and pensioner increases in payment.

The sensitivity of increasing life expectancy has been reduced by a medically underwritten buy-in. See the section on risks and risk management at the end of this note.

	31 December 2019		31 December 2018	
Fair value of scheme assets of the TWPS	£ million	Percentage of total scheme assets	£ million	Percentage of total scheme assets
Unquoted equities[(a)]	134.4	5.9%	79.6	3.8%
Diversified growth funds[(b)]	388.9	17.0%	352.8	16.8%
Hedge funds[(c)]	169.7	7.4%	166.9	7.9%
Property	27.5	1.2%	37.2	1.8%
Multi-asset credit	269.1	11.8%	219.8	10.4%
Direct lending	139.0	6.1%	111.6	5.3%
Corporate bonds	97.8	4.3%	85.5	4.1%
Liability driven investment[(d)]	849.0	37.2%	841.1	40.0%
Insurance policies in respect of certain members	196.4	8.6%	196.7	9.3%
Cash	10.4	0.5%	13.0	0.6%
	2,282.2	100.0%	2,104.2	100.0%

(a) This amount relates to Volatility Controlled Equities (VCE). This fund has 2.5 – 8x leverage exposure, with a target of 4x. The leverage at 31 December 2019 was 3.1x (31 December 2018: 4.6x).

(b) This amount relates to the Scheme's Diversified Risk Premia (DRP) allocation. The leverage on the two funds in the DRP allocation at 31 December 2019 was 0.3x and 1.8x respectively (31 December 2018: -0.2x and 1.8x).

(c) The leverage on this fund at 31 December 2019 was 0.8x (31 December 2018: 0.9x).

(d) The bespoke Liability Driven Investment (LDI) fund is designed to protect the Scheme against movements in interest rates and inflation. The overall leverage on the LDI fund at 31 December 2019 is approximately 4x (31 December 2018: 3x).

The value of the annuities held by the TWPS are set equal to the value of the liabilities which these annuities match. All other fair values are provided by the fund managers and collated by Northern Trust as custodian, who independently price the securities from their preferred vendor sources where the data is publicly available and rely on investment manager data where this information is not available. Where available, the fair values are quoted prices (e.g. listed equity). Unlisted investments (e.g. private equity) are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs.

There are no investments in respect of the Group's own securities.

21. Retirement benefit obligations continued

The table below details the movements in the TWPS pension liability and assets recorded through the income statement and other comprehensive income.

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2019	**(2,237.2)**	**2,104.2**	**(133.0)**
Past service credit related to PIE exercise (Note 6)	**15.3**	**–**	**15.3**
Administration expenses	**–**	**(1.8)**	**(1.8)**
Interest (expense)/income	**(64.3)**	**61.1**	**(3.2)**
Total amount recognised in income statement	**(49.0)**	**59.3**	**10.3**
Remeasurement gain on scheme assets not included in income statement	**–**	**187.0**	**187.0**
Change in demographic assumptions	**46.1**	**–**	**46.1**
Change in financial assumptions	**(245.9)**	**–**	**(245.9)**
Experience gain	**17.9**	**–**	**17.9**
Adjustment to liabilities for IFRIC 14	**(14.0)**	**–**	**(14.0)**
Total remeasurements in other comprehensive income	**(195.9)**	**187.0**	**(8.9)**
Employer contributions	**–**	**47.1**	**47.1**
Employee contributions	**–**	**–**	**–**
Benefit payments	**115.4**	**(115.4)**	**–**
At 31 December 2019	**(2,366.7)**	**2,282.2**	**(84.5)**

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2018	(2,327.2)	2,263.5	(63.7)
Past service cost related to GMP equalisation	(16.1)	–	(16.1)
Administration expenses	–	(1.9)	(1.9)
Interest (expense)/income	(57.9)	56.8	(1.1)
Total amount recognised in income statement	(74.0)	54.9	(19.1)
Remeasurement loss on scheme assets not included in income statement	–	(132.2)	(132.2)
Change in demographic assumptions	15.9	–	15.9
Change in financial assumptions	121.3	–	121.3
Experience loss	(13.0)	–	(13.0)
Adjustment to liabilities for IFRIC 14	(76.3)	–	(76.3)
Total remeasurements in other comprehensive income	47.9	(132.2)	(84.3)
Employer contributions	–	34.1	34.1
Employee contributions	–	–	–
Benefit payments	116.1	(116.1)	–
At 31 December 2018	(2,237.2)	2,104.2	(133.0)

Accounting valuation £ million	2019	2018
Fair value of scheme assets	**2,282.2**	2,104.2
Present value of scheme obligations	**(2,181.7)**	(2,071.1)
Surplus in scheme	**100.5**	33.1
IFRIC 14 limitation on recognition of surplus	**(185.0)**	(166.1)
Deficit after IFRIC 14 adjustment	**(84.5)**	(133.0)

21. Retirement benefit obligations continued

Risks and risk management

The TWPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Although investment decisions in the UK are the responsibility of the TWPS Trustee, the Group takes an active interest to ensure that the pension scheme risks are managed efficiently. The Group has regular meetings with the Trustee to discuss investment performance, regulatory changes and proposals to actively manage the position of the TWPS.

Risk	Description
Asset volatility	In November 2017, the Trustee agreed to diversify their Diversified Risk Premia (DRP) allocation between two managers, disinvesting half of the current DRP allocation with AQR, and allocating this to the Bridgewater Optimal fund. This transition occurred on 1 February 2018 (with £188 million allocated to the Bridgewater Optimal fund) and has led to greater diversification and reduced manager concentration risk. In March 2018, the Trustee put in place a de-risking framework to ensure that any asset outperformance above expectations of the TWPS objectives was captured. This led to the TWPS de-risking from the Schroders Volatility Controlled Equities fund in Q2 2018 where c.£60 million (one third of the allocation) was disinvested. The TWPS strategy remains well diversified through its exposure to a range of asset classes, including volatility-controlled equities, commercial real estate debt, direct loans, fund of hedge funds, Government bonds and a broad spectrum of corporate bonds and other fixed income exposures. The TWPS does not target a specific asset allocation but instead bases its strategic asset allocation on the return objectives and risk constraints agreed upon by the Trustee. These were revisited and reviewed in 2018 to ensure they reflected the TWPS latest position. Given the TWPS improved funding position, it was agreed that the TWPS full funding objective would be brought forward to 2025 (from 2030) on a low-risk, self-sufficiency basis. The TWPS risk budget was also reduced from a funding-ratio-at-risk measure of 10% to 7.5%. There were no significant changes to the TWPS' asset allocation over 2019, which remains well diversified, with risk significantly below the agreed risk budget.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in bond and liability-matching derivatives offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Investing in foreign currency	To maintain appropriate diversification of investments within the TWPS assets and to take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies while having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
Asset/liability mismatch	In order to manage the TWPS economic exposure to interest rates and inflation rates, a liability-hedging programme has been put in place. Derivatives are being used to hedge changes in the TWPS' funding level from changes in its liabilities in an unfunded way, substantially reducing asset/liability mismatch risk.
Liquidity	Insurance policies, real estate and illiquid debt (which include commercial real estate debt and direct lending bonds) make up £361 million (16%) of the asset portfolio of the TWPS. Excluding these amounts, approximately 56% of assets are managed in either segregated accounts or daily/weekly dealt pooled funds and can be realised within a few business days under normal market conditions. Of the remaining investments, a further 21% of assets are invested in pooled funds with monthly redemption dates. The remaining 7% could be redeemed within approximately six months of notification in normal market conditions.
Life expectancy	The majority of the TWPS obligations are to provide a pension for the life of the member on retirement, so increases in life expectancy will result in an increase in the TWPS' liabilities. The inflation-linked nature of the majority of benefit payments from the TWPS increases the sensitivity of the liabilities to changes in life expectancy. During 2014, the Group reached agreement with Partnership Life Assurance Company Limited (now Just Group plc) to insure the benefits of 10% of members with the greatest anticipated liabilities through a medically underwritten buy-in. By insuring these members, the Group has removed more than 10% of risk from the TWPS by significantly reducing the longevity risk in relation to a large proportion of the liabilities.

22. Provisions

£ million	ACM cladding	Leasehold	Other	Total
At 1 January 2018	–	127.6	34.0	161.6
Additions	30.0	–	15.3	45.3
Utilisation	(0.4)	(25.5)	(1.5)	(27.4)
Released	–	–	(8.3)	(8.3)
Other movements	–	–	(0.9)	(0.9)
At 31 December 2018	29.6	102.1	38.6	170.3
Additions	**–**	**–**	**11.2**	**11.2**
Utilisation	**(5.9)**	**(29.9)**	**(9.0)**	**(44.8)**
Released	**–**	**–**	**(8.2)**	**(8.2)**
Other movements	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2019	**23.7**	**72.2**	**32.5**	**128.4**

£ million	2019	2018
Current	**72.7**	76.9
Non-current	**55.7**	93.4
31 December	**128.4**	170.3

In 2018, the Group established an exceptional provision for the cost of replacing Aluminium Composite Materials (ACM) on a small number of legacy developments. The majority of the provision is expected to be utilised within two years.

In 2017, the Group launched an assistance scheme to help certain customers restructure their ground rent agreements with their freeholder and established an associated provision of £130.0 million to fund this. The amounts and timing of the outflows depend largely on the number and rate of eligible applicants to the scheme and ongoing discussions with freeholders. The Group expects the scheme will run for several years and anticipates approximately £40.0 million of the remaining provision will be utilised within the next 12 months.

Other provisions consist of a remedial work provision covering various obligations on a limited number of sites across the Group. Other provisions also includes amounts for legal claims and other contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period; however, there is some uncertainty regarding the timing of these outflows due to the nature of the claims and the length of time it can take to reach settlement.

23. Share capital

£ million	2019	2018
Authorised:		
22,200,819,176 (2018: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2018: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2018	3,278,054,763	288.5
Ordinary shares issued in the year	**5,053,411**	**0.1**
31 December 2019	**3,283,108,174**	**288.6**

During the year, the Company issued an additional 5.1 million (2018: 2.6 million) ordinary shares to satisfy option exercises. The Company also has in issue 1,065.6 million deferred ordinary shares (2018: 1,065.6 million), the shares were issued in 2009 and carry no voting rights.

During the year, options were exercised over 8,421,378 ordinary shares (2018: 8,242,974) which were met from new issues of share capital and from the holding of shares in the Employee Share Ownership Trusts (ESOTs). Under the Group's performance share plan, employees held conditional awards at 31 December 2019 in respect of up to 19,466,040 shares, subject to achievement of performance tests (2018: 18,601,569) at nil pence per share nominally exercisable up to September 2022.

Under the Group's savings-related share option schemes, employees held options at 31 December 2019 to purchase 19,740,433 shares (2018: 19,229,800) at prices between 90.0 pence and 159.1 pence per share exercisable up to June 2025. Under the Group's share incentive plan, employees held conditional awards at 31 December 2019 in respect of 5,789,856 shares (2018: 5,386,991) at nil pence per share.

24. Share premium

£ million	2019	2018
At 1 January and 31 December	**762.9**	762.9

25. Other reserves

£ million	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2018	31.5	7.8	4.9	44.2
Exchange differences on translation of foreign operations	–	1.5	–	1.5
Movement in fair value of hedging instruments	–	(0.7)	–	(0.7)
Balance at 31 December 2018	31.5	8.6	4.9	45.0
Exchange differences on translation of foreign operations	**–**	**(5.5)**	**–**	**(5.5)**
Movement in fair value of hedging instruments	**–**	**4.1**	**–**	**4.1**
Balance at 31 December 2019	**31.5**	**7.2**	**4.9**	**43.6**

Capital redemption reserve

The capital redemption reserve arose on an historic redemption of the Company's shares and is not distributable.

Translation reserve

The translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging instruments where such instruments are designated and effective as hedges of investment in overseas operations.

26. Own shares

£ million	
Balance at 1 January 2018	21.3
Shares acquired	9.9
Disposed of on exercise of options	(8.5)
Balance at 31 December 2018	22.7
Disposed of on exercise of options	**(5.1)**
Balance at 31 December 2019	**17.6**

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and those held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

Million shares	2019	2018
Ordinary shares held in trust for bonus, option and performance award plans	**10.7**	13.9

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan.

During the year, Taylor Wimpey plc did not purchase any of its own shares to be held in the ESOTs (2018: £9.9 million).

The ESOTs' entire holding of shares at 31 December 2019 was covered by outstanding options and conditional awards over shares at that date.

27. Notes to the cash flow statement

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net cash

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
Balance at 1 January 2018	600.5	(88.7)	511.8
Net cash flow	133.8	–	133.8
Foreign exchange	(0.1)	(1.4)	(1.5)
Balance at 31 December 2018	734.2	(90.1)	644.1
Net cash flow	**(101.2)**	**–**	**(101.2)**
Foreign exchange	**(2.6)**	**5.4**	**2.8**
Balance at 31 December 2019	**630.4**	**(84.7)**	**545.7**

28. Contingent liabilities and capital commitments

The Group in the normal course of business has given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and has given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed.

The Group has no significant capital commitments at 31 December 2019 (2018: none).

29. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the Directors' Remuneration Report on pages 106 to 131. The tables below show the movements in the schemes in the year as well as their weighted average exercise price (WAEP).

	2019		2018	
Schemes requiring consideration from participants:	**Options**	**WAEP (in £)**	Options	WAEP (in £)
Outstanding at the beginning of the year	**24,616,791**	**1.36**	22,235,874	1.33
Granted during the year	**9,994,951**	**1.21**	8,577,379	1.33
Forfeited during the year	**(3,351,527)**	**1.41**	(2,776,902)	1.52
Exercised during the year	**(5,729,926)**	**1.26**	(3,419,560)	0.96
Outstanding at the end of the year	**25,530,289**	**1.32**	24,616,791	1.36
Exercisable at the end of the year	**3,747,371**	**1.17**	4,668,021	1.40

The table above includes shares that are granted to employees on a matching basis, when the employee joins the scheme, purchased shares are matched on a 1:1 basis. 5,789,856 of these awards, which do not expire, were in issue at 31 December 2019 (2018: 5,386,991). The remaining options outstanding at 31 December 2019 had a range of exercise prices from £0.90 to £1.59 (2018: £0.85 to £1.59) and a weighted average remaining contractual life of 2.93 years (2018: 2.61 years).

	2019		2018	
Schemes not requiring consideration from participants:	**Options**	**WAEP (in £)**	Options	WAEP (in £)
Outstanding at the beginning of the year	**18,601,569**	**–**	18,568,767	–
Granted during the year	**7,489,917**	**–**	6,980,446	–
Forfeited during the year	**(3,933,994)**	**–**	(2,124,230)	–
Exercised during the year	**(2,691,452)**	**–**	(4,823,414)	–
Outstanding at the end of the year	**19,466,040**	**–**	18,601,569	–
Exercisable at the end of the year	**–**	**–**	–	–

The conditional awards outstanding at 31 December 2019 had a weighted average remaining contractual life of 1.76 years (2018: 1.74 years).

The average share price at the date of exercise across all options exercised during the period was £1.73 (2018: £1.78).

For share plans with no market conditions granted during the current and preceding year, the fair value of the awards at the grant date was determined using the binomial model. The inputs into that model were as follows:

	2019	2018
Weighted average share price	**£1.60**	£1.72
Weighted average exercise price	**£0.84**	£0.90
Expected volatility	**35%**	34%
Expected life	**3/5 years**	3/5 years
Risk-free rate	**0.3%**	1.1%
Expected dividend yield	**4.54%**	2.88%

The weighted average fair value of share awards granted during the year was £0.81 (2018: £0.93).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

29. Share-based payments continued

For share awards with market conditions granted during the current year, the fair value of the awards was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2019	2018
Weighted average share price	**£1.85**	£1.88
Weighted average exercise price	**Nil**	Nil
Expected volatility	**35%**	37%
Expected life	**3 years**	3 years
Risk-free rate	**0.8%**	0.9%
Expected dividend yield	**0.0%**	0.0%

The weighted average fair value of share options granted during the year was £1.07 (2018: £0.99).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model was based on historical exercise patterns.

The Group recognised a share-based payment expense of £10.1 million in the year (2018: £12.2 million), which was composed of £8.0 million in relation to equity settled schemes and £2.1 million in relation to dividend equivalents.

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 21. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed in Note 13.

Trading transactions

During the year, Group sales to joint ventures totalled £15.6 million (2018: £18.5 million).

Remuneration of key management personnel

The key management personnel of the Group are the members of the Group Management Team (GMT) as presented on page 17. The remuneration information for the Executive Directors is set out in the Remuneration Report on page 124. The aggregate compensation for the other members of the GMT is as follows:

£ million	2019	2018
Short term employee benefits	**2.4**	3.6
Post-employment benefits	**0.3**	0.3
Total (excluding share-based payments charge)	**2.7**	3.9

In addition to the amounts above, a share-based payment charge of £0.9 million (2018: £1.1 million) related to share options held by members of the GMT.

31. Dividends

£ million	2019	2018
Proposed		
Interim dividend 2019: 3.84p (2018: 2.44p) per ordinary share of 1p each	**125.6**	79.7
Final dividend 2019: 3.80p (2018: 3.80p) per ordinary share of 1p each	**125.0**	125.0
	250.6	204.7
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2018: 3.80p (2017: 2.44p) per ordinary share of 1p each	**124.2**	79.8
Interim dividend 2019: 3.84p (2018: 2.44p) per ordinary share of 1p each	**125.6**	79.7
Special dividend 2019: 10.70p (2018: 10.40p) per ordinary share of 1p each	**349.9**	340.0
	599.7	499.5

The Directors recommend a final dividend for the year ended 31 December 2019 of 3.80 pence per share (2018: 3.80 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£125.0 million (2018: £124.2 million). The final dividend will be paid on 15 May 2020 to all shareholders registered at the close of business on 3 April 2020.

The Directors additionally recommend a special dividend of c.£360.0 million (2018: paid £349.9 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 10 July 2020 to all shareholders registered at the close of business on 5 June 2020.

In accordance with IAS 10 'Events after the balance sheet date', the proposed final or special dividends have not been accrued as a liability at 31 December 2019.

32. Alternative performance measures

The Group uses a number of alternative performance measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside IFRS measures. The following APMs are referred to throughout the year end results.

Profit before taxation and exceptional items and profit for the period before exceptional items

The Directors consider the removal of exceptional items from the reported results provides more clarity on the performance of the Group. They are reconciled to profit before tax and profit for the period on the face of the consolidated income statement.

Operating profit and operating profit margin

Throughout the Annual Report and Accounts operating profit is used as one of the main measures of performance. Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures. The Directors consider this to be an important measure of the underlying performance of the Group. Operating profit margin is calculated as operating profit divided by total revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

	2019	2018
Profit on ordinary activities before finance costs (£m)	**856.8**	828.8
Adjusted for:		
Share of results of joint ventures (£m)	**8.0**	5.3
Exceptional items (£m)	**(14.3)**	46.1
Operating profit (£m)	**850.5**	880.2
Revenue (£m)	**4,341.3**	4,082.0
Operating profit margin	**19.6%**	21.6%

Net operating assets

Net operating assets is defined as basic net assets less net cash, excluding net taxation balances and accrued dividends. Average net operating assets is the average of the opening and closing net operating assets of the 12-month period. With return on net operating assets, the Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

	2019	2018	2017
Basic net assets (£m)	**3,307.8**	3,226.8	3,137.3
Adjusted for:			
Cash (£m) (Note 16)	**(630.4)**	(734.2)	(600.5)
Borrowings (£m) (Note 17)	**84.7**	90.1	88.7
Net taxation (£m)	**38.1**	29.2	28.6
Accrued dividends (£m)	**–**	–	–
Net operating assets (£m)	**2,800.2**	2,611.9	2,654.1
Average basic net assets (£m)	**3,267.3**	3,182.1	
Average net operating assets (£m)	**2,706.1**	2,633.0	

Return on net operating assets

Return on net operating assets is defined as operating profit divided by average net operating assets. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

	2019	2018
Operating profit (£m)	**850.5**	880.2
Average net operating assets (£m)	**2,706.1**	2,633.0
Return on net operating assets	**31.4%**	33.4%

Tangible net assets per share

This is calculated 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. The Directors consider this to be a good measure of the value intrinsic within each ordinary share.

	2019	2018
Basic net assets (£m)	**3,307.8**	3,226.8
Adjusted for:		
Intangible assets (£m) (Note 11)	**(7.0)**	(3.2)
Tangible net assets (£m)	**3,300.8**	3,223.6
Ordinary shares in issue (millions)	**3,283.1**	3,278.1
Tangible net assets per share (pence)	**100.5**	98.3

32. Alternative performance measures continued

Adjusted basic earnings per share

This is calculated as earnings attributed to shareholders, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares. The Directors consider this provides an important measure of the underlying earnings capacity of the Group. Note 10 shows a reconciliation from basic earnings per share to adjusted basic earnings per share.

Net operating asset turn

This is defined as revenue divided by the average of opening and closing net operating assets. The Directors consider this to be a good indicator of how efficiently the Group is utilising its assets to generate value for shareholders.

	2019	2018
Revenue (£m)	4,341.3	4,082.0
Average net operating assets (£m)	2,706.1	2,633.0
Net operating asset turn	1.60	1.55

Net cash

Net cash is defined as cash and cash equivalent less total borrowings. This is considered by the Directors to be the best indicator of the financing position of the Group. This is reconciled in Note 27.

Cash conversion

This is defined as cash generated by operations divided by operating profit. The Directors consider this measure to be a good indication of how efficiently the Group is turning profit into cash.

	2019	2018
Cash generated by operations (£m)	702.2	815.4
Operating profit (£m)	850.5	880.2
Cash conversion	82.6%	92.6%

Adjusted gearing

This is defined as adjusted net debt divided by basic net assets. The Directors consider this to be a more representative measure of the Group's gearing levels. Adjusted net debt is defined as net cash less land creditors.

	2019	2018
Cash (£m) (Note 16)	630.4	734.2
Private placement loan notes (£m) (Note 17)	(84.7)	(90.1)
Net cash (£m)	545.7	644.1
Land creditors (£m) (Note 18)	(729.2)	(738.6)
Adjusted net debt (£m)	(183.5)	(94.5)
Basic net assets (£m)	3,307.8	3,226.8
Adjusted gearing	5.5%	2.9%

33. Post balance sheet events

There were no material subsequent events affecting the Group after 31 December 2019 that need to be disclosed.

Company balance sheet

at 31 December 2019

£ million	Note	2019	2018
Non-current assets			
Investments in Group undertakings	4	**2,426.0**	2,418.0
Trade and other receivables	5	**3.3**	3.2
		2,429.3	2,421.2
Current assets			
Trade and other receivables	5	**2,558.2**	2,517.1
Cash and cash equivalents		**600.2**	703.6
		3,158.4	3,220.7
Current liabilities			
Trade and other payables	6	**(1,638.2)**	(1,632.0)
		(1,638.2)	(1,632.0)
Net current assets		**1,520.2**	1,588.7
Total assets less current liabilities		**3,949.5**	4,009.9
Non-current liabilities			
Trade and other payables	6	**(1.4)**	(0.6)
Bank and other loans	7	**(84.7)**	(90.1)
Provisions		**(1.0)**	(1.0)
Net assets		**3,862.4**	3,918.2
Equity			
Share capital	8	**288.6**	288.5
Share premium	9	**762.9**	762.9
Own shares	10	**(17.6)**	(22.7)
Other reserves	11	**36.0**	36.0
Retained earnings	12	**2,792.5**	2,853.5
Total equity		**3,862.4**	3,918.2

As permitted by Section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own income statement. The profit of the Company for the financial year was £528.6 million (2018: £549.2 million).

The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2020. They were signed on its behalf by:

P Redfern
Director

C Carney
Director

Company statement of changes in equity

for the year to 31 December 2019

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2018	288.5	762.9	(21.3)	36.0	2,796.6	3,862.7
Profit for the year	–	–	–	–	549.2	549.2
Total comprehensive income for the year	–	–	–	–	549.2	549.2
Own shares acquired	–	–	(9.9)	–	–	(9.9)
Utilisation of own shares	–	–	8.5	–	–	8.5
Cash cost of satisfying share options	–	–	–	–	(5.0)	(5.0)
Capital contribution on share-based payments	–	–	–	–	12.2	12.2
Dividends approved and paid	–	–	–	–	(499.5)	(499.5)
Total equity at 31 December 2018	288.5	762.9	(22.7)	36.0	2,853.5	3,918.2
Profit for the year	**–**	**–**	**–**	**–**	**528.6**	**528.6**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**528.6**	**528.6**
New share capital subscribed	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Utilisation of own shares	**–**	**–**	**5.1**	**–**	**–**	**5.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Capital contribution on share-based payments	**–**	**–**	**–**	**–**	**8.0**	**8.0**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(599.7)**	**(599.7)**
Total equity at 31 December 2019	**288.6**	**762.9**	**(17.6)**	**36.0**	**2,792.5**	**3,862.4**

Notes to the Company financial statements

for the year to 31 December 2019

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The principal accounting policies adopted are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks identified on pages 48 to 52. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

Accordingly, the Company financial statements have been prepared on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

Management have not made any individual accounting judgements that are material to the Company and does not consider there to be any key sources of estimation uncertainty.

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is expensed immediately. Where an impairment loss subsequently reverses, due to a change in circumstances or in the estimates used to determine the asset's recoverable amount, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, so long as it does not exceed the original carrying value prior to the impairment being recognised.

The Company values its investments in subsidiary holding companies based on a comparison between the net assets recoverable by the subsidiary company and the investment held. Where the net assets are lower than the investment an impairment is recorded. For trading subsidiaries, the investment carrying value in the Company is assessed against the net present value of the cash flows of the subsidiary.

Borrowing costs

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Any liability or credit in respect of group relief in lieu of current tax is also calculated using corporation tax rates that have been enacted or substantively enacted by the balance sheet date unless a different rate (including a nil rate) has been agreed within the Group.

Deferred tax

Deferred tax is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates after the date of the transaction is included as an exchange gain or loss in profit and loss.

Trade and other receivables

Trade and other receivables are measured at amortised cost, less any loss allowance based on expected credit losses. The measurement of expected credit losses is based on the probability of default and the magnitude of the loss if there is a default. The assessment of probability of default is based on historical data adjusted for any known factors that would influence the future amount to be received in relation to the receivable.

Share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company, without recharge. As such the Company's investment in the subsidiary is increased by an equivalent amount.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' equity.

Dividends paid

Dividends are charged to the Company's retained earnings reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

Number	2019	2018
Directors	**4**	4

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 106 to 131 from Taylor Wimpey UK Limited. This remuneration is reflective of the Directors' service to the Company and all its subsidiaries.

3. Auditor's remuneration

£ million	2019	2018
Total audit fees	**0.2**	0.2
Non-audit fees	**–**	–
Total	**0.2**	0.2

A description of other services is included in Note 6 of the Group financial statements.

4. Investments in Group undertakings

£ million	Shares
Cost	
At 1 January 2019	5,292.2
Capital contribution relating to share-based payments	**8.0**
Disposal	**(62.9)**
At 31 December 2019	**5,237.3**
Provision for impairment	
At 1 January 2019	(2,874.2)
Disposal	**62.9**
At 31 December 2019	**(2,811.3)**
Carrying amount	
At 31 December 2019	**2,426.0**
At 31 December 2018	2,418.0

All investments are unlisted and information about all subsidiaries is listed on pages 189 to 190. The disposal in the year relates to a dormant legacy subsidiary that has been dissolved.

5. Trade and other receivables

	Current		Non-current	
£ million	2019	2018	2019	2018
Due from Group undertakings	**2,556.3**	2,514.6	**–**	–
Other receivables	**1.9**	2.5	**3.3**	3.2
	2,558.2	2,517.1	**3.3**	3.2

Amounts due from Group undertakings are repayable on demand and are predominantly interest bearing.

6. Trade and other payables

	Current		Non-current	
£ million	2019	2018	2019	2018
Due to Group undertakings	**1,634.6**	1,625.9	**–**	–
Other payables	**1.1**	1.2	**1.4**	0.6
Corporation tax creditor	**2.5**	4.9	**–**	–
	1,638.2	1,632.0	**1.4**	0.6

Amounts due to Group undertakings are repayable on demand and are predominantly interest bearing.

7. Bank and other loans

£ million	2019	2018
€100.0 million 2.02% Senior Loan Notes	**84.7**	90.1
These loans are repayable as follows:		
Amounts due for settlement after one year	**84.7**	90.1

8. Share capital

£ million	2019	2018
Authorised:		
22,200,819,176 (2018: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2018: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2018	3,278,054,763	288.5
Ordinary shares issued in the year	**5,053,411**	**0.1**
31 December 2019	**3,283,108,174**	**288.6**

During the year, the Company issued an additional 5.1 million (2018: 2.6 million) ordinary shares to satisfy option exercises. The Company also has in issue 1,065.6 million deferred ordinary shares (2018: 1,065.6 million), the shares were issued in 2009 and carry no voting rights.

During the year, options were exercised over 8,421,378 ordinary shares (2018: 8,242,974) which were met from new issues of share capital and from the holding of shares in the Employee Share Ownership Trusts (ESOTs). Under the Group's performance share plan, employees held conditional awards at 31 December 2019 in respect of up to 19,466,040 shares, subject to achievement of performance tests (2018: 18,601,569) at nil pence per share nominally exercisable up to September 2022.

Under the Group's savings-related share option schemes, employees held options at 31 December 2019 to purchase 19,740,433 shares (2018: 19,229,800) at prices between 90.0 pence and 159.1 pence per share exercisable up to June 2025. Under the Group's share incentive plan, employees held conditional awards at 31 December 2019 in respect of 5,789,856 shares (2018: 5,386,991) at nil pence per share.

9. Share premium

£ million	2019	2018
At 1 January and 31 December	**762.9**	762.9

10. Own shares

£ million	2019	2018
Own shares	**17.6**	22.7

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	**10.7m**	13.9m

During the year, the Company did not purchase any of its own shares to be held in the ESOTs (2018: £9.9 million). The market value of the shares held at 31 December 2019 was £20.8 million (2018: £19.0 million) and their nominal value was £0.1 million (2018: £0.1 million). Dividends on these shares have been waived except for a nominal aggregate amount in pence.

ESOTs are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan.

The ESOTs' entire holding of shares at 31 December 2019 was covered by outstanding options and conditional awards over shares at that date.

11. Other reserves

£ million	2019	2018
At 31 December	**36.0**	36.0

Other reserves include £31.5 million (2018: £31.5 million) in respect of the historical redemption of the Company's shares, which is non distributable.

12. Retained earnings

Retained earnings of £2,792.5 million (2018: £2,853.5 million) includes profit for the year and dividends received from subsidiaries of £500.0 million (2018: £500.0 million). Included in retained earnings is £816.5 million (2018: £718.5 million) which is not distributable.

13. Share-based payments

The Company has taken advantage of the FRS 101 disclosure exemption in relation to share-based payments. Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares, are set out in Note 29 of the Group financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

14. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed.

The Company has in issue a guarantee in respect of the Taylor Wimpey Pension Scheme (TWPS), which had an IAS 19 deficit of £84.5 million at 31 December 2019 (2018: £133.0 million). The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustee of £40.0 million per annum, to the end of 2020, whilst the scheme is in a Technical Provisions deficit. Once the TWPS is fully funded, these cash contributions would be suspended until such time that the TWPS' Technical Provisions funding levels falls to below 96%. In addition, £5.1 million per annum from the Pension Funding Partnership and £2.0 million per annum to cover scheme expenses is due.

15. Dividend

£ million	2019	2018
Proposed		
Interim dividend 2019: 3.84p (2018: 2.44p) per ordinary share of 1p each	**125.6**	79.7
Final dividend 2019: 3.80p (2018: 3.80p) per ordinary share of 1p each	**125.0**	125.0
	250.6	204.7
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2018: 3.80p (2017: 2.44p) per ordinary share of 1p each	**124.2**	79.8
Interim dividend 2019: 3.84p (2018: 2.44p) per ordinary share of 1p each	**125.6**	79.7
Special dividend 2019: 10.70p (2018: 10.40p) per ordinary share of 1p each	**349.9**	340.0
	599.7	499.5

The Directors recommend a final dividend for the year ended 31 December 2019 of 3.80 pence per share (2018: 3.80 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£125.0 million (2018: £124.2 million). The final dividend will be paid on 15 May 2020 to all shareholders registered at the close of business on 3 April 2020.

The Directors additionally recommend a special dividend of c.£360.0 million (2018: paid £349.9 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 10 July 2020 to all shareholders registered at the close of business on 5 June 2020.

In accordance with IAS 10 'Events after the balance sheet date' the proposed final or special dividends have not been accrued as a liability at 31 December 2019.

Particulars of subsidiaries, associates and joint ventures

The entities listed below are companies incorporated in the United Kingdom and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR. All of the below are 100% subsidiaries of the Group, either directly or indirectly held by Taylor Wimpey plc, and only have ordinary share capital.

Admiral Developments Limited
Admiral Homes (Eastern) Limited
Admiral Homes Limited
Ashton Park Limited
BGS (Pentian Green) Holdings Limited
Broadleaf Park LLP
Bryad Developments Limited
Bryant Country Homes Limited
Bryant Group Services Limited
Bryant Homes Central Limited
Bryant Homes East Midlands Limited
Bryant Homes Limited
Bryant Homes North East Limited
Bryant Homes Northern Limited
Bryant Homes South West Limited
Bryant Homes Southern Limited
Bryant Properties Limited
Candlemakers (TW) Limited
Clipper Investments Limited
Compine Developments (Wootton) Limited
Dormant Nominees One Limited
Dormant Nominees Two Limited
Farrods Water Engineers Limited
Flyover House Limited
George Wimpey Limited
George Wimpey Bristol Limited
George Wimpey City Limited
George Wimpey City 2 Limited
George Wimpey East Anglia Limited
George Wimpey East London Limited
George Wimpey East Midlands Limited
George Wimpey Manchester Limited
George Wimpey Midland Limited
George Wimpey North East Limited
George Wimpey North London Limited
George Wimpey North Midlands Limited
George Wimpey North West Limited
George Wimpey North Yorkshire Limited
George Wimpey South East Limited
George Wimpey South Midlands Limited
George Wimpey South West Limited
George Wimpey South Yorkshire Limited
George Wimpey Southern Counties Limited
George Wimpey West London Limited
George Wimpey West Midlands Limited
George Wimpey West Yorkshire Limited
Globe Road Limited
Grand Union Vision Limited
Groveside Homes Limited
Hamme Construction Limited
Hanger Lane Holdings Limited
Hassall Homes (Cheshire) Limited
Hassall Homes (Mercia) Limited
Hassall Homes (Southern) Limited
Hassall Homes (Wessex) Limited
Haverhilll Developments Limited
Jim 1 Limited
Jim 3 Limited
Jim 4 Limited
Jim 5 Limited
L. & A. Freeman Limited
Laing Homes Limited
Laing Land Limited
LandTrust Developments Limited
Leawood (Management) Company Limited
Limebrook Manor LLP
MCA Developments Limited
MCA East Limited
MCA Holdings Limited
MCA Land Limited
MCA Leicester Limited
MCA London Limited
MCA Northumbria Limited
MCA Partnership Housing Limited
MCA South West Limited
MCA West Midlands Limited
MCA Yorkshire Limited
McLean Homes Limited
McLean Homes Bristol & West Limited
McLean Homes Southern Limited
McLean TW Estates Limited
McLean TW (Chester) Limited
McLean TW (Northern) Limited
McLean TW (Southern) Limited
McLean TW (Yorkshire) Limited
McLean TW Group Limited
McLean TW Holdings Limited
McLean TW Limited
McLean TW No. 2 Limited
Melbourne Investments Limited
Pangbourne Developments Limited
Prestoplan Limited
River Farm Developments Limited
South Bristol (Ashton Park) Limited
Spinks & Denning Limited
St. Katharine By The Tower Limited
St. Katharine Haven Limited
Tawnywood Developments Limited
Taylor Wimpey 2007 Limited
Taylor Wimpey Capital Developments Limited
Taylor Wimpey Commercial Properties Limited
Taylor Wimpey Developments Limited
Taylor Wimpey Garage Nominees No 1 Limited
Taylor Wimpey Garage Nominees No 2 Limited
Taylor Wimpey Holdings Limited
Taylor Wimpey International Limited
Taylor Wimpey Property Company Limited
Taylor Wimpey Property Management Limited
Taylor Wimpey SH Capital Limited
Taylor Wimpey UK Limited
Thameswey Homes Limited
The Garden Village Partnership Limited
The Wilson Connolly Employee Benefit Trust Limited
This is G2 Limited
Thomas Lowe and Sons, Limited
Thomas Lowe Homes Limited
TW NCA Limited
TW Springboard Limited
Twyman Regent Limited
Valley Park Developments Limited
Whelmar (Chester) Limited
Whelmar (Lancashire) Limited
Whelmar (North Wales) Limited
Whelmar Developments Limited
Wilcon Homes Anglia Limited
Wilcon Homes Eastern Limited
Wilcon Homes Midlands Limited
Wilcon Homes Northern Limited
Wilcon Homes Southern Limited
Wilcon Homes Western Limited
Wilcon Lifestyle Homes Limited
Wilfrid Homes Limited
Wilson Connolly Holdings Limited
Wilson Connolly Investments Limited
Wilson Connolly Limited
Wilson Connolly Properties Limited
Wilson Connolly Quest Limited
Wimgrove Developments Limited
Wimgrove Property Trading Limited
Wimpey Construction Developments Limited
Wimpey Construction Iran Limited
Wimpey Corporate Services Limited
Wimpey Dormant Investments Limited
Wimpey Geotech Limited
Wimpey Group Services Limited
Wimpey Gulf Holdings Limited
Wimpey Overseas Holdings Limited

Particulars of subsidiaries, associates and joint ventures continued

The entities listed below are companies incorporated in the United Kingdom and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR.

Company Name	% Owned	Company Name	% Owned
Academy Central LLP	62%	Taylor Wimpey Pension Trustees Limited	99%
Bordon Developments Holding Limited	50%	Triumphdeal Limited	50%
Chobham Manor LLP	50%	TW Cavendish Holdings Limited	50%
Chobham Manor Property Management Limited	50%	Vumpine Limited	50%
Falcon Wharf Limited	50%	Weaver Developments (Woodfield Plantation) Limited	50%
Gallagher Bathgate Limited	50%	Whitehill & Bordon Regeneration Company Limited	50%
GN Tower Limited	50%	Whitehill & Bordon Development Company phase 1a Limited	50%
GW City Ventures Limited	50%	Wimpey Laing Iran Limited	50%
GWNW City Developments Limited	50%	Wimpey Laing Limited	50%
Paycause Limited	66.67%	Winstanley & York Road Regeneration LLP	50%
Phoenix Birmingham Latitude Limited	50%		

The entities listed below are companies incorporated in the United Kingdom and the registered office is Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ.

Company Name	% Owned	Company Name	% Owned
Bryant Homes Scotland Limited	100%	Taylor Wimpey (General Partner) Limited	100%
George Wimpey East Scotland Limited	100%	Taylor Wimpey (Initial LP) Limited	100%
George Wimpey West Scotland Limited	100%	Taylor Wimpey Scottish Limited Partnership	100%
London and Clydeside Estates Limited	100%	Whatco England Limited	100%
London and Clydeside Holdings Limited	100%	Wilcon Homes Scotland Limited	100%
Strada Developments Limited	50%		

Other entities incorporated in the United Kingdom, unless otherwise stated, and the Group's ownership share are shown below.

Company Name	% Owned	Registered Office
Bishops Park Limited	50%	The Manor House, North Ash Road, New Ash Green, DA3 8HQ
Bishop's Stortford North Consortium Limited	33.33%	St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH
Bromley Park (Holdings) Limited Bromley Park Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ
Capital Court Property Management Limited	17.17%	4 Capital Court, Bittern Road, Sowton Industrial Estate, Exeter, EX2 7FW
Countryside 27 Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, CM13 3AT
DFE TW Residential Limited	50%	7 Whiteladies Road, Clifton, Bristol, BS8 1NN
Emersons Green Urban Village Limited	54.44%	135 Aztec West, Almondsbury, Bristol, Avon, BS32 4UB
Greenwich Millennium Village Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, CM13 3AT
Haydon Development Company Limited	19.27%	6 Drakes Meadow, Penny Lane, Swindon, SN3 3LL
Los Arqueros Golf and Country Club S.A.	75%	Carretera de Ronda A-397, Km.44.5, Benahavis, Malaga, Spain
Morrison Land Development Inc	100%	9366, 49 St NW, Edmonton, AB T6B 2L7, Canada
Newcastle Great Park (Estates) Limited NGP Management Company (Cell F) Limited NGP Management Company (Commercial) Limited NGP Management Company (Town Centre) Limited NGP Management Company Residential (Cell G) Limited	50%	3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE
North Swindon Development Company Limited	16.79%	6 Drakes Meadow, Penny Lane, Swindon, SN3 3LL
Padyear Limited	50%	Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ
Quedgeley Urban Village Limited	50%	135 Aztec West, Almondsbury, Bristol, BS32 4UB
Redhill Park Limited	50%	5 Market Yard Mews, 194 – 204 Bermondsey Street, London SE1 3TQ
St George Little Britain (No.1) Limited St George Little Britain (No.2) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, KT11 1JG
Taylor Wimpey de España S.A.U.*	100%	C/Aragón 223-223 A, 07008 Palma de Mallorca, Spain
Taylor Woodrow (Gibraltar) Limited	100%	17 Bayside Road, Gibraltar

* 9% cumulative, redeemable preference shares are held in addition to ordinary shares.

Five year review

£ million	2019	2018	2017	2016	2015
Revenue	**4,341.3**	4,082.0	3,965.2	3,676.2	3,139.8
Profit on ordinary activities before finance costs and tax	**856.8**	828.8	706.5	766.4	635.7
Adjust for: Share of results of joint ventures	**8.0**	5.3	7.6	1.2	4.9
Adjust for: Exceptional items	**(14.3)**	46.1	130.0	0.5	0.6
Operating profit	**850.5**	880.2	844.1	768.1	641.2
Net finance costs	**(28.9)**	(23.4)	(32.1)	(34.7)	(37.4)
Profit for the financial year before taxation and exceptional items	**821.6**	856.8	812.0	733.4	603.8
Exceptional items	**14.3**	(46.1)	(130.0)	(0.5)	(0.6)
Taxation charge including taxation on exceptional items	**(162.0)**	(154.1)	(126.7)	(143.6)	(113.4)
Profit for the financial year	**673.9**	656.6	555.3	589.3	489.8
Balance sheet					
Intangible assets	**7.0**	3.2	3.9	3.5	2.7
Property, plant and equipment	**25.6**	21.6	22.8	21.0	20.0
Right-of-use assets	**27.4**	27.1	–	–	–
Interests in joint ventures	**55.3**	48.3	50.9	50.3	27.1
Non-current trade and other receivables	**43.7**	55.7	60.1	87.2	95.4
Non-current assets (excluding tax)	**159.0**	155.9	137.7	162.0	145.2
Inventories	**4,196.0**	4,188.2	4,075.7	3,984.0	3,891.2
Other current assets (excluding tax and cash)	**161.0**	134.7	122.2	91.4	114.0
Trade and other payables excluding land creditors	**(634.9)**	(684.8)	(705.0)	(721.8)	(750.7)
Land creditors	**(339.9)**	(359.5)	(319.5)	(266.3)	(342.7)
Lease liabilities	**(7.6)**	(8.2)	–	–	–
Provisions	**(72.7)**	(76.9)	(87.3)	(28.0)	(31.1)
Net current assets (excluding tax and cash)	**3,301.9**	3,193.5	3,086.1	3,059.3	2,880.7
Trade and other payables excluding land creditors	**(110.4)**	(112.2)	(111.0)	(109.0)	(114.9)
Land creditors	**(389.3)**	(379.1)	(319.6)	(333.5)	(287.1)
Retirement benefit obligations	**(85.0)**	(133.6)	(64.8)	(234.1)	(178.4)
Lease liabilities	**(20.3)**	(19.2)	–	–	–
Provisions	**(55.7)**	(93.4)	(74.3)	(5.1)	(2.9)
Non-current liabilities (excluding debt)	**(660.7)**	(737.5)	(569.7)	(681.7)	(583.3)
Cash and cash equivalents	**630.4**	734.2	600.5	450.2	323.3
Bank and other loans	**(84.7)**	(90.1)	(88.7)	(85.5)	(100.0)
Taxation balances	**(38.1)**	(29.2)	(28.6)	(4.0)	57.4
Basic net assets	**3,307.8**	3,226.8	3,137.3	2,900.3	2,723.3

Statistics					
Basic earnings per share	**20.6p**	20.1p	17.0p	18.1p	15.1p
Adjusted basic earnings per share	**20.3p**	21.3p	20.2p	18.1p	14.9p
Tangible net assets per share	**100.5p**	98.3p	95.7p	88.6p	83.5p
Dividends paid (pence per share)	**18.34**	15.28	13.79	10.91	9.49
Number of ordinary shares in issue at the year end (millions)	**3,283.1**	3,278.1	3,275.4	3,270.3	3,258.6
UK short term landbank (plots)	**75,612**	75,995	74,849	76,234	75,710
UK average selling price (£'000)	**269**	264	264	255	230
UK completions (homes including JVs)	**15,719**	14,933	14,541	13,881	13,341

The results for 2016 and 2015 shown above include unaudited adjustments for the adoption of IFRS 9 and IFRS 15 in 2018.

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from a stockbroker, solicitor, bank manager, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Taylor Wimpey plc (the Company), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. If you have sold or transferred part only of your holding of shares in the Company, please consult the person who arranged the sale or transfer.

Notice is hereby given of the eighty fifth Annual General Meeting of the Company to be held on 23 April 2020 at 11:00am at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP for the following purposes:

Ordinary business

Ordinary resolutions:

1. To receive the Directors' report, Strategic report, Remuneration Committee report, Independent auditor's report and Financial statements for the year ended 31 December 2019.
2. To declare due and payable on 15 May 2020 a final dividend of 3.80 pence per ordinary share of the Company for the year ended 31 December 2019 to shareholders on the register at close of business on 3 April 2020.
3. To declare due and payable on 10 July 2020 a special dividend of 10.99 pence per ordinary share of the Company to shareholders on the register at close of business on 5 June 2020.
4. To elect as a Director, Irene Dorner.
5. To re-elect as a Director, Pete Redfern.
6. To re-elect as a Director, Chris Carney.
7. To re-elect as a Director, Jennie Daly.
8. To re-elect as a Director, Kate Barker DBE.
9. To re-elect as a Director, Gwyn Burr.
10. To re-elect as a Director, Angela Knight CBE.
11. To elect as a Director, Robert Noel.
12. To re-elect as a Director, Humphrey Singer.
13. To re-appoint Deloitte LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
14. Subject to the passing of resolution 13, to authorise the Audit Committee to determine the remuneration of the auditor on behalf of the Board.
15. That the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
    a. up to a nominal amount of £10,945,757 (such amount to be reduced by any allotments or grants made under paragraph b below, in excess of £10,945,757); and
    b. comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,891,515 (such amount to be reduced by any allotments or grants made under paragraph a above) in connection with an offer by way of a rights issue:
        i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        ii. to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

    and so the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 22 July 2021) but, in each case, so that the Company may make offers and enter into agreements during this period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends; and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

Special resolutions:

16. That if resolution 15 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and / or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:
    a. to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph b of resolution 15, by way of a rights issue only):
        i. to ordinary shareholders in proportion (as nearly as practicable) to their existing holdings; and
        ii. to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matters; and

    b. in the case of the authority granted under paragraph a of resolution 15 and / or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph a above) up to a nominal amount of £1,641,863.

    Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 22 July 2021) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

17. That if resolution 15 is passed, the Board be given the power in addition to any power granted under resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority granted under paragraph a of resolution 15 and / or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be:
    a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £1,641,863; and
    b. used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice or for the purposes of refinancing such a transaction within six months of its taking place.

    Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 22 July 2021) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.
18. That the Company be authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of the ordinary shares of 1 pence each of the Company (ordinary shares), provided that:
    a. the maximum number of ordinary shares hereby authorised to be purchased shall be 328,372,733;
    b. the minimum price (exclusive of expenses) which may be paid for ordinary shares is 1 pence per ordinary share;
    c. the maximum price (exclusive of expenses) which may be paid for an ordinary share is the highest of:
        i. an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which such ordinary share is purchased; and
        ii. the higher of the price of the last independent trade and the highest independent bid on the trading venues where the purchase is carried out;
    d. the authority hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and 22 October 2021 unless such authority is renewed prior to such time; and
    e. the Company may make contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase ordinary shares in pursuance of any such contracts, as if the authority conferred by this resolution had not expired.

Special business

Ordinary resolutions:

19. That the Directors' Remuneration report for the year ended 31 December 2019, as set out on pages 106 to 131 of the Annual Report and Accounts for the financial year ended 31 December 2019, be approved in accordance with Section 439 of the Companies Act 2006.
20. That the Directors' Remuneration Policy, the full text of which is set out on pages 115 to 117 of the Annual Report and Accounts for the financial year ended 31 December 2019, be approved in accordance with Section 439A of the Companies Act 2006, to take effect from the date of this Annual General Meeting.
21. That in accordance with Sections 366 and 367 of the Companies Act 2006, the Company and all companies which are its subsidiaries when this resolution is passed are authorised to:
    a. make political donations to political parties and / or independent election candidates not exceeding £250,000 in aggregate;
    b. make political donations to political organisations other than political parties not exceeding £250,000 in aggregate; and
    c. incur political expenditure not exceeding £250,000 in aggregate, during the period beginning with the date of passing this resolution and the conclusion of the next Annual General Meeting of the Company.

    For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006.

Special resolution:

22. That a general meeting other than an Annual General Meeting of the Company may continue to be called on not less than 14 clear days' notice.

Explanatory notes relating to each of the above resolutions are set out on pages 196 to 198.

Action to be taken

If you wish to attend and vote at the Annual General Meeting in person, please bring with you the attendance card or notice of availability letter. It will help to authenticate your right to attend, speak and vote, and will help us to register your attendance without delay. Registration will be available from 9:30am on the day of the Meeting. For the safety and comfort of those attending the Meeting, large bags, cameras, recording equipment and similar items will not be allowed into the building and in the interests of security, by attending the Meeting, upon request, you hereby agree to be searched together with any bags and other possessions. The Meeting will commence at 11:00am and light refreshments will be available from 9:30am and also after the conclusion of the Meeting. There is wheelchair access to the venue for shareholders who require it or those with reduced mobility. However, where required, attendees are strongly advised to bring their own carers to assist with their general mobility around the venue. An induction loop system operates in the meeting room. Directions to the venue can be found on the reverse of your attendance card.

If you would like to vote on the resolutions but cannot come to the Annual General Meeting, please register your vote online at www.signalshares.com or return your proxy form to our registrar as soon as possible. In order for it to count, the registrar must receive your vote no later than 11:00am on 21 April 2020. If you are a CREST member, register your vote through the CREST system by completing and transmitting a CREST proxy instruction as described in the procedural notes below.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend you to vote in favour of them. Each Director will be doing so in respect of all of his or her own beneficial shareholding.

Inspection of documents

The documents listed below will be available for inspection at the Company's registered office, Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR during normal business hours from the date of this Notice of Annual General Meeting until the date of the Annual General Meeting. They will also be available at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP from 15 minutes before the Annual General Meeting until the Meeting ends.

- Copies of the Executive Directors' service contracts.
- Copies of the letters of appointment of the Chair of the Board and the Independent Non Executive Directors.
- A copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2019, including the Directors' Remuneration report referred to in resolution 19. This document is also available on our website at www.taylorwimpey.co.uk/corporate.

By Order of the Board

Alice Marsden
Group General Counsel and Company Secretary

Taylor Wimpey plc
Registered Office:
Gate House
Turnpike Road
High Wycombe
Buckinghamshire
HP12 3NR

(Registered in England and Wales under number 296805)

2 March 2020

Procedural notes

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes which shareholders may cast), shareholders must be registered in the Register of Members of the Company by 6:00pm on 21 April 2020 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the Register of Members shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. As at 28 February 2020 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,283,727,332 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 February 2020 were 3,283,727,332.
3. If you are a shareholder of the Company at the time and date set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the Meeting. Shareholders may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but must attend the Annual General Meeting to represent you. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holdings (the first-named being the most senior).
4. To be valid, any proxy appointment must be received by Link Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or, if you want to use an envelope the address to use is FREEPOST PXS, 34 Beckenham Road, BR3 9ZA or, electronically via the internet at www.signalshares.com or, if you are a member of CREST, via the service provided by Euroclear UK and Ireland Limited at the electronic address provided in Note 9, in each case no later than 11:00am on 21 April 2020. Please note that all proxy appointments received after this time will be void. A proxy appointment sent electronically at any time that is found to contain any virus will not be accepted.
5. The return of a completed proxy appointment by any instrument or any CREST Proxy Instruction (as further described in Notes 8 and 9 below) or form will not prevent a shareholder attending the Annual General Meeting and voting in person if he / she wishes to do so. If you require a paper proxy form, or if you require additional forms, please contact Link Asset Services, by email at enquiries@linkgroup.co.uk, or by telephone on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00am to 5:30pm, Monday to Friday excluding public holidays in England and Wales).
6. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him / her and the shareholder by whom he / she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he / she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or its registrar.

7. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 and 4 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11:00am on 21 April 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his / her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    - The audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
    - Any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the Annual General Meeting has the right to ask questions and participate in the Meeting. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.taylorwimpey.co.uk/corporate.
16. Voting on all resolutions at this year's Annual General Meeting will be conducted by way of a poll, rather than on a show of hands. The Board believes that a poll is more representative of shareholders' voting intentions because it gives as many shareholders as possible the opportunity to have their votes counted (whether their votes are tendered by proxy in advance of, or in person at, the Annual General Meeting). The results of the poll will be announced via a Regulatory Information Service and made available at www.taylorwimpey.co.uk/corporate as soon as practicable after the Annual General Meeting.
17. Personal data provided by shareholders at or in relation to the Annual General Meeting (including names, contact details, votes and Shareholder Reference Numbers), will be processed in line with the Company's privacy policy which is available at www.taylorwimpey.co.uk/privacy-policy.

Explanatory notes to the resolutions

Ordinary business

Ordinary resolutions

Ordinary resolutions require more than half of the votes cast to be in favour.

Resolution 1: To receive the annual report and financial statements

English company law requires the Directors to lay the Financial Statements of the Company for the year ended 31 December 2019 and the reports of the Directors, namely the Strategic report, Directors' report, Directors' Remuneration report, and Auditor's report; before a general meeting of the Company (the Annual Report).

Resolution 2: To declare a final dividend

The Directors recommend the payment of a final dividend of 3.80 pence per ordinary share in respect of the year ended 31 December 2019. If approved at the Annual General Meeting, the dividend will be paid on 15 May 2020 to shareholders who are on the Register of Members at the close of business on 3 April 2020.

Resolution 3: To declare a special dividend

The Company has announced its intention to return cash to its shareholders, through the payment of annual special dividends, always subject to market and performance fluctuations. Due to the size of these special dividends, the Company believes it is appropriate to seek prior shareholder approval for payment, as it has done at the last six Annual General Meetings for such dividends.

Further details of the rationale for paying special dividends and the link to the Company's current strategy, can be found on pages 40 to 41.

The aggregate cost of the special dividend for 2020 will be around £360 million and will be met from profits and surplus cash generated during 2019. If approved, it will be paid on 10 July 2020 to shareholders on the register at the close of business on 5 June 2020.

Dividend Re-Investment Plan

Subject to shareholders approving either or both of the dividends as set out in Resolutions 2 and 3 at the Annual General Meeting scheduled for 23 April 2020, the Company will be offering a Dividend Re-Investment Plan (DRIP) on each one. The DRIP is provided and administered by the DRIP plan administrator, Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The DRIP offers shareholders the opportunity to elect to invest cash dividends received on their ordinary shares, in purchasing further ordinary shares of the Company. These shares would be bought in the market, on competitive dealing terms.

The DRIP will operate automatically in respect of the Final Dividend for 2019 (unless varied beforehand by shareholders) and all future dividends, including special dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the terms and conditions.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you wish to either participate in the DRIP or to discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of ordinary dividends (i.e. in this case, the 2019 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk or call +44 (0)371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 9:00am and 5:30pm, Monday to Friday excluding public holidays in England and Wales.

Resolution 4-12: Election of Directors

In accordance with the 2018 UK Corporate Governance Code (the Code) which states that all directors should be subject to annual election by shareholders, the Board has resolved that all Directors of the Company will retire and, being eligible, offer themselves for re-election or election, as appropriate, by shareholders at the Annual General Meeting.

Details of the Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 106 to 131 of the Annual Report and Accounts. Full biographical information concerning each Director can be found on pages 66 and 67 of the Annual Report and Accounts.

The following summary information is given in support of the Board's proposal for the re-election or election, as appropriate, of each Director of the Company.

Irene Dorner – offers herself for election.

Irene was appointed as a Non Executive Director and Chair-designate on 1 December 2019. Irene will formally assume the position of Chair on 26 February 2020. Irene's strong leadership skills, coupled with her deep commercial experience, will continue the strong leadership of the Board; the effective independent challenge of the Non Executive Directors; and the further development of the Group's strong cultural principles.

Pete Redfern – offers himself for re-election.

Pete has been Chief Executive since July 2007 and was previously Group Chief Executive of George Wimpey Plc.

Chris Carney – offers himself for re-election.

Chris has been the Group Finance Director since 20 April 2018.

Jennie Daly – offers herself for re-election.

Jennie has been the Group Operations Director since 20 April 2018.

Kate Barker DBE – offers herself for re-election.

Kate has been an Independent Non Executive Director since April 2011. Following a recommendation from the Nomination Committee, the Board supports the deferral of Kate's departure until 31 July 2020 in order to support Irene Dorner as she takes on her new position and to provide additional stability to the Board composition. Kate will step down as the Company's Senior Independent Director on 20 April 2020 and as a member of the Audit and Remuneration Committees. The Board is satisfied that she will be able to allocate sufficient time to the Company to discharge her responsibilities as a Non Executive Director effectively. Kate's wide experience in economics; the practicalities of housing supply and land use planning; and monetary policy and its effect on the market; informs the Board's wider strategic and operational decision-making.

Gwyn Burr – offers herself for re-election.
Gwyn has been an Independent Non Executive Director since 1 February 2018. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Remuneration Committee (which she chairs) and Nomination Committee, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively. Gwyn's many years of experience in marketing and customer service align to key areas of the Group's strategy as it seeks to become increasingly customer-focused in its operations.

Angela Knight CBE – offers herself for re-election.
Angela has been an Independent Non Executive Director since November 2016. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Audit, Nomination and Remuneration Committees, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively. Angela's insight into the public sector gained through many years' experience as a Member of Parliament and in a variety of roles within HM Treasury offer the Board additional perspective in the key public sector area as it relates to housing and development activities.

Robert Noel – offers himself for election.
Robert has been an independent Non Executive Director since 1 October 2019. The Board announced on 24 February 2020 that Rob will become the Company's Senior Independent Director on 21 April 2020. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit Committee and the Nomination Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities effectively. Rob brings wide experience as an experienced CEO and particularly deep property expertise which assists the Board in assessing large scale mixed-use developments such as those undertaken by all UK Regions and the TW Major Developments business; and the operations and prospects of the Central London operation.

Humphrey Singer – offers himself for re-election.
Humphrey has been an Independent Non Executive Director since December 2015. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit Committee (which he Chairs) and the Nomination Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities effectively. Humphrey's detailed knowledge and experience of financial reporting by major listed companies makes him well-qualified to hold to account the external auditor; properly assess the Group's internal audit and control processes; and oversee the ongoing tendering of the external audit.

The Board confirms that each of the above Directors has recently been subject to formal performance evaluation, details of which are set out in the Corporate Governance Report in the Annual Report and Accounts on pages 92 and 93, and that each continues to demonstrate commitment and to be an effective member of the Board able to devote sufficient time in line with the Code to fulfill their role and duties.

Resolution 13: Re-appointment of Deloitte LLP (Deloitte) as auditor of the Company
The Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. It is therefore proposed that the auditor is appointed from the conclusion of the 2020 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. Following an annual review of Deloitte's performance, and following consideration of the guidance on the timing of the rotation of the external auditor, details as set out on page 102, the Board recommends the re-appointment of Deloitte as the Company's auditor.

Resolution 14: Authorisation of the Audit Committee to agree on behalf of the Board the remuneration of Deloitte as auditor
The Board seeks shareholders' authority for the Audit Committee to determine on behalf of the Board the remuneration of Deloitte for their services. The Board has adopted a procedure governing the appointment of Deloitte to carry out non-audit services, details of which are given in the Audit Committee Report. Details of non-audit services performed by Deloitte in 2019 are given in Note 6 on page 161 of the Annual Report and Accounts.

Resolution 15: Authority to allot shares
The Directors wish to renew the existing authority to allot unissued shares in the Company, which was granted at the Company's last Annual General Meeting held on 25 April 2019 which is due to expire at the conclusion of this Annual General Meeting. Accordingly, paragraph a of resolution 15 would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £10,945,757 (representing 1,094,575,700 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 28 February 2020, the latest practicable date prior to publication of this Notice of Meeting.

In line with guidance issued by The Investment Association (TIA), paragraph b of resolution 15 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £21,891,515 (representing 2,189,151,500 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph a of resolution 15. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 28 February 2020, the latest practicable date prior to publication of this Notice of Meeting.

The Company does not hold any shares in treasury.

The authorities sought under paragraphs a and b of resolution 15 will expire at the earlier of 22 July 2021 and the conclusion of the Annual General Meeting of the Company to be held in 2021.

The Directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the Directors intend to follow TIA recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

Special Resolutions
Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolutions 16 and 17: Authority to dis-apply pre-emption rights
Resolutions 16 and 17 will be proposed as special resolutions, each of which requires a 75% majority of the votes to be cast in favour. They would give the Directors the power to allot ordinary shares (or sell any ordinary shares which the Company holds in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power set out in resolution 16 would be, similar to previous years, limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares, or as the Board otherwise considers necessary, or (b) otherwise up to an aggregate nominal amount of £1,641,863 (representing 164,186,300 ordinary shares).

This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 28 February 2020, the latest practicable date prior to publication of this Notice.

In respect of the power under resolution 16b, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three year period where the Principles provide that usage in excess of 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders.

Resolution 17 is intended to give the Company flexibility to make non pre-emptive issues of ordinary shares in connection with acquisitions and other capital investments as contemplated by the Pre-emption Group's Statement of Principles. The power under resolution 17 is in addition to that proposed by resolution 16 and would be limited to allotments or sales of up to an aggregate nominal amount of £1,641,863 (representing 164,186,300 ordinary shares) in addition to the power set out in resolution 16. This aggregate nominal amount represents an additional 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 28 February 2020, the latest practicable date prior to publication of this Notice.

The powers under resolutions 16 and 17 will expire at the earlier of 22 July 2021 and the conclusion of the next Annual General Meeting of the Company.

Resolution 18: Authority to make market purchases of shares

Any purchases under this authority would be made in one or more tranches and would be limited in aggregate to 10% of the ordinary shares of the Company in issue at the close of business on 28 February 2020.

The minimum price (exclusive of expenses) which may be paid for an ordinary share is 1 pence per ordinary share. The maximum price to be paid on any exercise of the authority would not exceed the highest of (i) 105% of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out. Shares purchased pursuant to these authorities could be held as treasury shares, which the Company can re-issue quickly and cost-effectively, and provides the Company with additional flexibility in the management of its capital base. The total number of shares held as treasury shall not at any one time exceed 10% of the Company's issued share capital. Accordingly, any shares bought back over the 10% limit will be cancelled. The Company currently holds no shares in treasury.

This is a standard resolution, sought by the majority of public listed companies at Annual General Meetings.

The Board's current intention of utilising this authority is generally limited to acquiring shares for the various share scheme arrangements. Although the Board will continue to keep the matter under review, the Board would only consider a more formal share purchase programme if it would result in an increase in earnings per share and was in the best interests of shareholders generally, having regard to all relevant circumstances.

The total number of options and conditional share awards to subscribe for ordinary shares outstanding as at the close of business on 28 February 2020 was 35,434,442, representing approximately 1.1% of the issued ordinary share capital of the Company as at that date and approximately 1.2% of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the earlier of 22 October 2021 and the conclusion of the Company's next Annual General Meeting.

Special business

Ordinary resolutions

Resolution 19 and 20: Approval of the Directors' Remuneration report and the Remuneration Policy report

The Remuneration Committee of the Board (the Committee) is seeking shareholders' approval of the Directors' Remuneration Report and the new directors' remuneration policy (the Directors' Remuneration Policy) in resolutions 19 and 20, which will each be proposed as an ordinary resolution.

The Directors are required to prepare the Directors' remuneration report, comprising an annual report detailing the remuneration of the Directors and a statement by the Chair of the Remuneration Committee. The Company is required to seek shareholders' approval in respect of the contents of this report on an annual basis (excluding the part containing the Directors' Remuneration Policy). This vote is an advisory one.

The shareholders are separately asked to approve the Directors' Remuneration Policy which is set out on pages 115 to 117 of the Annual Report and Accounts. It is intended that this will take effect immediately after the Annual General Meeting and will replace the existing policy that was approved by shareholders in 2017 which is due to expire at the 2020 Annual General Meeting. It is anticipated that the Directors' Remuneration Policy will be in force for three years although we will closely monitor regulatory changes and market trends and, if necessary, we may present a revised policy to shareholders within that three year period should it become necessary to do so. The Directors' Remuneration Policy has been developed taking into account the 2018 UK Corporate Governance Code and the views of our major shareholders.

Resolution 21: Authority to make political donations

In order to comply with its obligations under the Companies Act 2006 and to avoid any inadvertent infringement of that Act, the Board wishes to renew its existing authority for a general level of political donation and / or expenditure. Resolution 21 seeks to renew the existing authority for the Company to make political donations and incur political expenditure.

The Companies Act 2006 requires this authority to be divided into three heads (as set out in Resolution 21) with a separate amount specified as permitted for each. An amount not exceeding £250,000 for each head of the authority has been proposed. In accordance with the Companies Act 2006, Resolution 21 extends approval to all of the Company's subsidiaries.

This authority will expire at the conclusion of the next Annual General Meeting of the Company, unless renewal is sought at that meeting.

The Company and the Group do not make any donations to political parties or organisations and do not intend to going forward, but do support certain industry-wide bodies such as the Home Builders Federation in the UK. Whilst the Board does not regard this as political in nature, in certain circumstances such support together with donations made for charitable or similar purposes could possibly be treated as a donation to a political organisation under the relevant provisions of the Companies Act 2006. For example, a donation to a humanitarian charity which may also operate as a political lobby, sponsorship, subscriptions, paid leave to employees fulfilling public duties and payments to industry representative bodies could constitute a donation to a political organisation within the current definitions in the Companies Act 2006.

Details of the Company's and the Group's charitable donations appear on pages 137 and 138 of the Annual Report and Accounts.

Special resolution

Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolution 22: Notice of general meetings

This resolution will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour. The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period required for general meetings of the Company to 21 clear days unless shareholders agree to a shorter notice period, which cannot be less than 14 clear days. At the last Annual General Meeting, a resolution was passed approving the Company's ability to call general meetings (other than Annual General Meetings, which will continue to be held on at least 21 clear days' notice) on not less than 14 clear days' notice. As this approval will expire at the conclusion of this Annual General Meeting, Resolution 22 proposes its renewal. The shorter notice period of 14 clear days would not be used as a matter of routine for any general meeting, but only where the flexibility is merited by the business of a particular meeting and is thought to be to the advantage of shareholders as a whole. The renewed approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that in order to be able to call a general meeting on less than 21 clear days' notice, the Company must in respect of that meeting make available electronic voting to all shareholders.

Shareholders' services

Web communications

The Company makes documents and information available to shareholders by electronic means and via a website, rather than by sending hard copies. This way of communicating is enabled in accordance with the Companies Act 2006, Rule 6 of the Disclosure and Transparency Rules and the Company's Articles of Association.

Making documents and information available electronically:

a. Enables the Company to reduce printing and postage cost.
b. Allows faster access to information and enables shareholders to access documents on the day they are published on the Company's website.
c. Reduces the amount of resources consumed, such as paper, and lessens the impact of printing and mailing activities on the environment.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to provide hard copies to any shareholders upon request.

The Company's website is www.taylorwimpey.co.uk and shareholder documentation made available electronically is generally accessible at www.taylorwimpey.co.uk/corporate.

Electronic communications

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an email. Shareholders can sign up for this facility by logging onto our website at www.taylorwimpey.co.uk/corporate/investors/shareholder-centre.

Online facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications online at www.taylorwimpey.co.uk/corporate.

You can manage your shareholding in Taylor Wimpey via link Asset Services shareholder portal, which can be accessed online at www.signalshares.com.

Dividend Re-Investment Plan

You can choose to invest your cash dividends, including any special dividends, in purchasing Taylor Wimpey shares on the market under the terms of the Dividend Re-Investment Plan (DRIP). For further information on the DRIP and how to join, contact Link Asset Services.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you wish to either participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

The Company offers shareholders who hold their Taylor Wimpey shares in CREST a facility for the receipt of dividends through the CREST system.

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of ordinary dividends (i.e. in this case, the 2019 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk, tel: 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00am and 5:30pm Monday to Friday excluding public holidays in England and Wales.

Dividend mandates

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, complete and return the dividend mandate form attached to your dividend cheque. Additional mandate forms may be obtained from Link Asset Services.

Duplicate share register accounts

If you are receiving more than one copy of our Annual Report and Accounts, it may be that your shares are registered in two or more accounts on our Register of Members. You might wish to consider merging them into one single entry. Please contact Link Asset Services who will be pleased to carry out your instructions in this regard.

Share dealing services

We have arranged both telephone and online share dealing services. Link Share Dealing Services allows you to buy and sell shares in a large number of companies that have Link as their registrar. The services are operated by Link Asset Services. To use the services either visit www.linksharedeal.com or telephone 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8:00am and 4:30pm Monday to Friday excluding public holidays in England and Wales. To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate or any form of proxy you have been sent). Shareholders are not in any way obliged to use this service when dealing in the Company's shares.

Taylor Wimpey and CREST

Taylor Wimpey shares can be held in CREST accounts, which do not require share certificates. This may make it quicker and easier for some shareholders to settle stock market transactions. Shareholders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and this facility will remain available for the time being, pending the likely general introduction of dematerialised shareholdings in due course.

Taylor Wimpey share price

Our share price is available on our website at www.taylorwimpey.co.uk/corporate. It appears on BBC Text and other digital television interactive services. It may also be obtained by telephoning the FT Cityline service on telephone 09058 171690 and asking for 'Taylor Wimpey' on the voice activated response (calls cost 75p per minute from a BT landline, other networks may vary).

Gifting shares to charity

If you have a small holding of Taylor Wimpey shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', which is administered by a registered charity, Orr Mackintosh Foundation Limited. Shares gifted are re-registered in the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, please contact Link Asset Services or approach ShareGift directly on www.sharegift.org or telephone them on 020 7930 3737.

Unsolicited approaches to shareholders and 'Boiler Room' scams

We receive reports from time to time from Taylor Wimpey shareholders who have each received what appear to be fraudulent approaches from third parties with respect to their shareholding in the Company. In some cases these are 'cold calls' and in others correspondence. They generally purport to be from a firm of solicitors or an investment company and offer, or hold out the prospect of, large gains on Taylor Wimpey shares or other investments you may hold.

The approaches normally include the seeking of an advance payment from the shareholder, the disclosure of the shareholder's bank details or the sale of an unrelated investment. Shareholders are advised to be extremely wary of such approaches and deal with firms authorised by the UK Financial Conduct Authority (FCA). More information is available on our website www.taylorwimpey.co.uk/corporate/shareholder-information/boiler-room-scams and you can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling +44 (0)800 111 6768. This is a freephone number from the UK and lines are open Monday to Friday, 8:00am to 6:00pm and Saturday 9:00am to 1:00pm.

Annual General Meeting

11:00am on 23 April 2020 at:

The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2020 Annual General Meeting: 11:00am on 21 April 2020.

Group General Counsel and Company Secretary

Alice Marsden
Gate House
Turnpike Road
High Wycombe
Buckinghamshire
HP12 3NR
Tel: 01494 558323

Registrar

For any enquiries concerning your shareholding or details of shareholder services, please contact:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Email: enquiries@linkgroup.co.uk

Tel: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00am and 5:30pm, Monday to Friday excluding public holidays in England and Wales.

Auditors

Deloitte LLP

Solicitors

Slaughter and May

Stockbrokers

Citigroup Global Markets Limited

Credit Suisse International

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More online

View our Annual Report and Accounts online: www.taylorwimpey.co.uk/corporate

Further information about our sustainability activities and policies can be found within our dedicated Sustainability Report on our website: www.taylorwimpey.co.uk/corporate/sustainability

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