2020
ANNUAL REPORT

REDROW
A BETTER WAY TO LIVE


SUNNINGDALE GREEN, HERNE BAY, KENT

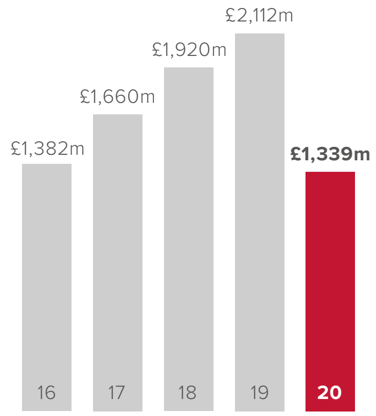
Contents

Find more information at:
redrowplc.co.uk

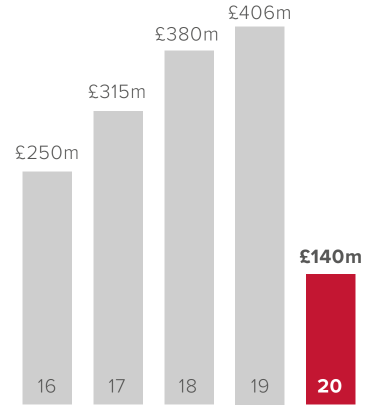
COVER IMAGE: THE OAKS AT TAYLOR'S CHASE, WARRINGTON, CHESHIRE

REDROW ANNUAL REPORT 2020

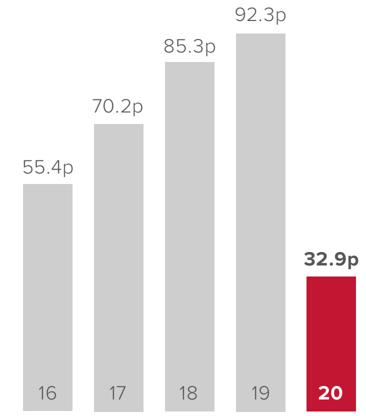
Performance Summary



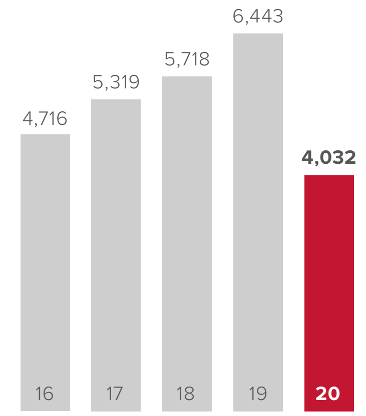
£1,339m
Revenue
-37%



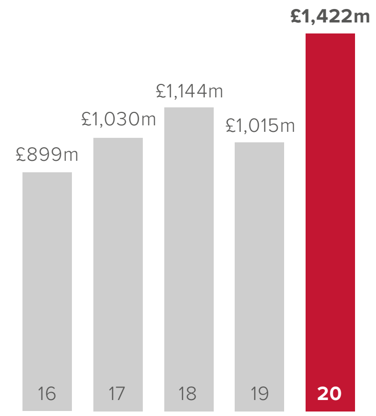
£140m
Profit before tax
-66%



32.9p
Earnings per share
-64%

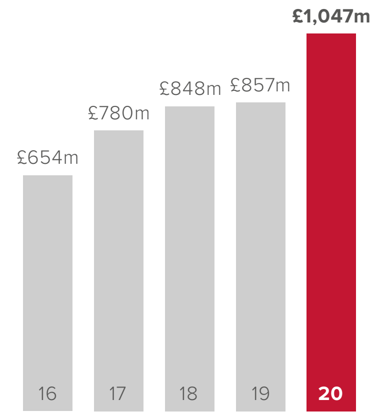


4,032
Legal completions
-37%



£1,422m
Order book
+40%

See note 23



£1,047m
Work in progress*
+22%

* including showhomes

Award highlights

STRATEGIC REPORT

Our Investment Case

Successful leadership team

Redrow has a strong, experienced and successful leadership team and remains committed to succession planning and developing the next generation of homebuilders.

14%

of workforce on structured training programmes *

257

internal promotions in year

Expertise in land buying

Redrow has the expertise and resources to ensure that the right land opportunities are secured in geographic locations aligned to our strategy.

c3,600 plots

added to current land holdings including from forward land

c1,700 plots transferred

from forward land to owned land holdings

Placemaking

We focus on delivering high quality homes and creating attractive, sustainable and vibrant places to live.

£188m

committed to fund improvements to local communities *

944

affordable homes delivered to our communities

Quality and customer service

By listening to and understanding our customers' requirements, we continue to evolve our product and customer service. We focus on quality, differentiation and value for money for customers.

91.9%

customer recommendation - 5 star status *

92%

of employees would recommend Redrow to a friend

Excellent product range

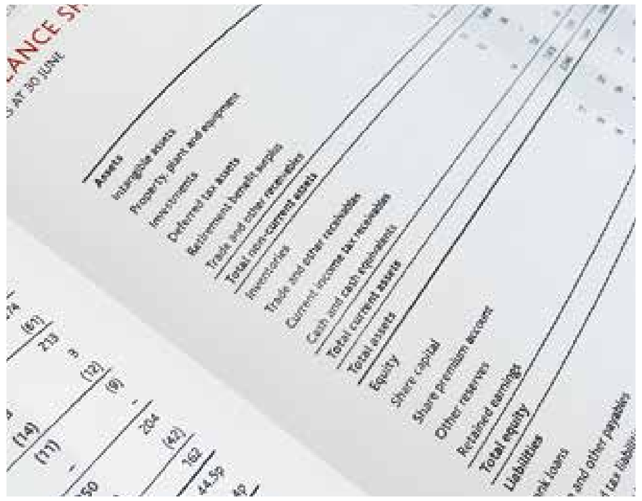
Redrow has an excellent product range which continues to evolve.

c£1.6bn

revenue value of private reservations secured in the year *

Creating communities

a key focus



A strong, efficient and resilient balance sheet

Redrow has net assets of c£1.6bn. The Group focuses medium term on delivering superior levels of return on equity and return on capital employed from an efficient use of its capital base.

8.7%

return on equity *

Nil cash

return to shareholders in 2020 due to cash conservation in response to COVID-19 pandemic

* See note 23

STRATEGIC REPORT

Our Strategy

To create long-term sustainable value for all our stakeholders by developing thriving communities with high quality homes that provide a better way to live.

Developing Thriving Communities

We develop thriving communities by creating better places to live. There are three strands which support this work:

- Nature for People – increasing biodiversity on our developments and connecting communities with nature on their doorstep;
- Placemaking for Wellbeing – our innovative Placemaking framework sets out eight design principles, which define how we achieve sustainable development on all our sites; and
- Homes for All – building the right homes, in the right places to create cohesive and thriving communities.

MEASURE	2021 TARGETS	KEY PERFORMANCE INDICATORS 2020	2019
EPS	Guidance withdrawn*	32.9p	92.3p
DPS	Guidance withdrawn*	–	30.5p
Revenue	Guidance withdrawn*	£1,339m	£2,112m
Average Sales Outlets	118	110	126
Monies committed to fund improvements to local communities	Continued investment in local communities	£188m	£314m
	Affordable homes delivered	944	1,712

Building Responsibly

Ensuring our sites are safe places to work, live and visit is central to our build operations. As we continue to help deliver much-needed new homes, we are also striving to constantly improve our quality and customer service, whilst working to protect the environment. The themes which support this activity are:

- Working Safely and Considerately – creating healthy, safe and considerate working environments;
- Putting Customers First – putting our customers first and striving for excellence in all that we do; and
- Managing Resources – creating homes of enduring quality and working to minimise our environmental impacts.

MEASURE	2021 TARGETS	2020	2019
ROCE	Guidance withdrawn*	9.2%	28.5%
Land holding years	Maintain land holdings at c4 years	6.2 years	4.0 years
Waste diverted from landfill	>95%	97.4%	97.7%
90% or more customer recommend rating	HBF 90% customer recommend rating	91.9%	90.9%
Private reservation rate	Maintain an appropriate balance in availability of product in the right locations	0.74	0.66

Valuing People

Our aim is to inspire future industry talent and to support our colleagues at every stage of their career. The two strands which support this work are:

- Valuing and Developing People & Partners – by training and developing people to succeed; driving Redrow colleague and partner advocacy and improving the wellbeing of Redrow's people and creating an inclusive workplace; and
- Inspiring the Next Generation to Build – collaborating with partners to positively impact people and communities through education and engagement activities.

MEASURE	2021 TARGETS	2020	2019
Number of trainees	Maintain level of trainees at 15% of workforce	14%	15%
Accident incident rate by site	Maintain at 0.3 or below	0.38	0.36

* Financial guidance withdrawn due to economic uncertainty surrounding COVID-19.

STRATEGIC REPORT

Our Business Model

Our strategy is achieved by channelling our resources through our strategic principles and ensuring these are embedded in our relationships with our stakeholders.

INPUTS

Land Holdings

The quality and location of our land holdings is a vital component to enable us to deliver sustainable and profitable growth. Our experienced land teams focus on the investment in and promotion of strategic land together with shorter term opportunities receptive to the value we can add through our master planning, placemaking and technical expertise.

Our People

Our employees are at the heart of our business and our results are achieved through the talent, hard work and dedication of our people.

Our Placemaking Skills

We recognise that the setting of our homes is of equal importance to the quality and design of the individual homes themselves. Our 8 placemaking principles, 'Redrow 8' are based on a customer-focused approach to creating better places to live. By using these principles we will ensure that we leave a legacy of attractive, sustainable and vibrant places to live for generations to come.

Our Financial Resources

Appropriate financial resources are a key enabler to support the delivery of our strategy. We ensure that our strategic delivery is regularly and clearly communicated to our investors and our relationship banks.

OUTPUTS

Customers

Our customers are fundamental to our business and we take great care to research their needs, listen to their feedback and evolve our carefully designed new homes as lifestyles and aspirations change.

Communities

We adopt a collaborative approach, engaging with community stakeholders to ensure our developments become thriving communities, delivering better places to live.

Suppliers & Subcontractors

We work closely with our experienced suppliers and subcontractors to maintain a strong and reliable supply chain delivering quality products and workmanship.

Our People

Our employees are fundamental to our business; we invest in attracting and retaining talented people with a key focus on training and development to enable our people to build rewarding careers and deliver succession planning for the future.

Shareholders

Our Shareholders are the primary providers of financial resources enabling us to create long-term sustainable value. We aim to provide a balance between capital growth and dividend income to our Shareholders.

STRATEGIC REPORT

Chairman's Statement

"I am immensely proud of the way our team and the wider workforce responded to the crisis and continue to do so."

JOHN TUTTE
Executive Chairman

I am immensely proud of the way our team and the wider workforce responded to the COVID-19 crisis and continue to do so. I am also grateful to everyone associated with Redrow for their willingness to embrace our new ways of working that prioritise the health and wellbeing of our customers, employees, subcontractors and suppliers.

Our immediate response to the pandemic in March was to temporarily close all our sales centres and construction sites. An orderly and phased return to construction only began in May when it was safe to do so following the development and implementation of robust COVID-19 protocols. Sales centres in England also re-opened in May for customers on an appointment only basis with stringent safeguarding measures in place, and fully opened in mid-June as non-essential retail restrictions were relaxed. Sales offices in Wales opened later in June as restrictions there were lifted.

As a precaution against the risk of an extended lockdown, the Group acted decisively to put in place measures to protect its cash flow and arrangements to increase its banking facilities. The Revolving Credit Facility was increased by £100m to £350m and the Group gained eligibility as an issuer for the Government's COVID Corporate Funding Facility (CCFF) with an insurer limit of £300m. Given the timely return to work and the effectiveness of measures to protect its cash flow, the Group has not drawn on the CCFF.

As part of its measures to protect cash flow, the Group furloughed around 80% of its employees and the entire directorate volunteered to take a 20% cut in salary and the Executive team also waived their 2020 bonus entitlement. The Group's advanced and robust IT systems support remote working and, whilst divisional offices have re-opened, many colleagues continue to work effectively from home on a full or part-time basis. All furloughed employees returned to work by the end of June and, as a result of the Group's resilient cash flow, we decided not to utilise the Government's Job Retention Scheme and returned all payments received under the Scheme.

The COVID-19 pandemic had a profound impact upon the Group's performance in the 2020 financial year but we have entered the new financial year in a position of considerable strength. We have a record order book of £1.42bn (2019: £1.02bn) (see note 23) and brought forward very high levels of work in progress. This was due in part, to increased investment earlier in the year in anticipation of strong demand for Help to Buy ahead of changes to the scheme next year. Our robust COVID-19 protocols are operating well across the business and, as the workforce have adjusted to the new ways of working, build output is progressively returning to pre-COVID levels commensurate with reducing work in progress. We expect, and have planned for, our protocols to remain in place for many months to come.

FINANCIAL RESULTS

The Group's results were significantly affected by COVID-19 in a financial year that was budgeted to be disproportionately weighted to the final quarter. The temporary closure of sites and adapting to new ways of working, resulted in only 264 completions in the final quarter of the year compared to 2,345 in 2019. As a consequence, turnover for the year was down by 37% to £1.34bn (2019: £2.11bn).

The significantly reduced turnover combined with substantial costs attributable to COVID-19 and impairments associated with the decision to scale back the London business, resulted in a loss in the second half and pre-tax profits reducing to £140m (2019: £406m) for the year.

Despite the reduction in turnover in the second half, the measures taken to protect cash flow resulted in the Group ending the financial year with £126m of net debt (2019: £124m net cash) (see note 20).

STRATEGY

The housing market is entering a period of change. The COVID-19 pandemic will have an enduring impact upon the market as the economy recovers and consumer experiences during lockdown influence future preferences and priorities. The successful Help to Buy scheme is also scheduled to change at the end of March 2021 and end in March 2023. The scheme has supported thousands of buyers since its inception in 2013 across a wide range of homes and locations.

Redrow's reputation for placemaking to create great places to live, and its established award winning Heritage Collection of homes, position the business to meet changing customer priorities. The Collection appeals to a broad range of buyers across new and second hand markets and has proved remarkably adaptable over the years as it has evolved in response to changing customer and regulatory demands. The Collection achieves high levels of customer satisfaction with a five star rating in the HBF Annual Customer Satisfaction Survey.

The Heritage Collection is well established across all our regional businesses and our teams are accustomed to plotting the product to consistently achieve superior returns compared to bespoke designs. There remains considerable scope to further utilise the Heritage Collection to grow the regional divisions and expand into new geographical areas. We have therefore decided, following a detailed review, the Group should focus on this core strength together with a continuing emphasis on quality, service, addressing climate change and improving biodiversity – putting customers and the environment at the heart of our strategy.

As part of this strategy, the Group announced at the end of June it is scaling back its London business. Our plan is to principally limit the Group's London activities to the successful Colindale Gardens development. The significant impairments and related costs totalling £35m associated with scaling back the London business have been fully provided for in the 2020 accounts.

BOARD CHANGES

Matthew Pratt was appointed Group Chief Executive on 1st July 2020. Matthew has extensive operational experience in the industry and has worked for Redrow for over 17 years. His career has progressed through all senior management levels within the Group and prior to his appointment as Chief Executive, he was Chief Operating Officer.

My intention was to step back to Non-Executive Chairman at the end of June to coincide with Matthew's appointment and to retire from the business ahead of the 2021 AGM. However, in response to the ongoing challenges due to COVID-19, and at the request of the Board, I have agreed to continue in an executive capacity to support Matthew and the senior management team until November 2020. I will then continue as Non-Executive Chairman until a replacement is appointed ahead of the AGM in 2021 for which a search has already commenced.

I was delighted to welcome Nicky Dulieu to the board as a Non-Executive Director during the year. Nicky has extensive board experience and considerable knowledge of the retail sector.

Vanda Murray has decided to step down from the Board due to work commitments. I am grateful for Vanda's valuable contribution during her tenure and wish her every success for the future. Nicky Dulieu will replace Vanda as Chair of the Remuneration Committee following the close of this year's AGM.

TRADING AND OUTLOOK

The Group secured 4,222 private reservations in the year with a value of £1.61bn (2019: £1.67bn) (see note 23). As a result of the Group's strong sales performance earlier in the year, and the significant shortfall in legal completions due to the COVID-19 lockdown, the Group entered the new financial year with a record order book of £1.42bn (2019: £1.02bn).

Since sales centres re-opened in May, the Group has seen strong demand, especially from buyers wanting to use the Help to Buy scheme ahead of next year's changes and those wishing to benefit from the Stamp Duty Land Tax (SDLT) holiday. However, whilst the Group is well positioned it is also conscious of a number of factors that could adversely affect the market in the medium term. In particular, the ongoing impact of the COVID-19 pandemic, the possibility of a no-deal exit from the EU and the ending of the SDLT holiday.

Whilst there remains a significant under-supply of new homes, the demand for open-market housing is very dependent upon the strength of the economy and in particular, the availability and affordability of mortgages and buyers being able to fund deposits. Low interest rates continue to keep mortgages at historically affordable levels, however, the recent reduction in the availability of high loan to value products will affect some buyers, particularly those that will not qualify for the Help to Buy scheme next year.

We broadly welcome the Government's 'Planning for the Future Consultation' which, in time, proposes to streamline and modernise the planning process and improve the supply and delivery of new homes. The immediate priority however, must be to support the demand-side through this period of economic uncertainty. The impact of the SDLT holiday expiring in March to coincide with the changes to the Help to Buy scheme could disrupt a sustainable recovery. We would therefore urge government to consider taking steps to avoid a hiatus in the market, including a long-term reform of SDLT to free-up more cash for deposits at a time when the high loan to value mortgage market is constrained. The SDLT holiday is clearly demonstrating that cutting rates is a highly effective way to stimulate the entire housing market and help revitalise the wider economy.

Although there remains uncertainty on the horizon, the Group is well placed to deliver a robust performance. We have completed substantially more homes in the first few weeks of the new financial year than during the comparable period last year whilst maintaining a record order book as a result of keen demand for our Heritage Collection homes.

This, combined with reduced investment in London, will deliver strong operating cash flow over the coming months to support our regional growth plans and we expect to be cash positive at the end of the financial year. As a result, and subject to market conditions, we expect to resume dividend payments in 2021.

The Group's resilience in these challenging times is testament to the dedication and commitment of the whole Redrow team and, as ever, I am hugely grateful for their ongoing support.

JOHN TUTTE
Executive Chairman

15 September 2020

STRATEGIC REPORT

Group Chief Executive's Statement

"Our order book represents a strong foundation to underpin the business in 2021."

MATTHEW PRATT
Group Chief Executive

INTRODUCTION

The onset of COVID-19 had a significant impact on the business in the financial year under review. Total legal completions (including JV) reduced to 4,032 compared to 6,443 in the previous year with revenues falling to £1.34bn (2019: £2.11bn).

We ended the financial year with a record forward order book of £1.42bn (2019: £1.02bn) of which 70% was already exchanged. This represents a strong foundation to underpin the business in 2021, particularly in terms of cash generation through what might be an uncertain trading period.

This is an extraordinary time for the business, and indeed the nation. I'm exceptionally proud of our teams and how they have and continue to respond to the challenge. Our colleagues, suppliers, and subcontractors are tirelessly working together to deliver the best possible outcomes for our customers. This close collaboration is also helping to prepare the business for the long-term changes being driven by COVID-19.

As everyone adapts to the impact of the pandemic, customers are naturally reassessing what is important to them. Our strategy of delivering high quality, predominantly detached homes – combined with our strong placemaking principles – are now more desirable than ever before to homebuyers searching for more space and 'a better way to live'.

This strategy gives us a high level of differentiation, and together with disciplined cost control, means Redrow is well positioned to navigate all market conditions. Our average private selling price of £386,700 (2019: £389,500) combined with a strong rate of sale, delivers industry-leading revenues on an outlet basis for a typical housing development.

Last year our average private house floor area was 1,294 sq ft and the desirability of Heritage homes which already account for over 80% of turnover is further increasing as customers realise how important the space and layout of their home is when potentially faced with having to spend more time at home. As we continue to build in prime locations many of our homes are within reach of families aspiring to a larger home.

Taking these facts and trends into account my aim is to evolve, rather than revolutionise, our successful strategy. At the same time we will drive forward our market advantage in areas such as digital and online services.

Following a strategic review of our London operations we made the decision to exit from all sites over time, with the exception of our Colindale Gardens development.

Making acceptable returns in London has become increasingly more difficult in recent years. There remains downward pressure on the London market created by weak overseas demand, shifting social trends, which suggest many buyers are now looking to live and work outside the Capital, and a convoluted two-tier planning system that has not responded to any of these changes.

We will however continue with our Colindale Gardens development, on the site of the old Hendon Police Training College and on the outskirts of the Capital. During the year we received a planning resolution for a further 1,200 plots, which will result in the development delivering c4,000 homes and continuing to account for the majority of our London-associated revenue. The size of the scheme has allowed us to integrate many of our Redrow placemaking principles, which will ensure this will be a desirable location long after we have finished construction.

Our well established divisional network across England and Wales has the capacity to offset the reduction in London and maintain overall growth whilst still continuing to satisfy strong consumer demand for our core Heritage product.

Following lockdown our sales rate has remained strong highlighting the demand for our quality homes and places.

In anticipation of the strong demand for Help to Buy ahead of the planned changes to the scheme next year, we have entered the year with a very strong WIP position. We have increased the number of plots under construction by 13%. This, together with advanced build stages results in the equivalent units work in progress being 48% ahead of the previous year.

Ensuring the safety of all personnel remains our priority and, as trades have become more familiar with revised working practices, productivity has continued to improve. Meanwhile, our strong opening WIP position is compensating for reduced productivity until we fully return to pre-COVID-19 levels.

INVESTING IN PLACES

Prior to the COVID-19 pandemic the Group added 3,614 plots to the current land bank and, after taking into account legal completions, land sales, re-plans and our London review, our owned and contracted land holdings with planning totalled 27,000 plots (2019: 28,566 plots). Pull through from Forward Land accounted for 1,721 of the plots added.

We temporarily postponed the purchase of new land as part of measures to protect cash flow at the onset of COVID-19 and also renegotiated favourable deferment terms on our existing obligations.

Post lockdown we have returned to the market, taking a sensible and balanced view with regard to land acquisition. Land agreements will be made on a case by case basis, with preference given to those deals which are either at strong margins or alternatively are subject to planning with walk away provisions should we see any material changes in the market.

Our cautious and selective approach to the land market will inevitably have an impact upon outlet growth in the next financial year. We do however, continue to target moderate growth and we will accelerate our land buying activities when the time is right.

As part of our strategy to create better places to live, we are progressing our work to address climate change and improve biodiversity. We have been awarded a gold level status in this years NextGeneration Benchmark, retaining third place for the fourth year in a row. The NextGeneration Benchmark assesses and ranks the sustainability performance of the UK's 25 largest housebuilders.

This success follows us receiving the 2019 NextGeneration Innovation Award in June, which is awarded to a homebuilder that has demonstrated initiatives that go far beyond the criteria used for the benchmark.

We were recognised for our commitment to supporting healthy communities by developing a unique social value calculator.

From guaranteeing that 99.9% of our timber was responsibly secured to ensuring 97.7% of our waste was diverted from landfill in 2019, we have continued to fulfil our company ethos of building responsibly and protecting the environment.

We have also teamed up with The Wildlife Trusts to develop a robust group-wide wildlife strategy for all of our sites, and we are also partners with the Bumblebee Conservation Trust, which has seen us introduce a variety of pollinator-friendly measures, resulting in the implementation of hedgehog highway networks, bat bricks and bird boxes to encourage local wildlife.

PEOPLE

At the beginning of COVID-19 we took some immediate steps to protect the business, whilst supporting customers, colleagues and front-line workers.

We were proud to support the NHS during the crisis with a number of initiatives, including offering our Show Homes on a site near Basildon for doctors and nurses to sleep between shifts; donating personal protection equipment to NHS Hospitals across the country and supporting colleagues who selflessly decided to volunteer whilst on furlough.

The Health & Wellbeing of our people remains a priority. We have now trained over 200 Mental Health First aiders and earlier this year we supported the 'Time to Talk' day aimed at raising awareness of mental health issues. Notwithstanding this, colleagues, subcontractors and their families will still have access to a 24-hour confidential phone line externally manned by professionals to help in times of need.

HEALTH, SAFETY & ENVIRONMENTAL

Early on in the COVID-19 outbreak, our teams began to plan for return to work protocols and liaised closely with industry bodies to develop best practice.

Our construction, sales centre and customer service videos received thousands of views both from within, and outside, the housebuilding industry. We were proud not just to support our own colleagues, but to help others, in particular, SME's without the resources to develop and promote protocols.

All our workplaces are COVID-19 secure and we helped to shape the co-produced Government and Home Builders Federation charter on safe working practice with regard to COVID-19 safety protocols.

Reflecting our commitment to Health, Safety & Environmental, three of our site managers have received 'Highly Commended' awards at the NHBC's annual Health and Safety Awards. Now in their tenth year, the awards are given to site managers who demonstrate an outstanding level of health and safety management from planning through to execution.

CUSTOMERS & QUALITY

Once again, we were proud to secure a number of top customer service accolades.

We were again a HBF Five Star Customer Excellence Award winner, with our score trending above the majority of the major homebuilders with a recommendation score of 91.9%.

Throughout the year, we were continually rated as 'Excellent' on Trustpilot and it was particularly pleasing to see the many positive customer comments about colleagues across the business, working in sales, construction and customer service.

Twenty one of our site managers were awarded NHBC Pride in the Job awards recognising their dedication to quality and will now go forward to the next stage of the awards.

STRATEGIC REPORT

Group Chief Executive's Statement continued

This customer service performance is underpinned by our iPad quality inspection tool which enables site managers to take before and after pictures of every build stage. This industry leading technology is the foundation of our customer service performance and we are already beginning to see the benefits in further improved quality and efficiencies.

We remain the only major homebuilder to be a member of the Institute of Customer Service (ICS), sponsoring a number of colleagues on its industry accreditation scheme and sharing best practice.

In response to the COVID-19 pandemic we expanded our customer experience, including introducing zoom calls for potential homebuyers and virtual Hard Hat tours by site teams to guide customers around their homes at pre-plaster stage. Our inspection apps were also adapted to enable customers to complete their own Home Preview tours whilst maintaining social distancing.

MARKET OUTLOOK AND CURRENT TRADING

The government has recognised that the home building industry has a big role to play in the country's economic recovery. It is committed to tackling the chronic housing shortage and meeting its 300,000 new homes per year target by the mid 2020's.

We welcome both the introduction of the stamp duty holiday and the extension of Help to Buy to ensure prospective homeowners aren't disadvantaged by changes to build schedules caused by COVID-19.

Once again, I would like to thank the Redrow team, customers, shareholders and all partners for their support, dedication and understanding during the last few months.

It is likely there will be a level of market uncertainty for the foreseeable future. However, Redrow is very well placed to navigate all market conditions. Our level of differentiation, combined with social trends towards customers desiring quality family homes in great places, has resulted in an encouraging sales rate following the business' re-start. For the first 11 weeks of the current financial year our sales rate has been very strong at 0.84 (2019: 0.68). We currently have a record forward order book of £1.53bn (2019: £1.33bn), which provides further certainty going forward. Overall, we have an excellent platform to continue delivering and evolving Redrow's successful strategy in the future.

MATTHEW PRATT
Group Chief Executive

15 September 2020

THE COPSE, DEVON

STRATEGIC REPORT

Operating Review

LAND, PLANNING & DESIGN

At Redrow we use our planning and design skills to develop our quality land holdings into well-designed, sustainable and vibrant places to live.

OWNED AND CONTRACTED LAND BY GEOGRAPHY (PLOTS)

	2020	2019
North	**5,459**	5,580
Central	**8,024**	8,398
South	**10,785**	11,251
Greater London	**2,732**	3,337
	27,000	28,566

FORWARD LAND BY CATEGORY (PLOTS)

	2020	2019
Land owned without planning	**2,504**	3,185
Land contracted without planning	**2,577**	1,281
Options with housing allocation	**8,618**	9,935
Options with realistic prospect	**17,001**	17,099
	30,700	31,500

THE IMPORTANCE OF PLACEMAKING

The renewed focus of Central Government on placemaking and the delivery of beautiful places to live has in the last 12 months seen the publication of the National Design Guide (NDG) in October 2019 as well as the final report of the Building Better, Building Beautiful Commission at the end of January 2020.

At Redrow we are very well-placed to embrace this new agenda and on publication of the NDG we refined our assessment criteria for our internal placemaking scoring system (the Redrow 8) to reflect the key characteristics of well-designed places set out in the Government guidance.

Our placemaking principles are embedded into how we approach all of our new developments and this year our Group Master Planning Team held two design seminars for all of our design managers to share and discuss best practice and how we can deliver places of the highest quality. This sharing of ideas and best practice was supplemented by the launch of our placemaking e-learning course for all staff, designed to further develop their knowledge of key placemaking and urban design principles and how they are to be applied to our new communities.

We have compiled two new comprehensive design manuals, one for use by our divisional teams and one for use by external design consultants engaged to assist in the design of our new developments. The manuals cover all aspects of site layout and landscaping and are rooted in the delivery of our placemaking principles, ensuring that every design decision we make contributes to the creation of a successful and beautiful place to live. The new manuals also reflect and address the latest requirements for biodiversity net gain and the focus on creating sustainable places to live.

We are changing our approach to landscaping to create more natural, wildlife friendly planting designs which complement our beautiful homes. For example, at our Woodford development, we have seeded and planted the swales with wildflower mixes, grasses and more mature trees giving a less ornamental and more natural feel to these areas.

THE SWALES AT WOODFORD GARDEN VILLAGE, CHESHIRE

Our Group Master Planning team is responsible for working with all of our divisions to promote our placemaking approach and to advise on how emerging schemes might be revised or refined to ensure that we deliver the best quality place we can on each site. This includes regular project design review process and assessment of emerging layouts against our 8 placemaking principles. Our Redrow 8 scoring system means that we can assess a project at a number of stages from the drawing board to delivery on site to test and review our progress against our urban design objectives. The scoring system also provides a 'health and wellbeing' score based on how the place encourages social interaction, provides for walking and cycling, incorporates nature as well as providing attractive green spaces.

Communicating our placemaking vision to our customers is important to us. To assist with this we have developed a series of placemaking videos for customers, explaining how we ensure that all of our developments respond to the unique characteristics of the site and the surroundings, provide places that are easy to get around and accessible, embrace the natural environment and provide places to go and things to do.

LAND

Our land buying expertise, resources and placemaking abilities help Redrow secure quality land holdings. During the financial year, the Group acquired c3,600 plots with planning permission to add to our current (owned and contracted) land holdings, being extremely selective with our land purchases in the second half of the financial year in the light of the COVID-19 pandemic. As a result, after 4,032 legal completions, allowing certain contracts to lapse and the impact of the London scale back, we closed the year with 27,000 plots in the current land holdings (2019: 28,566). This represents a c6 year land supply based on legal completions in the financial year (2019: c4 years). Approximately 40% of our current land holdings are in the South, 30% in the Central Region, 20% in the North and 10% in Greater London.

Forward land continues to make a significant contribution to land additions, delivering 48% (2019: 40%) of the c3,600 current land additions in the year across 8 sites. We closed the year after transfer to the current land holdings, the impact of the London scale back and strategic reviews with forward land holdings of 30,700 plots (2019: 31,500 plots).

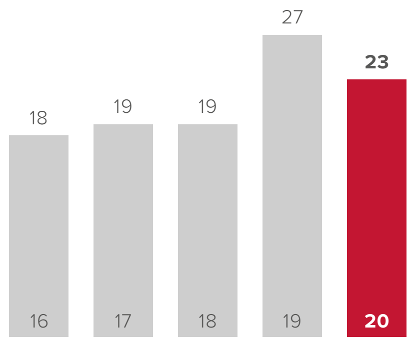
DEVELOPMENT THAT ENHANCES NATURE

The launch of our industry-leading biodiversity strategy in summer 2020 coincided with a new-found public appreciation of the importance of 'doorstep nature', following COVID-19 stay-at-home restrictions. During the lock-down, people increasingly turned to nature and green spaces for solace and to support their mental and physical wellbeing. Natural England reports that in May 2020, 74% of adults were taking more time to notice and engage with everyday nature, such as listening to birdsong or noticing butterflies. Our strategy – created in partnership with The Wildlife Trusts - aims to help our communities do just that. Our vision is to create the best new developments for wildlife, where people benefit from access to nature-rich spaces; and to use our activities to increase biodiversity, inspiring other businesses to do the same.

STRATEGIC REPORT

Operating Review continued

SOCIAL HOUSING LEGAL COMPLETIONS (%)



The strategy contains a series of commitments to help us achieve our vision, by creating developments:

- That contribute to wider ecological networks;
- That provide more biodiversity after development than was there before;
- That are planted in a way that reflects the local landscape character with native species;
- Where wildlife can move through the development using green corridors;
- Where local communities are involved in the design and care of the green spaces;
- That are enticing and accessible to the community with engagement to help them enjoy and understand the wildlife around them;
- That improve with time through community engagement and effective long-term management;
- Where the benefits for nature and people will be measured.

This partnership is the first time a representative from The Wildlife Trusts has been seconded to a housebuilder. Reflecting on her experience, secondee Rosie Whicheloe, a Landscape Ecologist from London Wildlife Trust remarks:

"The Government's intention to make biodiversity net gain compulsory through the planning system was a driver for this strategy, but Redrow have long recognised that people are an important part of the equation too, and so do the Wildlife Trusts. This means we need to restore nature on a massive scale – not only where we work and play but also where we live. Yet, environmental organisations can't achieve this without collaborating with others such as house builders. We need to apply the Lawton concept of being better and more joined up to our habits as well as our habitats. Redrow's strategy with The Wildlife Trusts brings together expertise from two historically conflicting sectors to find a way to put nature at the heart of designing new places in which to live."

Our partnership with The Wildlife Trusts continues as we begin to implement the strategy across the business. Much has already changed as we have developed the strategy but there is still more to do; creating new processes and checks; working with ecological and landscape consultants; training teams and working with management companies. Together we are developing a robust assurance process to ensure our commitments are fulfilled and developing links between Redrow regional teams and their local Wildlife Trusts to establish closer working relationships at the local level. By working together at an early stage we can ensure that development has positive outcomes for both nature and people.

During the year we also took the decision to halt the use of hedge netting on our developments due to the potential negative impacts on wildlife. We were also delighted to win an award in CIRIA's BIG Biodiversity Challenge, for work at our Heritage Park development, North Wales. The project won the Project of the Year Award for small-scale projects. Here, Redrow gifted land to the Amphibian and Reptile Conservation (ARC) Trust for the development of a new local community nature reserve, which has since shown a 6-fold increase in the population of endangered Great Crested Newts. A great example of how good development can restore nature and benefit local communities.

We are also thrilled to report a further success story for endangered species at our Mill Meadows development in South Wales. This formerly derelict paper mill site had a small population of the rare Lesser Horseshoe bat roosting in the mill buildings. Prior to demolition of the unsafe buildings, we created a new 'bat hotel', which the bats quickly started to use. The bats had never been known to breed at the old mill buildings, but our ecological surveys have recently shown that there is now a breeding population in the new bat house. This significant achievement, demonstrates how redevelopment, done well, can help improve biodiversity.

Earlier this year we celebrated five years working in successful partnership with the Bumblebee Conservation Trust to create bumblebee-friendly housing developments. We have also provided a range of information to our customers on how they can help the plight of the bumblebee in their new gardens, as well as gifting c2000 free memberships of the Trust to customers on selected developments. We celebrated the anniversary during the COVID-19 pandemic and consequently released a series of online animations with top tips for gardening for bumblebees.

DEVELOPING HEALTHY PLACES TO LIVE

The importance of having access to local green spaces has never been more keenly felt than during the lockdown of spring and summer 2020. We have long understood the benefits that such spaces can bring to communities and consequently we are creating more than 1,600 acres of green space and communal areas on our current developments. These include a range of spaces suitable for all ages and activities, including football pitches such as those being created at our Roman Green development in Chester; community woodlands like the new one being planted at our Amington Garden Village; nature trails such as the bumblebee trail we have woven through the natural areas at Saxon Brook, Exeter; as well as numerous parkland areas on our developments suitable for events, play, sport, picnics or just a quiet stroll and sit near one of our attractive ponds.

This desire for even more green and open spaces is often voiced during our extensive community consultation processes. As a result of community consultation for our Mill-at-Springfield development, in Kent, we increased the amount of landscaping throughout the scheme; and at Kings Meadow in Ely we responded to feedback from the community to create additional green corridors through the development.

We have also created 22km (2019:19km) of new cycling routes in and beyond our developments in the year; enabling our customers and local communities to reduce their car use and also to avoid using public transport during the COVD-19 pandemic. For example, at our development at Cheswick Village, near Bristol we provided new cycle paths which provide strategic connections to local employment, education, shops and community facilities as well as providing for leisure and exercise. Being able to safely and easily cycle to these places can also help to reduce our customer's carbon emissions. We also incorporate 'trim trails' through the green spaces on some of our developments, such as the one at our Ebbsfleet Green development; and at our Colindale Gardens development, North London, we have installed an outdoor gym for residents to enjoy.

The vast majority of our developments have green travel plans, and a range of initiatives are in place to help reduce car dependency, including cycle-ways, car clubs and other initiatives.

BRINGING BENEFITS TO THE WIDER LOCAL COMMUNITIES

For more than 40 years we have sought to create truly thriving communities which enhance existing communities, designing our developments in a way that helps people live sociable, active lives in attractive environments. This year we continued that approach, committing £188m to the local communities where we build for the development of new schools, local shops, community & health centres as well as green spaces as part of the planning process.

As part of our placemaking principles, we are committed to providing 'Homes for All'. We recognise that sustainable and socially cohesive communities are formed where there is a diverse mix of homes and tenures provided. We are proud to have designed, built and delivered 944 new affordable homes across our developments in the financial year (2019: 1,712) partnering with Registered Providers (RPs). Redrow is committed to providing high quality affordable homes for local people and one measure of our success in achieving this is the repeat business we continue to enjoy with both small and large RPs time and time again.

This year we completed a new community centre at our Caddington Woods development, Luton, and handed it over to the Caddington & Slip End Community Trust (CaSE) who will now manage it. The community centre, which is a zero carbon building, provides a focal point for everyone to come together to enjoy a range of activities including fitness classes, parties, local club meets and it also has an adjoining children's play area. To help celebrate the opening of the new centre, members of Redrow's sustainability team worked with local school children to create individual ceramic tiles to decorate the entrance area. Each tile depicted aspects of the natural world, celebrating the surrounding woodland, which is being enhanced to provide improved habitat for wildlife and a lovely natural space for the community to enjoy.

We know that since the COVID-19 pandemic, having access to a local shop has become more important than ever. At our Horsforth Vale development, a new independent local shop is situated at the heart of the neighbourhood, providing fresh provisions within walking distance for everyone in the new 500-home community.

We are also focused on creating 'edible landscapes' on our developments, providing food for both the local community and wildlife. Our community orchard at Saxon Brook, Exeter also provides beautiful blossoms – great for pollinators too – and a focal point for the community to come together to enjoy the harvest. At Cherhill View, Calne a strong allotment community has developed, coming together to grow their own fresh fruit and vegetables.

We are keen to help build a sense of community at our new developments, so we invite all new customers to welcome parties before they move into their new home. These informal events are an opportunity for everyone to meet their new neighbours and find out more about the new community and surrounding area. We also hold community days at many of our developments to help bring people together; for example at The Copse in Dawlish we arranged a Pancake Day event where the whole community – old and new – were invited to drop in to enjoy making and sampling pancakes together in the company of special guest bakers Louise and Val from The Great British Bake-Off.

Year-on-year we continue to support community initiatives in the areas local to where we build. Our Local Community Funds are open for community groups to apply to. We have supported a diverse range of causes including, providing tools for a primary school eco-club in Formby, providing a much-needed mobility scooter for the 19th Swindon Scout group, enabling the purchase of new sound equipment at a performing arts school in Chester, supporting a project that aims to alleviate period poverty among local girls in Lancashire, sponsoring a carol service in aid of the Stroke Association in Marlborough, and providing kit for a new netball team in Cheshire. Across Yorkshire we have been rehoming lifesaving defibrillators from our completed construction sites to local communities. Harewood Nursery School in Pontefract, West Yorkshire, is the latest recipient, with the defibrillator being installed outside the school building, so the whole community has access to the device.

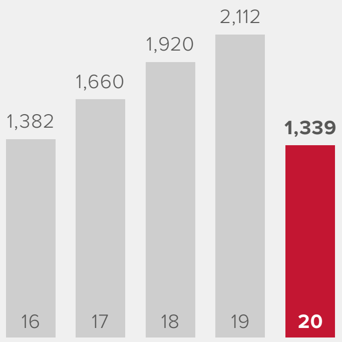
STRATEGIC REPORT

Operating Review continued

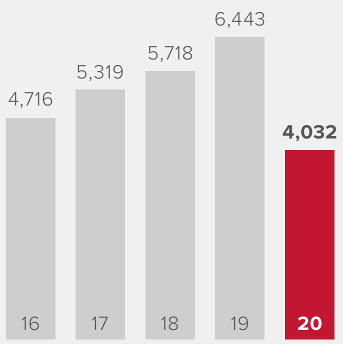
COMMERCIAL & SYSTEMS

We continue to improve our systems and efficiencies, working closely with our suppliers and subcontractors to deliver increasing numbers of our quality homes.

REVENUE (£M)



LEGAL COMPLETIONS (NO.)



CORPORATE RESPONSIBILITY

As outlined in our Chairman's statement, our strategy includes a continuing emphasis on quality, service, addressing climate change and improving biodiversity – putting customers and the environment at the heart of our strategy.

We have been named as winner of the prestigious 'Global Good Company of the Year' in the Global Good Awards 2020 for our approach to social and environmental sustainability. We received the Silver Award.

Our shortlisting is based on our sustainable approach to development across three key areas:

- Building responsibly: e.g using 99.9% responsibly sourced and certified timber, minimising waste, reducing carbon emissions and partnering with organisations such as The Wildlife Trusts and The Bumblebee Conservation Trust;
- Valuing people: e.g through investment in apprenticeships, training and personal development together with comprehensive health and wellbeing programmes for staff and subcontractors; and
- Creating thriving communities: e.g through a combination of strong placemaking principles and investment in local neighbourhoods.

At the start of the financial year we were also awarded the NextGeneration Innovation Award for our research into social value and our new social value calculator. In the NextGeneration annual benchmark we retained third place and received a Gold Award for the fourth consecutive year, which recognises our sustainability strategy, management and progress.

In order to continue to evolve and improve our approach, this year we commissioned an external organisation to undertake a review of our approach to sustainability and in particular how we can better communicate this transparently and effectively to our stakeholders. As a result we are currently undertaking a refresh of our approach which will include: re-engaging with stakeholders to undertake a new materiality exercise; which, along with a review of risks and opportunities, may result in a re-alignment of our vision for sustainability and our aspirations and goals in this area.

REVENUE, LEGAL COMPLETIONS AND OUTLETS

The Group's results were significantly impacted by COVID-19 in a financial year that was budgeted to be disproportionately weighted towards the final quarter. As a consequence, we achieved 93% of our legal completions in the 39 weeks to the end of March 2020 (2019: 64%). This resulted in revenue for this financial year being 37% below last year at £1,339m (2019: £2,112m) and legal completions falling to 4,032 (2019: 6,443).

Our established award winning Heritage Collection contributed 84% of the Group's private sales revenue (2019: 79%) with our bespoke product representing 16% of private sales revenue (2019: 21%).

Affordable housing accounted for 23% of legal completion volumes this year compared to the unusually high 27% in the previous year and 10% of homes revenue (2019: 12%).

Homes revenue by geographical area was broadly in line with the previous year with 38% in the South, 26% in Central, 23% in the North and 13% in Greater London.

The temporary closure of all our sales centres impacted our active outlets this year where our average fell from 126 last year to 110 this year. At the end of June 2020 we were operating from 113 active outlets (2019: 129).

VALUING AND DEVELOPING OUR PEOPLE AND PARTNERS

Health and wellbeing

This is one of our strategic aims. Health and wellbeing is an important part of this and never more so than these challenging times both in terms of physical and mental health.

We have a dedicated wellbeing advisor supported by wellbeing champions in all our divisions together with a dedicated health and wellbeing page on our intranet. This year we also launched a health and wellbeing newsletter to focus on a range of topics and share different ways employees can improve their physical and mental wellbeing.

Mindful of the importance of work life balance, during the year we reviewed our working hours and reduced these whilst still offering flexibility within working hours. In our 2020 Insight employee survey, conducted for us by an external consultancy, we achieved a 91% response rate and 76% of respondents were happy with their home/work life balance, up from 67% in the previous year.

Having launched our "Mind Your Head" initiative last year, we have built on this in the current year and now have over 200 mental health first aiders across the Group. A mandatory online mental health e-learning module has been launched for all Redrow colleagues to gain a better understanding of mental health and support to take care of their own wellbeing as well as that of others. A bespoke Redrow Directors course focused on leadership responsibilities around mental health has been designed and commenced roll out across our divisions pre COVID-19 together with training for managers.

A suite of mental health toolbox talk sessions have been created for our site teams. Each session provides education round key mental health topics and focuses on the support available. We supported "Time to Talk" day on February 6th when our sites hosted these talks and encouraged all colleagues and subcontractors across our business to step away from work and talk, over lunch, cakes and biscuits.

A variety of other initiatives have also been delivered including flu jabs offered to all Redrow colleagues and support for financial wellbeing.

Learning and development

A key focus has been developing, communicating and training on new safe working practices in the light of the COVID-19 risk. During lockdown and subsequently we have placed additional emphasis on our e-learning platform, ensuring all colleagues completed vital working training and allowing core skills to be refreshed.

In total, we completed 5,925 training days this year, including those which support our induction process from a combination of e-learning and face to face training delivered at our training centres at Tamworth and Daresbury and training suite at our Head Office. 14% of our employees are trainees (2019: 15%).

We continue to support work to inspire the next generation into careers in construction. For example, we have supported three Skill Build events this year in South Wales the South West and the National finals and continue to work with Wolverhampton UTC by providing assistance with employer projects, CV workshops and careers events. We have also revalidated our association with John Moores University this year and currently have three Redrow colleagues studying the Construction Management in Housing Building degree we helped to develop.

Redrow also has Redrow's Women's Network which is a group developed to support women in the business and young females entering the industry providing mentoring.

PARTNERING FOR SUPPLY CHAIN SUSTAINABILITY

While the work we do in reducing the direct impacts from our operations is important; the greater part of our impact comes from the products, materials and activities of our supply chain. This is why we continued to develop our partnership with the Supply Chain Sustainability School during the year, to help build awareness and the skill-base of our supply chain across a range of sustainability issues. It's also a more efficient process for the supply chain, since accessing the School's resources prevents the need to repeat the process for other customers as it's visible to all.

We are members of the School's Carbon Special Interest group, working with our industry peers to drive a reduction in carbon emissions from the supply chain through products,

STRATEGIC REPORT

Operating Review continued

works and services procured. Phase one of the project is already underway and involves the collection of Scope 1 and Scope 2 energy and carbon data from key suppliers into a bespoke online tool; with a view to collecting Scope 3 data at a later date and for the most carbon-intensive materials only. The collection of this data will help us in calculating the greenhouse gas emissions from our supply chain that are attributable to us, as our Scope 3 emissions. The second phase of the project with be engaging further with the suppliers to provide resources to help them reduce these emissions.

We have continued our work liaising with our supply chain to find ways to eliminate, reduce, reuse or recover packaging. This includes the Dulux paint can recycling scheme, which sees used, empty paint-cans recycled into new materials and products, such as plastic piping or steel tools. More than 17,000 paint-cans were recovered from our sites this year which contributes to our excellent track-record in diverting waste from landfill. In addition, our pallet repatriation scheme recovered in excess of 34,000 pallets in the year by our supply partner. A new approach that will enable the recovery, repair and re-introduction of dedicated pallets for construction products is to be trialled later in 2020.

Understanding the origins and potential impacts of the products and materials we use has long been an important issue for us. We use a large amount of timber in the construction of our new homes and we are aware that illegal logging is one of the most serious threats to the world's forests, which are home to many threatened wildlife species as well as vulnerable communities. They are also important in their capacity to store carbon. Consequently we have been working to ensure the timber we buy is from known and responsible sources. We were active members of WWF's Global Forest Trade Network from 2003, until the group was recently closed by WWF. Despite the closure of the programme, we continue to progress and implement the policies and practices developed over this time, and remain dedicated to sourcing forest products from well-managed sources. In the 2019 calendar year, 99.9% of the forest products in our homes were from verified and credibly certified sources, as follows:

- 81.32% credibly certified (e.g. FSC purchased with Chain of Custody)
- 18.58% source verified (including e.g. PEFC purchased with Chain of Custody)

We have recently disclosed to the CDP Forests Programme for the first time in order to maintain transparency in our reporting this area and to continue to develop as industry leader in this field.

For other materials and products used in the construction of our homes, we use a supply chain mapping system to enable us to better understand their origins, enabling us to work with supply partners to identify and avoid those products deemed to be high risk in respect of environmental and social ethics. During the year we have reviewed the percentage of recycled content of our materials and will now start exploring alternatives to help increase the recycled content in our homes and reduce our embodied carbon emissions. Our internal product review panel seeks out and appraises potential new products and materials that will help us continue to improve the efficiency and sustainability of our homes. During the year we introduced new feature gable panels and feature cills which are manufactured off-site helping us reduce waste, limiting the need for people to work at height, increasing build efficiency, as well as offering a consistent and quality finish.

Datum RPO were introduced in 2019 to manage the supply of agency labour and to ensure we have a legally compliant workforce from a preventing modern slavery perspective. Regular audits have been undertaken of the labour supply chain to prevent non-compliance have been undertaken by them throughout the year.

IMPROVING OUR SYSTEMS AND PROCESSES

It remains fundamental as our business continues to evolve and face new challenges and opportunities that we continue to invest in improving our systems and processes to support this.

We have a dedicated team of in-house IT specialists including a digital team, system analysts, software developers, IT security officers, help desk experts and systems accountants led by our Chief Information Officer. The team work closely with Group and the operational businesses with major system improvement projects sponsored by members of the Executive Management team.

Our systems have proved resilient during lockdown and the in-house IT team adapted quickly to allow the majority of Head Office and divisional office staff to work from home. We and our customers also benefited from the online reservation system we introduced last year and have now introduced video call functionality to MyRedrow as a further option for our customers to interact remotely with our sales colleagues.

Our "REDSMI" Site Managers Inspection iPad application is now fully embedded within our construction teams. They now have the ability to carry out 9 quality inspections of each property throughout the entire construction process – noting good practice and items that need rectifying, with pictures and text. The reports and photographs from these inspections are sent directly to our subcontractors, resulting in quicker resolution of defects and a higher quality finished product.

Along with many other businesses we have embraced personal conferencing facilities. These have quickly become embedded as an efficient and socially distanced way to hold meetings which will continue to be used going forward.

ELM GREEN, WATERLOOVILLE, HAMPSHIRE

STRATEGIC REPORT

Operating Review continued

CONSTRUCTION

To meet the demand for new homes, the housebuilding industry must work with Government and the wider community to inspire the next generation to build.

BUILDING RESPONSIBLY

Considerate Constructors

A key element of building responsibly is ensuring that our construction sites are managed in a way that seeks to improve the image of construction by striving to promote and achieve best practice in the following areas; caring about appearance; respecting the community; protecting the environment; securing everyone's safety; valuing the workforce.

As a contractor partner of the Considerate Constructors Scheme (CCS), we have committed to signing-up all our developments to the scheme. This means that regular visits are undertaken by a monitor from the CCS to determine if our sites are meeting the Scheme's Code of Considerate Practice.

In 2020 two of our sites won national CCS site awards; Springfields in our Yorkshire division and Padcroft Works in our London division. These two sites will be represented at the national awards ceremony, amongst their selected outstanding performing peers, where the level of their award will be determined.

During the year we had a total of 94 monitoring visits across all of our divisions with an average score of 35.09 (out of a possible 50), which is consistent with the previous year's results.

May 2020 saw the publication of an internal document called "Considerate Constructors Scheme (CCS) Guidance". The aim of this document is to provide all of our construction colleagues with a fully comprehensive guide of the CCS scheme along with a Redrow specific checklist so that the message is consistent throughout the business and leads to continual improvement.

The last four months of the financial year have seen a fall in the number of visits carried out by the CCS due to the COVID-19 pandemic but the visits are now resuming, albeit these are largely on a virtual basis via personal conferencing facilities. We are committed to working with the CCS to find ways to carry out visits in line with current restrictions and are keen to show the monitors what measures we have implemented to keep our workforce, customers and stakeholders safe. These measures include, but are not exclusive to:

- Every site having a dedicated COVID-19 supervisor to manage all matters relating to COVID-19;
- Introducing hand cleaning stations in the welfare facilities and out on site;
- Ensuring that the 2m social distancing guidance can be adhered to in the welfare facilities by introducing floor markings, rules and additional outside seating;
- Ensuring that the 2m social distancing guidance can be adhered to out on site by way of floor markings and restricting the number of operatives in each plot; and
- Introducing a whistle blowing text number so that anyone with concerns can contact us.

NHBC Construction Quality Review (CQR)

During the financial year, the NHBC undertook 110 CQRs (2019: 136) across our developments. Each build stage is scored from 0-6 with over three quarters of our build stages rated above good to outstanding.

The NHBC also carry out inspections at key build stages in their warranty provider capacity, reporting any defects that fall below their standards of quality. Average reportable items per inspection are monitored.

The table below shows average reportable items and CQR percentage and average scores.

Build Quality	FY 2020	FY 2019
Average reportable items per inspection	0.20	0.20
Construction Quality Review – %	80.3%	75.1%
Construction Quality Review – average score out of 6	4.13	3.97

Average reportable items at 0.2 per inspection in 2020 remained consistent with the prior year and places us in the top quartile of our peer group. We are targeting a reduction to 0.15 by focusing even more on quality throughout the build process, aided by the integration of our quality based inspection application RedSMI.

The CQR score for the year was 80.3% an increase from last years 75.1%.

NHBC Pride in the Job Awards

2020 sees the 40th anniversary of the NHBC Pride in the Job Awards, recognising excellence in on-site management.

From 11,000 eligible site managers nationwide, only 240 have been awarded a first round quality award with 21 of those being Redrow site managers.

These 21 award winners will be presented with their awards at virtual ceremonies later this year and will continue on to the next stages of the competition, trying to secure a seal of excellence, regional or national award.

Last autumn, 8 of Redrow's 2019 first round winners went on to achieve the coveted seal of excellence awards.

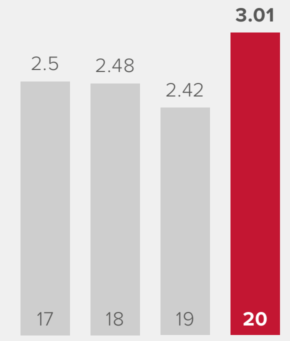
PRODUCT DESIGN

As well as offering spacious, adaptable living spaces for both work and relaxation, our homes also offer excellent levels of energy efficiency. This provides comfort and financial benefits for our customers whilst simultaneously helping to tackle climate change by reducing emissions. Our approach focuses on delivering an efficient building which retains heat due to high specification materials, superior insulation throughout, state-of-the-art air-tight windows and doors and energy efficient boilers and appliances throughout. We supplement this approach with the addition of renewable technologies, where appropriate and take great care in helping our customers understand how these features work so they can reduce their bills and play their part in reducing their carbon emissions.

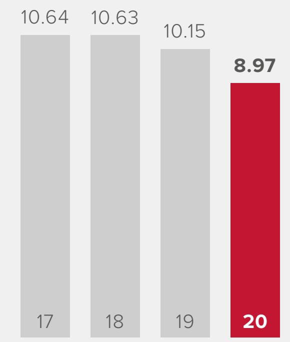
Furthermore, we are committed to extending our existing approach in order to deliver zero-carbon homes in the coming decade, playing our part in the UK's transition to a zero-carbon economy by 2050. Our first steps on this journey have taken place this year, as we began scrutinising several low-carbon technologies for room and water heating in our homes, including air source heat pumps and infrared panel heaters. We are currently trialling a smart home and energy management system which has the following features and potential benefits:

- Intelligent light switches that can reduce the total energy consumption of a home by up to 20% through observing and learning the occupant's life styles and adapting the heating and lighting to avoid wasting energy on empty homes or unused parts of the house.
- Energy management system comprising solar PV panels, battery storage and an intelligent hybrid inverter that looks to achieve net-zero electricity use in the home.
- Using battery storage, the system automatically and invisibly 'time shifts' consumption to use the generated renewable energy when it is most needed. In winter, it automatically tops up the battery with low-cost off-peak energy; in summer, the excess of renewable energy is sold back to the grid for the best price.

GREENHOUSE GAS EMISSIONS PER 100M² BUILD



TONNES OF WASTE PER 100M² BUILD



Our homes also have one of the lowest water use standards in the industry at 105 litres-per-person-per-day (lpppd), compared with a building regulation standard of 125 lpppd. This is an issue of increasing importance; a recent report from the Public Accounts Committee shows that England is likely to face significant water shortages within the next two decades as the population grows, urbanisation continues and the climate warms. We continue to be active Gold Leaf members of the UK Green Building Council, working with them to deliver our shared vision of homes and developments that enable people and the planet to thrive.

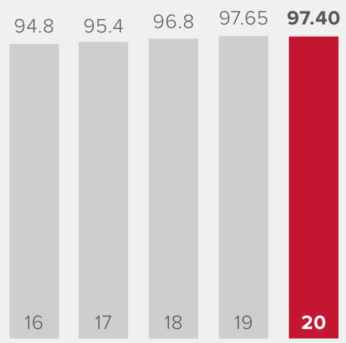
MANAGING OUR RESOURCES EFFICIENTLY AND REDUCING OUR CARBON IMPACT

Carbon Reductions

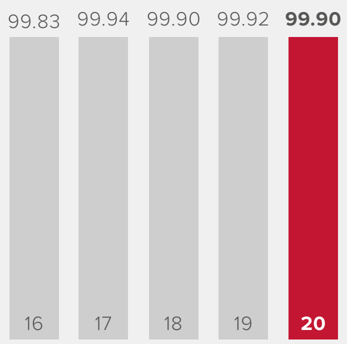
During the year we partnered with a new specialist energy management company to improve our commercial efficiency and assist with the timely collection of energy data from our

Operating Review continued

% OF WASTE DIVERTED FROM LANDFILL



% OF RESPONSIBLY SOURCED TIMBER



site operations. Our independently verified greenhouse gas emissions increased to 3.01 tonnes of CO_2e per 100m² of build (2019: 2.42 tCO_2e/100m²); more information on this data can be found on page 104. The increase is attributable to improved site gas and electricity data collection combined with a reduction in homes built in 2020 due to COVID-19. Emissions from site diesel reduced by 11%, from site LPG by 50%, from office gas use by 12%, from business travel by 20% and from office electricity by 5%. Emissions from air conditioning units have increased slightly due to more offices being heated and cooled by such systems.

Almost 50% of our direct greenhouse gas emissions come from use of diesel on our sites and consequently we have been working to reduce this during the year. We are currently trialling a hybrid generator system with solar PV and a smart energy management system and will be looking to roll this out across all our construction sites following further testing. Indications to-date show that a fuel saving of between 33% and 50% can be achieved using this technology, with the accompanying emission reductions, and they have an added bonus of noise reduction due to the reduced time the generator needs to operate. We are also currently investigating the efficacy of Hydrotreated Vegetable Oil (HVO) with our supply partners, as an alternative fuel for site plant and equipment which we anticipate would reduce net CO_2 emissions by up to 90%.

We have also been working to reduce site and office gas and electricity consumption. Eco-cabins are now being rolled-out to all new sites, providing: improved thermal insulation, double glazed windows with low u values, energy efficient LED lights with PIR activation, energy efficient heaters with thermal cut out and timers and energy efficient point of use hot taps. Electric vehicles and hybrids are included on the company car list for all car grades and all of our regional offices have charging points installed. We are now installing charging points in all new sales centres for use by site-based staff and customers. Investing in this infrastructure will encourage and accommodate changing behaviours and further reduce our direct and indirect carbon emissions.

We continue to publicly disclose to the Carbon Disclosure Project our energy and carbon data, along with details of our policies, strategy, management and progress against targets. In 2019 we were scored 'B' for our main disclosure, which is the same as the construction sector average and higher than the European regional average score. Our Supplier Engagement Rating was also scored 'B' which is higher than both the construction sector average and the European regional average scores. We are also one of only 28 companies listed on the UKGBCs new Climate Commitment Platform, outlining our climate commitments and helping promote further action and ambition across the built-environment sector. More information on our listing at the UKGBC Climate Change Platform is provided at https://ukgbcclimate.net/company/redrow-plc. During the year we also began a screening assessment of the emissions from our 'indirect' activities (Scope 3), including the manufacture and transport of materials and the use of our homes by our customers, with a view to greater disclosure of these issues in the future.

Reducing waste

We are now starting to see the results of our work over the last few years in eliminating and reducing waste from our construction activities. In 2020 waste generated has reduced to 8.97 tonnes per 100m² of build (2019: 10.15 t/100m²).

During the year we launched our 'Reduce the Rubble' project which is systematically auditing all of the waste generated during construction of a 'typical' Redrow home, and working with site teams, designers, subcontractors and suppliers to identify the root causes of the waste to find ways to eliminate or reduce it in the future. In March, the teams involved in the project also attended Waste and Resource Efficiency workshops to help them understand the principles of resource efficiency and the circular economy, the legal framework, practical measures to reducing waste and the benefits that can be achieved. The workshops were delivered by an expert at our partners, the Supply Chain Sustainability School and we are looking to roll these sessions out for all divisions. An example of where we have identified waste reduction opportunities is in relation to plasterboard offcuts; and we are currently reviewing the lengths of plasterboard we procure with a view to reducing offcuts and waste. We continue to share best practice and findings from our work in this area with industry peers through our ongoing membership of the HBF Waste Forum and involvement in the Supply Chain School Waste Special Interest Group.

Although our main focus is on the eradication and reduction of waste in the first instance, we also continue to ensure that any waste that is created is reused or recycled as appropriate. During the year 97.4% of our waste was diverted from landfill, a very slight decrease from 97.7% in 2019 which may be attributable to restricted access to some recycling facilities during the COVID-19 pandemic; however we continue to exceed our own target of 95%. We reuse the vast majority of inert waste on our sites, with the appropriate licences and specifications. For example, at our Wendlescliffe development in Bishop Cleeve we crushed existing demolition waste to an approved specification and reused this crushed material under the private driveways. We also continue to support the Community Wood Recycling scheme – a social enterprise who provide a waste wood collection service from our sites. Throughout the year more than 600 tonnes of timber was collected from our sites by the scheme, which has all been recovered, providing jobs, training and opportunities for people who are otherwise marginalized from the labour market.

In addition to the industry-leading water standards designed into our homes, we are also focusing on reducing the amount of water used in our operations. We are currently working with a utility specialist company to help us better monitor and manage water use on sites and are installing waterless urinals in all new site welfare facilities.

We also incorporate Sustainable Urban Drainage schemes on the majority of our developments to improve rainwater management and reduce flood risk. At our Heathlands development in North Wales, we have been commended for effective water management, including rainwater harvesting which safely and cleanly diverts rainwater from the rooftops of the new homes and feeds it into the adjacent nature reserve, and having extensive long-term management plans in place.

HEALTH & SAFETY

The all accident figure for the 2020 financial year decreased by 27.5% to 310 compared with 428 in the prior year. There was also a 7% decrease in the number of reportable injuries in 2020, down to 42 compared with 45 in 2019.

Unfortunately, due to the decrease in the average number of sites in the 2020 financial year compared to the prior year, from 126 to 110, this has resulted in a slight increase in our 'accident per site rate' to 0.38 compared with 0.36 in the previous year.

The above figures have to be read in context of the impact COVID-19 had on the country, the construction industry and the house building sector during the lockdown period. The reduction in the average number of sites in the year reflects the impact of the closure of sites during the majority of the lockdown period.

The last four months of our financial year has seen us work collaboratively to develop and publish our COVID-19 Secure Risk Assessments for all four key areas of the business, namely Offices, Sites, Sales and Customer Services. These documents have also been supplemented with additional internal operating guidance, 'return-to-work' e-learning packages, and instructional COVID-19 videos. All of these have contributed to ensuring that the health and wellbeing all of our employees, contractors and customers were and are sufficiently protected as our developments and offices returned.

Since returning to work we have instigated COVID-19 Compliance Inspections and continue to do so in order to ensure that we are effectively planning, managing, monitoring and co-ordinating our work activities.

Redrow remains committed to improving its overall Health, Safety & Environmental (HS&E) performance and has been continually reviewing its HS&E Management Systems by introducing over 25 system updates during the reporting period. In addition, Redrow's environmental arrangements and systems are regularly assessed against the requirements of the international environmental management standard; ISO 14001. These assessments are conducted by the British Standards Institute at both Group and Divisional levels, and the Company has successfully maintained its certification, which confirms that the requirements of the standard are being met. All of which has been aimed at maintaining a continuous improvement in our HS&E performance across the whole business and focus on our four key areas of Governance, Leadership, Ownership and Workplaces.

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Operating Review continued

CUSTOMER & MARKETING

We were pleased to once again secure the HBF Five Star Excellence Award.

CUSTOMER & MARKETING STRATEGY

The Customer & Marketing team was formed in July 2019. Although a common structure across retailing, we believe it's the first time a housebuilder has brought together Sales & Interiors, Marketing, Customer Service and Communications within a single team.

This approach has already paid dividends in a number of ways. It has allowed the combined team to better manage the end-to-end customer experience, becoming even more agile around the needs of Redrow homebuyers.

More efficient sharing of customer & market intelligence has also enabled the team to create better solutions for the business and customers. Two examples of this were the team's preparations for changes to the government's Help to Buy scheme and innovations to support customers during COVID-19.

We investigated the views of 2,000 UK adults on their home buying preferences and found that the pandemic has in fact encouraged many people across the country to reassess how they want to use the space in their home, and what community features and facilities they want to be surrounded by.

In terms of home renovation we found that the more significant the home renovation project, the less satisfied homeowners tend to be with the results.

For example, just 38% of those who spent more than six months on a renovation project were likely to do so again on a future project. As well as unsatisfactory results, consumers frequently reported going over budget, with almost 40% stating that they had spent more than originally planned.

This research highlighted a significant opportunity for Redrow to target the second hand market, with our market-leading Heritage range and Redrow 8 placemaking principles. This is a key strategy to mitigate changes to the current Help to Buy scheme.

This insight has led to the 'why do up, if you can buy new' campaign. An integrated marketing campaign, it highlights the inconvenience and stress of renovating a second hand property versus buying a Redrow home, with modern open plan living, timeless exteriors and green public spaces.

We have also taken into account the social trend of increased home working with our Interiors team with more rooms dressed to highlight flexible home working spaces.

RESERVATIONS AND ORDER BOOK

The Group secured £1.6bn of private reservations in the year (2019: £1.7bn). As a result of a strong sales performance earlier in the financial year and the significant shortfall in legal completions in the final quarter, the Group ended the financial year with a record total order book of £1.4bn, a 40% increase on the prior year (2019: £1.0bn).

AGILITY AROUND OUR CUSTOMERS

The onset of COVID-19 has highlighted our market advantage in digital and online services and the ability of the Redrow team to re-engineer customer processes at speed. Whilst lockdown was underway, the Customer & Marketing team liaised closely with Health & Safety, IT and Learning & Development colleagues to ensure the customer experience fully incorporated best practice when it came to social distancing and reducing the spread of COVID-19.

Hard copy collateral was removed from sales centres with sales consultants using their dedicated iPads to display interactive content to customers on big screens. Videos were put together highlighting the new sales centre visit experience and the process for a Redrow Technician visiting a customer occupied home to carry out a repair.

These films have been viewed thousands of times and have been shared as best practice both within and outside the housebuilding industry. We quickly introduced virtual zoom calls for customers at different points during the journey. Delivered by Sales Consultants, they can also provide 3D virtual tours to customers, talking them through optional extras and fittings.

Our Site Management teams also moved quickly to offer the popular Hard Hat customer visits as a virtual option. If customers don't want to physically visit site, they can still view their homes at pre-plaster stage giving them the opportunity to see the quality of the build from the inside out.

Our inhouse IT teams also amended our inspection apps for customers to carry out their own Home Preview pre-completion visit around their home, whilst maintaining social distancing from Redrow colleagues. Customers can take pictures of any issues in their home and upload them to the Redrow iPad, before handing the device to the waiting Redrow Customer Service Manager who will then ensure any issues are resolved.

ENGAGING WITH CUSTOMERS AND COMMUNITIES ONLINE

We were pleased to once again secure the HBF Five Star Excellence Award, with our performance trending above the majority of the major housebuilders. Throughout the course of the year we have consistently been rated as 'excellent' on Trustpilot, with individual colleagues across the business highlighted by customers for going the 'extra mile.'

We have invested in new technology to bring all our customer review content into one place to better manage, review and analyse all customer feedback. This will also create a more seamless way of ensuring that customer feedback is consistently fed back into product and service design.

Social media is another key way of engaging with customers and communities and receiving feedback. For nearly four years, we have been utilising Crowd Control HQ technology, which

IMAGERY FROM THE NEW NATIONAL MARKETING CAMPAIGN

SOCIAL DISTANCING MEASURES IMPLEMENTED IN ALL SALES CENTRES

STRATEGIC REPORT

Operating Review continued

enables over 100 colleagues across the business to respond to customers on social media after a validation from the central communications team.

This approach enables local divisional teams to manage the whole relationship with the customer and to provide meaningful responses via social media. This approach has delivered customer average response time of just over one hour on social media.

Having taken the decision to temporarily close our sales offices during lockdown, we found ourselves in the privileged position of being able to help the army of doctors, nurses, health workers and care staff who are engaged in the real battle against this deadly disease.

Our Redrow colleagues quickly identified ways that they could get involved in supporting the mammoth effort being made by NHS trusts around the country, in particular contributing to keeping them safe while working and 'looked after' when off-duty.

Redrow teams across England and Wales have donated much-needed protective clothing and masks to a variety of hospitals, including the new 4,000-bed emergency Nightingale Hospital that's been created at ExCel, in East London. Masks and antibacterial hand wash also went to St James' University Hospital in Leeds, affectionately known as Jimmy's.

Colleagues across the country are volunteering and giving their time to support our NHS where possible. Nalab from our Eastern team has volunteered to deliver vital medication to vulnerable people and also provide transportation to and from the hospital.

Decommissioned show homes at one of our developments in Basildon, Essex, were opened up to be used by staff from the neighbouring hospital, giving them a place to rest between shifts without the need to travel.

Redrow colleagues also delivered furniture and accessories to Basingstoke and North Hampshire Hospital, where they were used to create a much-needed new rest area for staff.

Meanwhile our South Wales team helped to make up hampers of essentials and other goodies for patients at the University Hospital of Wales in Cardiff following a request from nurses. Our Yorkshire team were quick to follow suit and donate PPE, a hamper full of essentials, goodies and even some colouring books for children to Pindersfield Hospital in Wakefield. They also gave defibrillators to Yorkshire Ambulance Services.

In the North West, Wrexham Maelor Hospital put out an urgent appeal for protective shoe covers on social media. Our team were quick to gather up and deliver as many boxes as they could find and then also managed to put together some luxury hampers which they gave to Wrexham Maelor, The Countess of Chester, Arrowe Park and Aintree hospitals.

We also backed the NHS contractorsappeal.com and joined the hundreds of thousands of people who gathered on their doorsteps every Thursday evening at 8pm to 'Clap for our Carers', showing our appreciation for health workers everywhere.

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Financial Review

"In April 2020 we increased our committed unsecured syndicated loan facility by £100m to £350m."

BARBARA RICHMOND
Group Finance Director

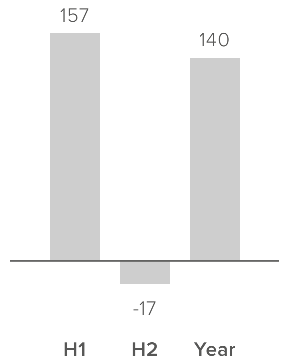
PROFITABILITY

This year the Group's results have been significantly adversely impacted by the COVID-19 pandemic which resulted in a very limited number of legal completions in the final quarter of the financial year.

Total Group revenue was £1.3bn (2019: £2.1bn), a reduction of 37%. Homes revenue was £1.3bn (2019: £2.1bn) from the completion of 4,032 new homes (2019: 6,443) and other revenue from land sales was £7m (2019: £21m).

As we reported in February, the first half of the financial year had seen strong trading with revenue of £870m and pre-tax profit of £157m. In the second half, the dramatic reduction in revenue in quarter four, combined with the provision for scaling down our London business resulted in a pre-tax loss in the half of £17m.

PHASING OF 2020 PROFIT BEFORE TAX (£M)



Average selling price increased by 2% to £330,400 (2019: £324,500) due to a reduction in the level of affordable housing output in the year to a more normal 23% of legal completion volumes compared to 27% in the previous year. Private average selling price at £386,700 was 1% lower than last year (2019: £389,500), however our Heritage Collection private average selling price increased slightly to £388,700 (2019: £387,500).

As a result of the 37% reduction in legal completions and therefore revenue, ongoing site related and sales and marketing costs from the temporary closure of our developments and £35m of impairment costs arising from the strategic decision to scale back our London operations, gross profit for the year reduced to £242m (2019: £504m).

Administrative expenses increased slightly to £94m in the year (2019: £93m). Whilst the Group furloughed c 80% of employees during the height of the lockdown, we decided not use the Government Job Retention Scheme due to the resilience of our liquidity position. Administrative expenses naturally increased as a percentage of revenue to 7.0% (2019:4.4%).

The Group therefore delivered an operating profit of £148m (2019: £411m) in the year at an operating profit margin of 11.1% (2019: 19.5%).

Net financing costs at £8m were £3m higher than the prior year due to the levels of net debt during the latter part of the year and the cost of increasing our facilities and obtaining access to the CCFF. We had an average monthly net cash balance of £2m for the whole year compared to £80m during the previous year.

As a result, the Group delivered a profit before tax of £140m (2019: £406m) for the year with basic earnings per share down 64% at 32.9p (2019: 92.3p).

TAX

The corporation tax charge for the year was £27m (2019: £77m). The Group's tax rate for 2020 was 19% in line with 2019. This had previously been expected to be 18.5% based on the rates substantively enacted at 4 September 2019. However, in the Chancellor's Budget on 11 March 2020, it was confirmed that the rate of corporation tax will remain at 19% from April 2020 and for the following year. The normalised rate of tax for the year ending 30 June 2021 is therefore projected to be 19% based on rates which are substantively enacted currently.

The Group paid £64m of corporation tax in the year (2019: £77m). For the financial year ending 28 June 2020 the new legislation for corporation tax payments by very large

STRATEGIC REPORT

Financial Review continued

companies took effect. This brings instalments for financial year 2020 onwards forward by four months and, for the financial year ending June 2020 only, results in Redrow paying six instalments.

DIVIDENDS

As announced on 24 March 2020, the Board took the decision to cancel the 10.5p interim dividend which was due to be paid on 9 April 2020 due to the uncertainty around the impact of the COVID-19 pandemic on the business. Due to the ongoing uncertainty the Board is not recommending the payment of a final dividend for the year at the 2020 Annual General Meeting. However, based on trading to date and the forward order book, we expect to resume dividend payments in 2021.

In the previous financial year, the Group distributed to shareholders £218m including the B shares during the year being a total cash return to shareholders of 60.5p per share.

RETURNS

Net assets at 28 June 2020 were £1,626m (2019: £1,585m), a 3% increase. Capital employed at the same date was £1,751m (2019: £1,461m) up 20% due to the increased level of work in progress and reduced land creditors at June 2020. Our return on capital employed was 9.2% (2019: 28.5%) (See note 15f). Return on equity also reduced to 8.7% from 26.5%. (See note 23). We will be working to increase our ROCE to our 25% target again over the medium term.

INVENTORIES

Our gross investment in land decreased slightly by £9m to £1,538m (2019: £1,547m) reflecting our cautious approach to land purchases in the second half of the financial year, partly offset by lower land eliminations as a result of the reduced levels of legal completions in the year. Approximately 48% of our current land bank additions in 2020 came from our forward land holdings, slightly higher than the five year average contribution.

As expected, land creditors decreased by £136m to £302m at June 2020 (2019: £438m) representing 20% of gross land value (2019: 28%) due to timing of deferred land payments.

Our owned plot cost has increased by £4,000 per plot to £78,000 at June 2020 (2019: £74,000), increasing slightly to 20% of the average selling price of private legal completions in the year (2019: 19%).

Our gross investment in work in progress (WIP) has increased significantly by £190m to £1,047m (2019: £857m). This is a consequence of both a planned build up of WIP in preparation for higher demand in the run up to the changes in the Help to Buy Scheme and the impact of legally completing only 264 homes in the final quarter of the financial year due to the constraints of the COVID-19 pandemic. Net of payments on account, as a percentage of the significantly reduced Homes turnover it increased to 69% from 37% last year.

FRENCHAY GARDENS, BRISTOL

RECEIVABLES

Trade receivables decreased by £12m at June 2020 to £25m (2019: £37m) due primarily to the timing of Help to Buy and Housing Association receipts. Other receivables decreased from £19m to £8m partly due to the timing of the recovery of VAT on land payments.

PAYABLES

Trade payables, customer deposits, social customer payments on account and accruals were £55m higher than 2019 levels at £604m (2019: £549m) with trade payables reducing and customer deposits, social customer payments on account and accruals increasing mainly due to levels of activity in the final quarter of the financial year.

CASH FLOW AND NET DEBT

There was a cash outflow generated from operations of £80m in the year (2019: cash inflow of £371m). This reflected the impact of the 37% reduction in legal completions and hence revenue and cash receipts in the fourth quarter. Although we closed the year with net debt of £126m compared to a net cash balance at June 2019 of £124m, we still achieved an average monthly positive cash balance during the year of £2m (2019: £80m).

Given the ongoing strength of the sales market since we re-opened, we expect to be cash positive in December 2020 and June 2021.

FINANCING AND TREASURY MANAGEMENT

In April 2020 we increased our committed unsecured syndicated loan facility by £100m to £350m. This matures in December 2022. We also added £13m of committed, unsecured bilateral facilities in May 2020.

The Group also gained eligibility as an issuer for the Government's CCFF with an insurer limit of £300m. Given the timely return to work and the effectiveness of measures to protect its cash flow, the Group has not drawn on the CCFF and is unlikely to do so.

Redrow remains a UK based housebuilder and therefore the main focus of its financial risk management surrounds the management of liquidity and interest rate risk. Financial management at Redrow is conducted centrally using policies approved by the Board.

(i) Liquidity

The Group regularly prepares and reviews its cash flow forecasts and stress tests them. These are used to manage liquidity risks in conjunction with the maintenance of appropriate committed banking facilities to ensure we maintain medium term committed banking facilities sufficient for a major market breakdown.

Facilities are kept under regular review and the Group maintains regular contact with its banks and other financial institutions; this ensures Redrow remains attuned to new developments and opportunities and that our facilities remain aligned to our strategic and operational objectives and market conditions.

Our current banking syndicate comprises six banks and in addition to our committed facilities, Redrow also has further uncommitted bank facilities which are used to assist day to day cash management.

(ii) Interest rate risk

The Group is exposed to interest rate risk as it borrows money at floating rates. Redrow occasionally uses simple risk management products, notably sterling denominated interest rate swaps, as appropriate to manage this risk. Such products are not used for speculative or trading purposes. Redrow regularly reviews its hedging requirements. No hedging was undertaken in the year or the previous financial year and no interest rate swaps are held currently (2019: nil).

PENSIONS

As at June 2020, the Group's financial statements showed a £22m surplus (2019: £18m surplus) in respect of the defined benefits section of The Redrow Staff Pension Scheme (which closed to future accrual with effect from 1 March 2012). The £4m increase is mainly due to the return on scheme assets outpacing the impact on defined benefit obligations of reduced discount rates.

BARBARA RICHMOND
Group Finance Director

15 September 2020

STRATEGIC REPORT

Section 172(1) Statement

SECTION 172(1) STATEMENT

In line with Section 172(1) of the Companies Act 2006, the Directors of the Company must act in a way which they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so must have regard to a number of other key matters. There must therefore be a careful balance of sometimes competing interests of different stakeholder groups and it is the duty of the Directors to act in such a way should promote the long-term success of the Company as a whole.

Likely long-term consequences of decisions (s.172(1)(a))

Given the nature of the business, the Board takes a long-term approach to its decision-making to ensure that the Company is able to deliver its strategy of creating long-term sustainable value for all of our stakeholders by developing thriving communities with high quality homes that provide a better way to live.

There has been considerable emphasis on resource efficiency, use of sustainable materials, placemaking and biodiversity as these are aspects that are key to creating a long-term sustainable business and value to our stakeholders. See pages 14 to 25 of the Strategic Report for an overview of the sustainability practices of the Group.

Effective risk management systems are also imperative to understanding the likely long-term consequences of actions. The Board plays a key role in reviewing the Company's approach to risk, including an assessment of its emerging and principal risks. See pages 38 to 45 of the Strategic Report for a description of the identified risks, procedures for identifying risks and an explanation of how these are being controlled or mitigated.

At least annually, the Board conducts an assessment of the prospects of the Company, taking into consideration the Company's current position and principal risks. This year the Directors selected a three year timeframe over which to assess the viability of the Company. The Viability Statement can be found on page 47 and 48 of the Strategic Report.

Maintaining a reputation for high standards of business conduct (s.172(1)(e))

The Directors have regard to the desirability of the Company maintaining a reputation for high standards of business conduct. The Company has in place a Code of Conduct which acts as a guide for employees to doing the right thing in business, focusing on the values and behaviours deemed most important for the Group and seeking to guide employees in their good judgement to act in the Redrow way. The Company also has well-embedded policies in place which assist with ensuring high standards of conduct, including in respect of the following key areas: Health, Safety and Environment; Whistleblowing; Anti-Bribery and Corruption; Human Rights; and Modern Slavery. The Environmental, Social and Governance Disclosures section of the Directors' Report, from pages 103 to 110, provides further insight into measures put in place by the Board to assist with maintaining a reputation for high business conduct standards.

Acting fairly between members of the Company (s.172(1)(f))

The Directors also have regard to the need to act fairly between members of the Company, aiming to understand their views and act in their best interests. The ownership of the Company follows a 'one share, one vote' structure, which assists with promoting parity in shareholder rights. The Board ensures that there is fair and equal dissemination of information to all shareholders and has a dedicated investors section of the Company's website which is available to all shareholders. This provides easy access to RNS announcements, key financial dates, dividend details, reports and publications. In the ordinary course, and outside of the prohibition on meeting attendance currently in force by the Government due to the COVID-19 pandemic, all members are invited to attend the Annual General Meetings of the Company, offering an opportunity for members of any size shareholding to have a conversation with, and ask questions to, each of the Directors. For any Annual General Meetings where in-person attendance is prohibited due to the Government regulation, all shareholders will be offered the opportunity to submit questions to the Board ahead of the meeting with answers being made available to them.

Having regard to specific stakeholder groups (s.172(1)(b) to s.172(1)(d))

The table which follows seeks to provide insight into how the Board carries out their duty under this section, in particular with those stakeholder groups referenced in s.172(1)(b) to (d) of the Act, and how this links to strategy.

Stakeholder Group	Why important to us?	Key Priorities of the Stakeholder Group	Engagement with Stakeholder Group	Impact on Board decisions
INVESTORS DEVELOPING THRIVING COMMUNITIES	Our shareholders provide funds which aid the growth of our business and are vital to our future success	• Strong financial performance • Good governance practices • Transparency and openness • Adoption of sustainable business practices	Examples of engagement with our shareholders include: • formal results presentations immediately following publication of the interim and final results; • dedicated investor related section of the Company website (providing easy access to RNS announcements, key financial dates, dividend details, reports and publications); • meetings held between the Directors and significant shareholders; • comprehensive consultation exercise carried out with major shareholders and proxy advisory firms regarding remuneration practices, Board composition and the impact of COVID-19 on remuneration and the remuneration policy renewal; • meetings held between the Executive Directors and current and potential significant shareholders; and • Annual General Meeting, at which each of the Directors were in attendance in 2019, offering an opportunity for shareholders to directly engage with the Board. For further details of engagement with shareholders, see page 57 of the Corporate Governance Report, under heading: Shareholder Engagement	Examples of the impact of shareholders on the Board's decision making include: • a change to composition of the Board following consultation with major shareholders; and • treatment of LTIP award vesting in line with views of major shareholders (i.e. pro-rating LTIP awards to reflect period that a Director served in post as an executive, rather than as an office holder).

STRATEGIC REPORT

Section 172(1) Statement continued

Stakeholder Group	Why important to us?	Key Priorities of the Stakeholder Group	Engagement with Stakeholder Group	Impact on Board decisions
EMPLOYEES VALUING PEOPLE	Our employees are essential to preserving long-term value and Valuing People is a fundamental part of our strategy	• Development of our people • Safety and wellbeing of our people • Good quality employment opportunities • Transparency and openness	Examples of engagement with our employees include: • designated workforce Non-Executive Director; • employee communication via the intranet, Engage; • employee engagement meetings; • annual INsight survey; • direct email communication channel to the Board; • promotion of share ownership through employee share plans; • division specific communications; and • Company performance communications. For further details of engagement with employees, see page 106 of the Directors' Report, under heading: Workforce Engagement	Examples of the impact of employees on the Board's decision making include: • a commitment to ensuring that 15% of the total workforce are enrolled on formal training programmes at any one time; and • the introduction of mental health first aiders programme, with currently over 200 employees having received training and been equipped to act in such capacity across the business.
SUPPLIERS BUILDING RESPONSIBLY	Having strong relationships with our suppliers is important to our long-term success and the Board is briefed on supplier feedback and issues on a regular basis	• Assistance with training and development opportunities • Assistance with addressing the industry skills shortage • Timely payment practices • Creation of jobs for our subcontractors • Safety and wellbeing of our people • Compliance with laws and regulations	Examples of engagement with our suppliers include: • participation in workshops, delivered through our partnership with the Supply Chain Sustainability School, to engage with our suppliers on a number of matters; • collaboration with subcontractors on health and safety matters and ensuring that our values on customer service, quality, safety and sustainability are in alignment; • working with our supply chain to attract new entrants into the industry and actively supporting our subcontractors to train their recruits to agreed standards, including inviting them to workshops and briefings; • engagement by way of a supply chain mapping system enabling us to work with supply partners to identify and avoid high risk products; • working with supply chain to find ways to eliminate, reduce or reuse packing; and • collaboration with key suppliers to collate their Scope 1 and Scope 2 energy and carbon data allowing the creation of a bespoke online tool to assist with the calculation of greenhouse gas emissions from our supply chain that are applicable to us.	Examples of the impact of suppliers on the Board's decision making include: • the Company partnering with the Supply Chain School which has granted access to thousands of online presentations, training modules, guidance documents and checklists with regular invites to attend workshops and briefings; • the identification of waste reduction opportunities following workshops with suppliers to identify the root causes of waste; and • engagement of Datum RPO to manage all temporary labour requirement and processes, including carrying out periodic audits to ensure temporary agency workers are legally compliant and there are no instances of modern slavery; and • placing apprentices, who are employed and trained by the Company, with subcontractors for their apprenticeship, with around 85% of apprentices going on to take a position with the subcontractor at the end of their apprenticeship.
CUSTOMERS BUILDING RESPONSIBLY	Putting our customers first is a key principle underpinning our strategic theme of Building Responsibly. The Board believes that the most meaningful praise it can get is from the people who buy our homes.	• Build a quality product and provide a great place to live • Provide excellent customer service • Be a considerate constructor and good neighbour • Develop places that enhance health and wellbeing	Examples of engagement with our customers include: • face-to-face interactions and interactions via the My Redrow app; • customer feedback via the NHBC survey; • close monitoring of customer complaints and feedback; • reports to the Board from the Customer and Quality Director, appointed in 2020 to spearhead and develop the customer services strategy, and the Group Customer & Marketing Director; and • launch of a series of placemaking videos for customers seeking to engage with them regarding how our developments respond to the unique characteristics of the site and surroundings.	Examples of the impact of customers on the Board's decision making include: • the introduction of our Red Site Managers Inspection iPad app in 2019 for use by site and customer service managers to ensure that identifying and rectifying potential issues during the build is a smooth process leading to a high quality end product; • the introduction of our online reservation system which offers the ability for customers to legally complete the reservation process remotely in the comfort of their own home at a pace they are comfortable with, being able to dip in and out of the process until it is complete; and • during the COVID-19 lockdown, the decision to conduct Hard Hat tours virtually and adapting home preview tours and welcome parties to fit with social distancing guidelines.

STRATEGIC REPORT

Section 172(1) Statement continued

Stakeholder Group	Why important to us?	Key Priorities of the Stakeholder Group	Engagement with Stakeholder Group	Impact on Board decisions
COMMUNITY AND ENVIRONMENT BUILDING RESPONSIBLY	Working safely and considerately to protect the environment is a key principle underpinning our strategic theme of Building Responsibly and we listen to learn to connect with local communities in line with the Redrow 8 placemaking principles.	• Support with local causes and community projects • Provide affordable homes • Reduce waste from our construction activities • Be a considerate constructor and good neighbour • Prevent pollution from our construction activities • Mitigate for effects of climate change and flood risk on our developments • Protect and enhance biodiversity • Develop places that enhance health and wellbeing • Share value through the communities we build	Examples of engagement with the communities in which we operate include: • discussions and consultations with local communities at an early stage to discuss matters that may inform the development process, to enable us to design developments that are sensitive and responsive and foster a sense of belonging; • direct communications with local wildlife organisations who can be provide a wealth of knowledge about the local context and help influence our designs; • engaging directly with local schools to ensure that green spaces and play areas are well used; • working with the emerging community as the development progresses to help foster a sense of community and belonging though active involvement of residents; and • discussions with a variety of organisations local to our developments, allowing us to understand what is happening locally and enabling us to provide donations and sponsorship for local community projects to ensure that communities continue to thrive.	Examples of the impact of the community and environment on the Board's decision making include: • the introduction of the Company reporting against the Task Force on Climate-related Financial Disclosures ("TCFD") framework to enhance our climate-related reporting, which can be found on pages 111 to 115 of the Directors' Report; • the introduction of our industry-leading biodiversity strategy in summer 2020, our vision being to create the best new developments for wildlife, where people benefit from access to nature-rich spaces and to use our activities to increase biodiversity, inspiring other businesses to do the same; • the commitment of £188m to the local communities where we build for the development of new schools, local shops, community and health centres, as well as green spaces; • the creation of more than 1,600 acres of green space and communal areas on our current developments, including a wide range of spaces suitable for all ages and activities; • the decision to halt use of hedge netting on our developments due to the potential negative impacts on wildlife; • the signing up as a contractor partner of the Considerate Constructors Scheme (CCS) and signing-up all our developments to the scheme; • the maintenance of our environmental management system, which is externally certified to ISO14001; and • the alignment of our approach to the United Nations Sustainable Development Goals (SDGs), which aim to achieve a better global future for all by addressing key social and environmental challenges such as health & wellbeing and biodiversity.
GOVERNMENT AND REGULATORS BUILDING RESPONSIBLY	Active engagement with governmental bodies and regulators is important to allow us the opportunity to have input on matters relating to our industry where possible and to ensure we are able to put in place appropriate measures to comply with laws and regulations	• Compliance with laws and regulations • Ethical operations and practices • Address the UK housing shortage • Provide affordable homes • Prevent pollution from our construction activities • Provide good quality employment opportunities	Examples of engagement mechanisms with Government and regulators include: • participation in a range of consultations affecting our industry and practices; • attendance at meetings and forums to engage with policy makers relevant to our operations; • discussions with Government bodies regarding their new emphasis on the design quality of housing developments; • closely working with Government bodies to contribute to the agenda on the mandatory biodiversity net gain requirements for new developments; • Government lobbying in relation to matters impacting the housing market; and • reports from the Executive Management Team providing updates on statutory and regulatory developments to be considered by the Board in their decision-making.	Examples of the impact of Government and regulators on the Board's decision making include: • on publication of the Government's National Design Guide in October 2019, our assessment criteria for our internal placemaking scoring system (the Redrow 8) was refined to reflect the key characteristics of well-designed places set in the Government guidance; and • ahead of the Environmental Bill coming into force (requiring the updated Defra metric to quantify the ecological impacts by developers), we developed a new Company-wide strategy to ensure that our developments enhance biodiversity and contribute to nature's recovery.

STRATEGIC REPORT

Risk Management

HOW WE MANAGE RISK

MONITORING AND REPORTING

POLICIES AND DECISIONS

BOARD OVERSIGHT

MAIN BOARD

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Placemaking and Sustainability Committee

OPERATIONAL MEETINGS

EXECUTIVE MANAGEMENT TEAM

- Divisional Boards
- Functional Seminars
- Team Meetings

POLICIES FOR IDENTIFYING AND CONTROLLING RISKS

- Budgeting & Forecasting
- Price & Sales Monitoring
- Cost Reviews
- Land Bank Management

PROCEDURES AND INTERNAL CONTROLS

- Business Policies and Procedures
- Authorisation Processes
- System Based Controls
- Business Process Reviews
- Site Completion Reviews

PEOPLE AND CULTURE

- Professionalism
- Clear Communication
- Qualified Personnel
- Pride and Achievement
- Interests Aligned with Stakeholders
- Commitment to Training

BUSINESS RISKS

OUR RISK MANAGEMENT PROCESS

Our Risk Assessment Process

Key Risk Management Objectives:

- To ensure our approach to risk meets the needs of our business and its key stakeholders;
- To ensure that a robust assessment is made of emerging and principal risks;
- To effectively communicate our risks and define responsibilities in order to manage risk;
- To continually evaluate and review the impacts of any potential new risks occurring within our business; and
- To develop and implement action plans to mitigate risks as appropriate.

Main Board

- The ultimate responsibility for the effective management of the risks we face in order to achieve our strategic and financial objectives lies with the Main Board;
- Material and emerging risks and principal concerns are identified and robustly assessed as part of our risk assessment framework, following a detailed review of the Company's strategic objectives;
- These headline risks are then approved by the Board to be included within our risk register;
- The risk register is reviewed formally annually and updated for any new risks identified during our Risk Assessment processes; and
- It is also presented to the Audit Committee for final review and consideration to ensure that it is appropriate and reflects our business risks.

Operational Divisions

- All identified high level risks are then further broken down into components and sub level risks to be considered at the divisional level and Group department level;
- Management responsibility to implement the Board's polices on risk management and internal controls; and
- Internal controls operated to mitigate, control and continuously monitor these risks.

Risk Owners & Executive Management Team

- Any new risks identified at divisional level and Group department level are individually robustly assessed and evaluated on their potential impact to the business and its likelihood of occurrence;
- These risks are then communicated to the Risk Owners who will use this assessment to inform their formal view on these risks and all previously identified risks;
- The probability and potential impact for each sub level risk is assessed by the Risk Owners;
- It is then the Risk Owners responsibility to ensure key preventive and detective controls are designed and implemented to address these risks and ensure their inclusion in our risk register; and
- Group Policies and Procedures are updated to reflect any new or improved key controls or processes.

STRATEGIC REPORT

Risk Management continued

	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
DEVELOPING THRIVING COMMUNITIES	**Housing Market** The UK housing market conditions have a direct impact on our business performance. This year has seen the added risk of distortions in the housing market due to reaction to a global pandemic together with related economic uncertainty. The UK's exit from the EU may also lead to increased economic uncertainty.	Group Chief Executive	Close monitoring of Government guidance. Delegated Crisis Committee established with Executive Board meetings a minimum of twice weekly in times of crisis. Market conditions and trends are being closely monitored allowing management to identify and respond to any sudden changes or movements. Weekly review of sales at Group, divisional and site level with monitoring of pricing trends and Help To Buy (HTB) levels. Ensuring strong relationships with lenders and valuers to ensure they recognise our premium product. Ongoing and regular monitoring of Government policy and lobbying as appropriate. Risk has increased due to the economic conditions, the COVID-19 pandemic and unknowns surrounding the UK leaving the EU, potentially without an agreed deal in place.	↑
BUILDING RESPONSIBLY	**Customer Service** Failure of our customer service could lead to relative under performance of our business. This year has seen the added risk of customer technicians entering occupied homes at a time of global pandemic.	Group Customer and Marketing Director	Customer and Quality Director appointed. My Redrow website to support our customers purchasing their new home. Increased use of digital and virtual communication tools. Attention to customer feedback supported by a process at nine months post occupation to address root cause of customer fatigue and dissatisfaction. Regular review of our marketing and communications policy at both Group and divisional level. Risk has increased due to net risk of customer service technicians entering occupied homes in a pandemic and impact of potential delays as a result of COVID-19 safety protocols.	↑
DEVELOPING THRIVING COMMUNITIES	**Availability of Mortgage Finance** Availability of mortgage finance is a key factor in the current environment.	Group Finance Director	Proactively engage with the Government, Lenders and Insurers to support the housing market. Expert New Build Mortgage Specialists provide updates on and monitoring of regulatory change. Risk has increased this year due to the risk of the restriction of mortgage availability in particular for high LTV mortgages.	↑
BUILDING RESPONSIBLY	**Land Procurement** The ability to purchase land suitable for our products and the timing of future land purchases are fundamental to the Group's future performance.	Group Development Director	Proactive monitoring of the market conditions to implement a clear defined strategy at both Group and divisional level. Experienced and knowledgeable personnel in our land, planning and technical teams. Appropriate investment in strategic land programme supported by specialist Group team. Effective use of our Land Bank Management system to support the land acquisition process. Close monitoring of progress of relevant Local Plans. Peer review by Legal Directors and use of third party legal resources for larger site acquisitions to reduce risk.	→

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STRATEGIC REPORT

Risk Management continued

Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
BUILDING RESPONSIBLY **Liquidity and Funding** The Group requires appropriate facilities for its short-term liquidity and long-term funding.	Group Finance Director	Medium term committed banking facilities sufficient for a major market breakdown. Regular communication with our investors and relationship banks, including visits to developments as appropriate. Regular review of our banking covenants appropriateness and design and capital structure. Ensuring our future cash flow is sustainable through detailed budgeting process and reviews and scenario modelling. Strong forecasting and budgeting process. Risk has increased this year due to impact of development closures during COVID-19 lockdown on net debt and lack of bonding capacity in the surety market.	
DEVELOPING THRIVING COMMUNITIES **Appropriateness of Product** The failure to design and build a desirable product for our customers at the appropriate price may undermine our ability to fulfil our business objectives.	Group Design and Technical Director	Regular review and product updates in response to the demand in the market and assessment of our customer needs. Design focused on high quality build and flexibility to planning changes. Regular site visits and implementation of product changes to respond to demands. Focus on award winning Heritage Collection.	
BUILDING RESPONSIBLY **Planning and Regulatory Environment** The inability to adapt to changes within the planning and regulatory environment could adversely impact on our ability to comply with regulatory requirements.	Group Development Director Group Human Resources Director Group Company Secretary	Close management and monitoring of planning expiry dates and CIL. Well prepared planning submissions addressing local concern and deploying good design. Careful monitoring of the regulatory environment and regular communication of proposed changes across the Group through the Executive Management Team. Proactive approach to managing data protection with multi-functional team meeting regularly. Risk increased in year reflecting increase in the likelihood of not being able to maximise income from Housing Associations due to economic uncertainty.	
BUILDING RESPONSIBLY **Key Supplier or Subcontractor Failure** The failure of a key component of our supply chain to perform due to financial failure or production issues could disrupt our ability to deliver our homes to programme and budgeted cost. The deadline for the UK's future trading relationship with the EU being finalised is December 2020. If an agreed deal is not in place, potential tariffs may increase material costs and customs arrangements may lead to delays in the delivery of imported components within the supply chain.	Group Commercial Director	Use of reputable supply chain partners with relevant experience and proven track record and maintain regular contact. Monitoring of subcontract supply chain to maintain appropriate number for each trade to identify potential shortage in skilled trades in the near future. Subcontractor utilisation on sites monitored to align workload and capacity. Materials forecast issued to suppliers and reviewed regularly. Collaborate with Supply Chain Partners in development of updated Brexit supply continuity strategies. Collaborate with Supply Chain Partners in development of return to work recovery plans. Group Monthly Product Development meetings to identify and monitor changes in the regulatory environment. The risk has increased this year due to the potential impact of the COVID-19 pandemic on the supply chain together with the risk of the UK leaving the EU without an agreed deal.	

STRATEGIC REPORT

Risk Management continued

	Risk	Risk Owners	Key Controls and Mitigating Strategies	Risk Movement
VALUING PEOPLE	**Attracting and Retaining Staff** The loss of key staff and/or our failure to attract high quality employees will inhibit our ability to achieve our business objectives.	Group Human Resources Director	Personal Development Programmes supported by National training centres at four locations. Graduate training, Undergraduate placements and Apprentice training programmes to aid succession planning. Bespoke housebuilding degree course in conjunction with Liverpool John Moores University and Coleg Cambria. Remuneration strategy in order to attract and retain talent within the business is reviewed regularly and benchmarked. Engagement Team and continued refinement of internal communications platform in addition to annual employee survey to create framework for strong, two-way communication. Flexible working policy. This risk has reduced in the year due to market conditions and a flexible working policy.	
BUILDING RESPONSIBLY	**Health and Safety/ Environment** Non-compliance with regulations could put our people and the environment at risk. Increased levels of scrutiny of the industry heightens the risk environment as does ensuring safe COVID-19 working practices are adhered to.	Group Health and Safety and Environmental Director	Dedicated in-house team operating across the Group to ensure compliance of appropriate Health and Safety standards supported by external professional expertise. Separate focus on Assurance visits to site and proactive management support to develop planning and processes. Monthly Divisional H, S & E Leadership meetings. Tri-annual Group H, S & E Leadership meetings. Internal and external training provided to all employees. Divisional Construction (Design and Management) Regulation (CDM) inspections carried out to assess our compliance with our client duties under CDM. Health and Safety discussion at both Group and divisional level board meetings. CDM competency accreditation requirement as a minimum for contractor selection process.	
BUILDING RESPONSIBLY	**Cyber Security** Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business. The introduction of GDPR has increased the requirements for the control of personal data.	Chief Information Officer	Communication of IT policy and procedures to all employees. Regular systems back up and storage of data offsite. Internal IT security specialists. Use of third party entity to test the Group's cyber security systems and other proactive approach for cyber security including Cyber Essentials Plus accreditation. Compulsory GDPR and IT security online training to all employees within our business. The systems have proved resilient to increased home working. The risk has increased due to increased assessment of impact of third party potential data compromise.	
BUILDING RESPONSIBLY	**Fraud/Uninsured Loss** A significant fraud or uninsured loss could damage the financial performance of our business.	Group Finance Director	Systems, policies and procedures in place which are designed to segregate duties and minimise any opportunity for fraud. Regular Business Process Reviews undertaken to ensure compliance with procedure and policies followed by formal action plans. Timely management reporting. Insurance strategy driven by business risks. Fraud awareness training. The risk has increased this year as a result of reduced availability of insurance due to prevailing market conditions.	

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Risk Management continued

GROUP NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where key non-financial information can be found within this report:

Related policies available on our website	Location in this Annual Report	Page Ref.	Related Principal Risks*
Environment			
Purchasing of sustainable timber products policy Environmental policy statement Health and safety policy statement Partnering with our supply chain A responsible and sustainable developer	Operating Review – Development that Enhances Nature Operating Review – Developing Healthy Places to Live Operating Review – Corporate Responsibility Operating Review – Managing our Resources Efficiently and Reducing our Carbon Impact Operating Review – Health and Safety Directors' Report – Environmental	15-16 16-17 18-19 23-25 25 104-105	Health and Safety/ Environment Key Supplier or Subcontractor Failure Appropriateness of Product
Employees			
Diversity and inclusion policy statement	Operating Review – Valuing and Developing and People and Partners Directors' Report – Workforce Engagement Directors' Report – Employee Wellness Directors' Report – Diversity and Inclusion Policy Directors' Report – Learning and Developing	19 106-107 107 107 108	Attracting and Retaining Staff
Social			
A responsible and sustainable developer Human rights policy statement Health and safety policy statement Partnering with our supply chain	Operating Review – Bringing Benefits to the Wider Local Communities Operating Review – Partnering for Supply Chain Responsibility Operating Review – Customers and Marketing Directors' Report – Social	17 19-20 26-28 105-109	Housing Market Health and Safety/ Environment Attracting and Retaining Staff Customer Service Key Supplier or Subcontractor Failure
Human Rights			
Human rights policy statement Slavery and human trafficking statement	Directors' Report – Human Rights Directors' Report – Modern Slavery	108 109-110	Attracting and Retaining Staff Key Supplier or Subcontractor Failure
Anti-Corruption and Anti-Bribery			
Anti-bribery policy statement Whistleblowing policy statement	Audit Committee Report – Bribery Act Corporate Governance Report – Whistleblowing Corporate Governance Report – Conflicts of Interest	69 56 56	Fraud/Uninsured Loss Attracting and Retaining Staff Cyber Security
Business Model			
A responsible and sustainable developer	Our Strategy Our Business Model Chairman's Statement – Strategy Corporate Governance Report – Strategy, Purpose, Values and Culture	4-5 6-7 8-9 55-56	All
Non-Financial KPIs			
A responsible and sustainable developer Environmental policy statement Health and safety policy statement	Our Strategy	4-5	Land Procurement Customer Service Attracting and Retaining Staff Health and Safety/ Environment Planning and Regulatory Environment Appropriateness of Product

* For full description of related principal risks, see pages 40 to 45.

The above policies are applicable to all employees within the Group and are easily accessible both internally and externally. The principles which underpin each of the policies are embedded within the culture of the Group and any behaviour inconsistent with these policies will be investigated and disciplinary action will be taken where warranted.

GOING CONCERN AND VIABILITY STATEMENT

The COVID-19 pandemic has had a profound impact on the Group's financial performance in the 52 weeks ended 28 June 2020. It has created economic uncertainty for the foreseeable future, disrupting many lives and industries, including housebuilding.

An assessment of going concern is included in the Basis of Preparation section of Accounting Policies on page 130.

Viability

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects and viability of the Group.

The Directors' assessment has made reference to our current position, the potential impact of the principal risks facing the Group, including the economic uncertainty arising from the COVID-19 global pandemic and the Group's risk and risk management attitudes and processes.

The Directors have selected a three year timeframe over which to assess the viability of the Group from 29th June 2020 to 2 July 2023. This timeframe was selected as it corresponds with the Board's three year planning horizon.

On an annual basis, the Directors formally review the financial forecasts for the Group. These incorporate assumptions about the timing of legal completions of new homes and land purchases, selling prices, profitability, working capital requirements and cashflows.

STRATEGIC REPORT

Risk Management continued

The three year plan has been stress tested including the robust downside scenario outlined in the going concern assessment above.

The Directors confirm that 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 three year period ending 2 July 2023.

STRATEGIC REPORT APPROVAL

The Strategic Report outlined on pages 1 to 48 has been approved by the Board.

By order of the Board

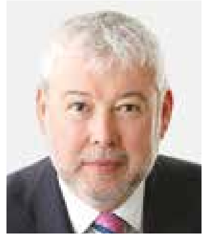
GRAHAM COPE
Company Secretary

15 September 2020

GOVERNANCE REPORT

Corporate Governance Report

"The Board appreciates the value of good governance to long-term sustainable success and this report seeks to provide the opportunity for a meaningful assessment of the quality of the Company's governance arrangements."



GRAHAM COPE
Company Secretary

DEAR SHAREHOLDER

I am delighted to introduce the Corporate Governance report outlining the Company's approach to corporate governance. As outlined elsewhere in the report, the Board remains committed to high standards of corporate governance. This report sets out and explains in clear terms the processes in place which are essential for delivery of long-term success, while ensuring that the Company complies with all applicable laws and regulations and, of course, meets the requirements of our shareholders and their representative bodies.

We are reporting against the UK Corporate Governance Code (2018 version) (the "Code") for this report, which was published by the Financial Reporting Council ("FRC") and is available to view at www.frc.org.uk. This will be the first year of reporting against the revised version of the Code and we look forward to sharing how we have applied the spirit of the principles and provisions.

This report has been prepared and approved by the Board and, on behalf of the Board I confirm that during the 2020 financial year, the Company applied the principles of, and was compliant with the provisions of the Code other than where stated on pages 53 to 54 of this report. In this report, we provide not only the regulatory and statutory assurances required from us, but we also try to provide a deeper understanding of the workings of our Board.

Stakeholder Engagement

With the introduction of the requirement for larger companies to include a Section 172(1) Companies Act 2006 statement (the "s.172(1) Statement") within their Annual Reports, and the increased focus on such engagement within the revised Code, this was, and continues to be, a key focus area for the Board. The s.172(1) Statement of the Group can be found on pages 32 to 37. This explains who has been identified as key stakeholders, the main priorities of those stakeholders and how we engage with them.

Board Composition

Since the last report, Matthew Pratt, having joined the Board on 1 April 2019 as Chief Operating Officer, became Group Chief Executive on 1 July 2020 and Nicky Dulieu joined the Board on 6 November 2019 as a Non-Executive Director and became a Member of the Audit, Remuneration and Nomination Committees from the same date. It is also intended that John Tutte, currently Executive Chairman, will step back to a Non-Executive Chairman role at the 2020 AGM on 6 November 2020, and will retire from the Board ahead of the 2021 AGM, being succeeded by an Independent Non-Executive Chairman. Additionally, Vanda Murray has informed the Board of her intention to retire from the Board following the 2020 AGM due to other work commitments. Further details of these changes can be found in the Nomination Committee Report on pages 71 to 74.

Board Effectiveness

We also discuss in this report how the Board monitors its effectiveness in order to ensure that it has the strength and capability to lead the Company to continued success. Last year, an externally facilitated evaluation of the Board and each of its Committees was carried out by Independent Audit. In 2020, a formal internal evaluation of the Board and Committees was undertaken to build upon the progress made in the previous year. Having considered the output of this year's evaluation, the Board considers that it continues to function effectively and its relationship with its Committees continue to be sound. Details of the evaluation can be found on page 61.

Strategy, Culture and Values

The revised version of the Code has an increased focus on the role of the Board in setting and monitoring the Group's purpose, strategy and values and ensuring that these are aligned with culture. This is an area which is consistently required to be at the top of the Board's agenda and details of the work undertaken by the Board in this regard can be found on pages 55 to 56.

Our 2020 Annual General Meeting will be held on Friday, 6 November 2020 and the Notice of Annual General Meeting together with Explanatory Notes will be sent to you separately.

GRAHAM COPE
Company Secretary

15 September 2020

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GOVERNANCE REPORT

Board of Directors

JOHN TUTTE (64)
EXECUTIVE CHAIRMAN

M

John Tutte joined the Board of Redrow in July 2002. In September 2009 he was promoted to Group Managing Director and in July 2014 became Group Chief Executive. In April 2019, John was appointed as Executive Chairman following the retirement of Steve Morgan.

John Tutte qualified in civil engineering and has amassed more than 40 years' experience within the industry, having previously held the position as Chief Executive of Wilson Connolly plc.

John Tutte was appointed to the board of the Home Builders Federation in February 2015. He stepped down as Chairman of the Home Building Skills Partnership in March 2020 to coincide with the Partnership being incorporated into the wider HBF organisation.

MATTHEW PRATT (45)
GROUP CHIEF EXECUTIVE

M

Matthew Pratt joined the Board of Redrow in April 2019 as Chief Operating Officer and was promoted to Group Chief Executive with effect from 1 July 2020. He joined Redrow in 2003 as a Chief Quantity Surveyor and later became Managing Director of the Midlands Division. In 2013, Matthew Pratt was appointed as a Regional Chief Executive and became a member of the Executive Management Team.

Matthew Pratt trained as a quantity surveyor and graduated with a degree in Construction from Nottingham Trent University. He has 23 years' experience within the industry.

BARBARA RICHMOND (60)
GROUP FINANCE DIRECTOR

£ M

Barbara Richmond joined the Board of Redrow in January 2010, bringing with her a proven track record, with over 25 years' experience as Group Finance Director at a number of UK listed companies including Inchcape plc, Croda International PLC and Whessoe plc.

She has a strong background in both manufacturing and retail, as well as having completed a number of major acquisitions and disposals throughout her career.

Barbara Richmond was appointed a Non-Executive Director of Lonza Group Ltd with effect from 16 April 2014.

She is a Fellow of the Institute of Chartered Accountants in England and Wales and a graduate of the University of Manchester.

GRAHAM COPE (56)
COMPANY SECRETARY

M

Graham Cope joined Redrow as Head of Legal in November 2002 and was appointed Company Secretary two months later. He is Company Secretary to the Main Board and Secretary to all Committees.

Graham Cope has over 25 years' experience in the housebuilding sector, either working in-house or for clients in private practice. He qualified as a solicitor in 1989 and is a member of the Law Society.

NICK HEWSON (62)
SENIOR INDEPENDENT DIRECTOR

£ M A N R P

Nick Hewson joined the Redrow Board in December 2012. His business career to date has been spent mainly in the property industry, from commercial to residential. He became the Senior Independent Director of the Company on 7 November 2018.

Nick Hewson is a Non-Executive Chairman of Supermarket Income REIT plc and a Non-Executive Director of Croma Security Solutions Group Plc.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and has a degree in Law from Cambridge University.

SIR MICHAEL LYONS (70)
NON-EXECUTIVE DIRECTOR

M A N R P

Sir Michael Lyons joined the Redrow Board in January 2015. In 2014, he chaired the Lyons Housing Commission to produce a road map for increasing house building in this country.

He is also Chairman of the English Cities Fund, which undertakes large scale urban regeneration schemes in a number of places and is Chairman of SQW Group and a strategic adviser to CBRE.

Sir Michael Lyons served 17 years as Chief Executive of three major English Local Authorities, including 7 years at Birmingham City Council, and was knighted in 2000 for services to Local Government. Following his long and distinguished career in Local Government, Sir Michael Lyons completed a four year term as Chairman of the BBC and has held a range of non-executive positions across the three sectors.

VANDA MURRAY (59)
NON-EXECUTIVE DIRECTOR

M A N R

The Board appointed Vanda Murray with effect from 1 August 2017. Vanda has substantial Non-Executive Director and Remuneration Committee experience.

She was appointed Non-Executive Chair of Marshalls plc in May 2018 and holds Non-Executive roles with Bunzl plc, where she is Senior Independent Director, Manchester Airports Holdings Limited and Just Childcare Holdings Limited.

She has a BA (Hons) in European Business Administration and a French Business Diploma completed at Neoma Business School in Reims. She is a Fellow of the Chartered Institute of Marketing.

Vanda Murray was awarded an OBE in 2001 for services to business and to exports.

NICKY DULIEU (56)
NON-EXECUTIVE DIRECTOR

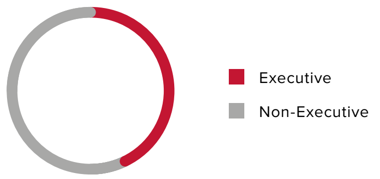
£ M A N R

The Board appointed Nicky Dulieu in November 2019. She has strong Non-Executive Director experience and has extensive knowledge of retailing and customer service.

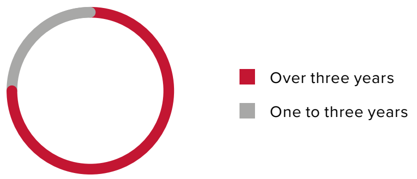
Nicky Dulieu is currently a Non-Executive Director and the Chair of the Remuneration Committees of Adnams plc and Marshall Motor Holdings plc. She is also a Non-Executive Director of WH Smith plc and a Commercial Board member of the Royal Horticultural Society.

She trained as an accountant with Marks & Spencer Group plc and held various strategic and financial roles within the company over a 23 year period. Following this, Nicky Dulieu was appointed to the Board of Hobbs Limited and became Chief Executive from 2008 until 2014.

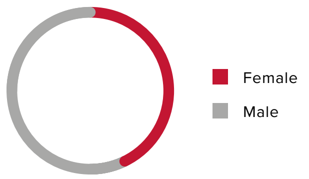
Composition of the Board



Length of tenure of Non-Executive Directors



Main Board by Gender



BOARD EXPERIENCE

- £ *Finance*
- *Property*
- *Operational*
- *Sustainability*

COMMITTEE MEMBERSHIP

- M *Main Board*
- A *Audit Committee*
- N *Nomination Committee*
- R *Remuneration Committee*
- P *Placemaking and Sustainability Committee*

Corporate Governance Report continued

REDROW GOVERNANCE STRUCTURE

REDROW HANDBOOK & CODE OF CONDUCT

TERMS OF REFERENCE

Main Board

EXECUTIVE CHAIRMAN

Responsible for leading the Board and ensuring its effectiveness with a key focus of the strategic development of the business.

GROUP CHIEF EXECUTIVE AND GROUP FINANCE DIRECTOR

Responsible for day-to-day operation of the business and performance of the Company.

NON-EXECUTIVE DIRECTORS (INCLUDING SENIOR INDEPENDENT DIRECTOR)

Responsible for providing constructive challenge and helping to develop proposals on strategy.

Board Committees

AUDIT

Provides independent scrutiny of the Company's financial and non-financial performance, risks and audit functions.

NOMINATION

Identifies and makes recommendations concerning the composition of the Board and that of its Committees.

PLACEMAKING AND SUSTAINABILITY

Promotes high environmental and placemaking standards in line with our three key principles: Developing Thriving Communities, Building Responsibly and Valuing People.

REMUNERATION

Aims to attract and retain good management and to incentivise them to create shareholder value.

POLICY AND PROCEDURES MANUAL

Executive Management Team

EXECUTIVE CHAIRMAN

Responsible for leading the Board to deliver the Group's strategic objectives and ensuring that effective communications are maintained with shareholders.

GROUP CHIEF EXECUTIVE

Responsible for the operational management of the Group, the implementing of strategic plans and reporting to the Board on these matters.

GROUP FINANCE DIRECTOR

Responsible for the financial management of the Group in its broadest sense and maintaining effective communications with shareholders.

COMPANY SECRETARY

Responsible for governance structures and mechanisms, corporate conduct and is the primary source of advice on the conduct of the business.

REGIONAL CHIEF EXECUTIVES

Responsible for and reporting on the operational management of Divisions.

GROUP DEVELOPMENT DIRECTOR

Chairman of Harrow Estates plc and responsible for the strategic management of the Group's land holdings.

GROUP HR DIRECTOR

Responsible for implementing the strategy on people, ensuring that the management of talent and culture is aligned with the Group's longer-term goals.

GROUP CUSTOMER AND MARKETING DIRECTOR

Responsible for the overall customer experience, including marketing and sales strategy, and developing the Group's reputation via strategic communications and customer service.

DIVISIONS

Build | Commercial | Customer Services
Finance | Land | Sales | Technical

Our Homes Divisions are comprised of the above departments which work together to deliver the Group's strategy.

GROUP

Commercial | Finance | HS&E | HR | IT
Legal | Marketing | Technical | Sustainability

The above departments support the Divisions to contribute to the successful operation of the business.

INTRODUCTION

This report sets out the Company's compliance with the Code issued by the Financial Reporting Council and describes how the governance framework is applied by the Company.

GOVERNANCE STRUCTURE

Governance is a key priority of the Board and the governance structure is set out in the diagram opposite. Each component within the structure is governed by a particular set of rules, whether it is the Redrow handbook, the Code of Conduct, the policies and procedures manual and/or the terms of reference. Each of these are regularly reviewed and are updated in line with best practice and legislative or regulatory changes.

NEW GOVERNANCE REPORTING FOR 2020

There were a number of key developments introduced in 2018, to be reported upon for the Company's 52 weeks ended 28 June 2020. The following were flagged in last year's Annual Report as items identified by the Board as key developments and this report demonstrates how these have been implemented:

1. Section 172 reporting – this Annual Report explains how the Directors have carried out their statutory duty within s.172(1) of the Companies Act 2006 (the "Act"). This explanation can be found on pages 32 to 37.
2. CEO pay ratio – the disclosure of the CEO pay ratio (CEO pay calculated against the 25th, median and 75th percentile of UK employees' pay) can be found on page 97.
3. Culture – a description of the work undertaken by the Board to ensure the alignment of culture with values and strategy can be found on pages 55 to 56.
4. Board level workforce representation – as disclosed in last year's Annual Report, Vanda Murray was appointed as the designated Non-Executive Director responsible for facilitating workforce engagement. Following her retirement from the Board on 6 November 2020 after the AGM, Vanda Murray will be succeeded by Nicky Dulieu as the designated Non-Executive Director for workforce engagement. A further explanation of this can be found on page 106.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Directors have considered the contents and requirements of the Code and confirm that throughout the 52 weeks ended 28 June 2020 the Company has been compliant with the provisions of the Code, as explained further in this report, other than as set out in the table below.

Provision	Reason for non-compliance	Explanation
9 – The Chair should be independent on appointment. A Chief Executive should not become chair of the same company.	John Tutte, previously the Chief Executive, succeeded Steve Morgan as Chairman on 1 April 2019 and therefore did not meet the independence criteria set out in Provision 10 of the Code on appointment.	The succession plan for Steve Morgan, being the founder and previous Chairman of the Company, was considered extensively by the Nomination Committee. John Tutte has a wealth of experience and knowledge of the Company and the Board believed, and continues to believe, that circumstances necessitated continuity and that this appointment was therefore in the best interests of the Company. Moreover, following Steve Morgan's retirement, the appointment of John Tutte allowed for an eventual transition to a more conventional board structure. The Board consulted with major shareholders in respect of this composition and set out its reasons to all shareholders via RNS announcement and also by way of publication on the Company website at http://investors.redrowplc.co.uk/corporate-governance. It is intended that John Tutte will step back to Non-Executive Chairman at the AGM in November 2020 and retire from the Board ahead of the AGM in 2021. An independent Non-Executive Chairman is to be appointed following the retirement of John Tutte ahead of the AGM in 2021, in line with Provision 9 of the Code.

GOVERNANCE REPORT

Corporate Governance Report continued

Provision	Reason for non-compliance	Explanation
		Matthew Pratt, previously a Regional Chief Executive of the Company, was appointed as Chief Operating Officer with effect from 1 April 2019 and became Group Chief Executive on 1 July 2020. This allowed the Company to maintain a clear division of responsibilities between himself and John Tutte as the Executive Chairman. The division of these responsibilities can be seen on page 58. A written statement of the division of these responsibilities is reviewed and approved by the Board each year. See pages 72 to 73 for a more detailed explanation of the appointment.
19 – The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. This period may be extended for a limited time however a clear explanation must be given.	John Tutte was first appointed to the Board on 10 July 2002 and become Chairman on 1 April 2019.	As described above, the appointment of John Tutte was intended to be on an interim basis to allow for a smooth transition following the departure of Steve Morgan in March 2019 and to allow for an eventual transition to a more conventional board structure. It is intended that John Tutte will step back to Non-Executive Chairman at the AGM in November 2020 and retire from the Board ahead of the AGM in 2021. An independent Non-Executive Chairman is to be appointed following the retirement of John Tutte ahead of the AGM in 2021, in line with Provision 9 of the Code. The Nomination Committee have commenced the search for the Chairman position, more details of which can be found on page 72.

REPORTING ON THE UK CORPORATE GOVERNANCE CODE 2018

The format of this report now reflects the new layout of the Code, with a view to make it easier for shareholders to be able to evaluate how the Code has been applied throughout the year, in line with the requirements of the Listing Rules:

1 Board Leadership and Company Purpose – pages 54 to 58;
2. Division of Responsibilities – pages 58 to 60;
3. Composition, Succession and Evaluation – pages 60 to 62;
4. Audit, Risk and Internal Control – page 62; and
5. Remuneration – page 63.

1. BOARD LEADERSHIP AND COMPANY PURPOSE

ROLE OF THE BOARD

The Board is responsible for putting in place the strategic plans for the Group and providing the leadership required in order to achieve its vision and goals.

There are matters which the Board delegate to Committees, the Executive Management Team and other relevant management bodies in order to ensure that the Group is operating efficiently and effectively.

In order to ensure that the Board fulfil their statutory duties as Directors, there is a formal schedule of matters reserved specifically for the Board's decisions. The matters reserved include:

- approval of any significant changes in accounting policies or practices;
- any changes relating to capital structure and approval of treasury policies;
- ensuring the maintenance of a sound system of internal control and risk management;
- authorising conflicts of interest where permitted by the Company's Articles of Association;
- assessing the prospects and viability of the Group, including measurement of key performance indicators;
- assessing and monitoring culture in alignment with purpose, values and strategy;
- approval of corporate acquisitions or disposals, significant land purchases or contracts;
- changes to the size, structure and composition of the Board;
- approval of significant policies, including the Group's Health, Safety and Environmental policy;
- review of overall corporate governance arrangements;
- ensuring a satisfactory dialogue with key stakeholders; and
- appointment and removal of the Company Secretary.

Long-term performance and shareholder value relies on high quality corporate governance and the Board is responsible for maintaining strong governance practices and regularly reviewing the Group's governance structure as illustrated on page 52.

BOARD MEETINGS

The Board meets regularly and frequently, not less than six times during the year and maintains a close dialogue, as appropriate, between meetings. Board meetings are held at the Company's Head Office or Divisional offices when visits are frequently made to a selection of developments accompanied by the local Management Team. Board papers are distributed sufficiently in advance of the meetings to allow adequate time for review to enable informed debate and challenge at meetings and include key strategic, operational and financial information.

Where a Director is unable to attend a meeting, they are encouraged to discuss any issues arising with the Executive Chairman or Group Chief Executive as appropriate. If a Director has a concern about the running of the business, the minutes should accurately reflect this. Should any Director resign from their position as a result of unresolved concerns in the Company, they are requested to submit a written statement to the Executive Chairman outlining their concerns for circulation to the Board. There were no statements received of this nature during the year.

Attendance by individual Directors at Board meetings is set out on page 59.

PROFESSIONAL DEVELOPMENT

The Board recognises that a structured appraisal process and good training are important requirements across the Group. The Board receives regular presentations and briefings from those responsible for key Group disciplines. In addition, the Board maintains close working relationships with the Executive Management Team and the divisional Management Teams.

The Company Secretary assists the Executive Chairman in the co-ordination of the comprehensive induction programme of all Directors following their first appointment.

The programme for the Non-Executive Directors is specifically designed to encompass the full breadth of the business and includes visits to operating businesses. The programme is tailored accordingly to:

- provide an understanding of their role within the Company;
- build an understanding of how the Board operates within the structure of the Group;
- introduce key Group personnel and external advisors;
- enhance their knowledge of the Group's culture and business; and
- if applicable, prepare the Director for Committee memberships by additionally providing induction material relevant to the specific committee.

Ongoing training continues after appointment and the Executive Chairman endeavours to review the training and development needs of the Directors at least annually. The aim is to ensure the further enrichment of their skills and experience so that they continue to fulfil their role effectively on the Board and its Committees.

During the year, formal appraisals of the Group Chief Executive and the Group Finance Director were undertaken by the Executive Chairman. The Executive Chairman and all Non-Executive Directors had an annual appraisal conducted by the Senior Independent Director.

KPI ASSESSMENT AND RISK MANAGEMENT

The Board have the overall responsibility for setting the key performance indicators and selecting the appropriate form of measurement to allow an objective assessment of the Group's performance. The Board also sets appropriate targets against each indicator and ensures timely and accurate measurements against each identified performance indicators. See page 5 for further details of the key performance indicators of the Group.

The ultimate responsibility for the effective management of the risks faced by the Group in order to achieve its strategic and financial objectives lies with the Board. It is vital to the long-term sustainability of the Group that strong risk management mechanisms are in place. Details of the Group's risk management processes, including the Board's robust assessment of the Group's emerging and principal risks, key controls and mitigating strategies can be found on pages 38 to 45.

STRATEGY, PURPOSE, VALUES AND CULTURE

Setting and monitoring the Group's purpose, values and strategy and ensuring that these are aligned with culture is a key role of the Board.

Engagement with stakeholders, and understanding the key matters which are of priority to them, has formed the basis of the Group's business strategy and purpose and can be seen in the three themes of Developing Thriving Communities, Building Responsibly and Valuing People.

Our purpose, to operate to create a better way for people to live, is supported by our strategy of creating long-term sustainable value for all of our stakeholders by developing thriving communities with high quality homes that provide a better way to live. The messaging regarding the Group's purpose and strategy is consistent, clear and at the forefront of everything we do.

The Redrow culture is the unconscious landscape through which our people think, behave and act, regardless of whether they are working in the boardroom, Division, Group or on site. Our culture is embedded through our values of: hard work; attention to detail; innovation; passion; and pursuit of excellence. We expect our people to apply these values in their daily working life.

There are a number of measures adopted by the Board to assist with monitoring, assessing and embedding culture:

GOVERNANCE REPORT

Corporate Governance Report continued

STRATEGY, PURPOSE, VALUES AND CULTURE (CONTINUED)

1. The Board monitors the opinions of employees via the annual INsight survey to assist with measuring how far Redrow values are incorporated into the culture and evaluates the level of consistency in employee's views of culture.
2. Consistent language is used in communications with our people via our intranet, Engage, which seeks to embed cultural norms by reinforcing the strategy and values and reiterating the behaviours and actions which are to be encouraged.
3. Policies are regularly reviewed and updated to ensure that they are in alignment with the Company's purpose, values and strategy.
4. Brand guidelines are communicated internally and employees are expected to adhere to these guidelines in their daily working lives. The guidelines reinforce what Redrow stands for, why we do what we do and how we are expected to behave.
5. Site and Divisional visits are carried out by the Board, which allows them to engage directly with the workforce and obtain their views on culture within the business. Vanda Murray, as designated Non-Executive Director for workforce engagement, also has an important role in obtaining views of employees in this regard, particularly at these visits.

The Board is proud to have a business that is customer focused with employees taking pride in creating a better way to live through their contribution to providing a high quality product and service to our customers.

WHISTLEBLOWING

The Group has a widely publicised Whistleblowing Policy which enables employees and other stakeholders to raise concerns in confidence. The Board receives reports on all occasions when such issues are raised under this policy.

The Whistleblowing Policy allows concerns to be raised anonymously and includes a non-retaliation policy whereby all concerns raised in good faith will be protected, as will those against whom claims are made which turn out to be unfounded.

The policy contains the contact details of the Company Secretary and Senior Independent Director and additionally includes an independent reporting hotline where independent and confidential advice can be provided on whistleblowing matters.

During the year, there were no alleged or suspected wrongdoings reported through the whistleblowing procedure.

The Whistleblowing Policy is formally reviewed and approved each year by the Board. During the year, there were no changes made to the policy.

CONFLICTS OF INTEREST

Transparency in our business dealings is paramount and the Board is ultimately responsible for ensuring that there are procedures in place to ensure that conflicts of interests, or potential conflicts of interests, are managed effectively.

In line with the Group's Code of Conduct, employees must immediately inform their line manager if there is any possibility of there being an actual or potential conflict of interest. If conflicts can be mitigated, authorisation by way of a Divisional board meeting must be obtained and the Company Secretary must be informed.

Directors must disclose any actual or potential conflicts of interests immediately to the Company Secretary and seek formal approval from the Board.

Additionally, each Head of Department must make an annual Related Party Transaction Disclosure confirming any instances where employees had an actual or potential conflict of interest.

The Board is satisfied that the procedures in place to deal with conflicts of interest are sufficient and were operated effectively during the year.

BOARD ACTION FOLLOWING SIGNIFICANT VOTES RECEIVED AGAINST SHAREHOLDER RESOLUTION

At the Company's AGM held on 6 November 2019, all resolutions put to the meeting were passed. However, a number of shareholders voted against resolution 3 (the appointment of John Tutte as Executive Chairman), for which 68.62% of votes cast were in favour, and resolution 11 (approval of the directors' remuneration report), for which 69.61% of votes cast were in favour.

In line with Provision 4 of the Code, the Board consulted with major shareholders to understand their concerns and implemented changes following the feedback received. An update statement in respect of the action taken following consultation with major shareholders can be found on Company's website at http://investors.redrowplc.co.uk/corporate-governance.

Below is a final summary in respect of both resolutions 3 and 11 setting out the impact of shareholder feedback on the Board's decisions and any resultant proposed actions.

Resolution 3

Having consulted with major shareholders and proxy advisory bodies, and understanding their concerns regarding independence, the Nomination Committee proposed a number of changes to the Board structure. In January 2020, the Board held a further consultation with major shareholders regarding the proposed Board changes in order to obtain their feedback. The following changes were proposed and well received by the shareholders engaged and were subsequently approved and announced by the Board via RNS announcement:

- John Tutte (currently Executive Chairman) to step-down to Non-Executive Chairman at the 2020 AGM and retire ahead of the AGM in 2021;
- an independent Non-Executive Chairman to be appointed following the retirement of John Tutte ahead of the AGM in 2021, in line with the Code; and
- Matthew Pratt (then Chief Operating Officer) appointed as Group Chief Executive with effect from 1 July 2020.

It was initially intended that John Tutte would step-down to Non-Executive Chairman from 30 June 2020. However, due to the unprecedented impact of COVID-19 on the business and the housebuilding industry, the Board asked John Tutte to remain as Executive Chairman until the Company's AGM in 2020 to support the senior management team get the business back to full operation and John Tutte agreed to this request. It remains John Tutte's intention to retire from the Board ahead of the AGM in 2021 and Matthew Pratt took up the position of Group Chief Executive with effect from 1 July 2020.

Resolution 11

Having consulted with major shareholders and proxy advisory bodies, the Board understood that the 2020 LTIP award (with targets below those set for the 2019 award) and the LTIP payment made to Steve Morgan were the key contributing factors to the votes against this resolution.

For the reasons outlined in the Result of AGM RNS announcement, released on 6 November 2019, the Board was, and remains, satisfied that the targets set for the 2020 LTIP were appropriate taking into account the challenges the business faced and struck the right balance between ambition and deliverability.

As outlined in the update statement, available on the Company's website, Steve Morgan's LTIP which vested in 2019 was pro-rated to reflect his length of service until his departure at the end of March 2019, rather than the shorter period of time he was in service as an executive (having transitioned to non-executive in October 2017). Under the rules of the scheme, Steve Morgan's transition in October 2017 was not a leaving event and, as such, when he retired in March 2019 he was treated as a 'good leaver' under the scheme. This approach was consistent with the LTIP rules, voting guidelines effective for 2019 and the treatment for the award made to Steve Morgan that vested in September 2018, when 99.35% of votes cast were in favour of the resolution approving the Directors' remuneration report.

We do however note the feedback from investors, and as a result, once John Tutte has retired from the Board ahead of the AGM in 2021, his outstanding LTIP awards will be pro-rated to reflect the period he is in post as an executive, rather than his time as an office holder.

The Board appreciates and thanks shareholders for the constructive feedback received and looks forward to continuing its dialogue with them.

SHAREHOLDER ENGAGEMENT

The Company announces its financial results half-yearly, and, immediately following their publication, undertakes formal presentations to equity analysts. These presentations are available on the Company's website. There is a dedicated investor related section of the Company website, providing easy access to RNS announcements, key financial dates, dividend details, reports and publications.

During the 52 weeks ended 28 June 2020, the Executive Chairman, the Group Chief Executive and the Group Finance Director, together with the Senior Independent Director and the Chair of Remuneration Committee, also held a number of meetings with significant shareholders and subsequently briefed the Board on issues discussed at these meetings. There were a number of items discussed at these meetings, and there was a particular focus on the composition of the Board and remuneration matters, following feedback received from the 2019 AGM. The impact of these discussions on decisions taken by the Board can be seen above.

During the year, a comprehensive consultation exercise was carried out with significant shareholders of the Company and proxy advisory firms. The consultation involved matters relating to remuneration practices, Board composition and the impact of COVID-19 on remuneration and remuneration policy renewal.

Following the full year and half-yearly results' announcement in September 2019 and February 2020, the Executive Directors met current and potential significant shareholders. Feedback from these meetings was independently collated and disseminated to the Board.

Last year the Annual General Meeting took place at the offices of Instinctif Partners in London. All Directors attended the AGM on 6 November 2019, which allowed them to engage directly with shareholders and their representatives and answer any questions. The Board answered questions from shareholders and engaged with them following the meeting.

Formal notification of the 2020 Annual General Meeting will be sent to Shareholders at least 21 working days in advance.

The Company's website, redrowplc.co.uk, gives access to current financial and corporate information.

WORKFORCE ENGAGEMENT

The Board believes that quality engagement with the workforce is essential to preserving long-term value and a description of the engagement mechanisms of the Company with employees can be found in the Directors Report on pages 106 to 107.

SECTION 172(1) STATEMENT – STAKEHOLDER ENGAGEMENT

The Section 172(1) Statement of the Group, explaining how the Directors have carried out their statutory duty within s.172(1) of the Act, can be found on pages 32 to 37 of the Strategic Report.

GOVERNANCE REPORT

Corporate Governance Report continued

DIRECTORS' AND OFFICERS' INSURANCE

The Company has directors' and officers' insurance in place which insures Directors against certain liabilities, including legal costs.

2. DIVISION OF RESPONSIBILITIES

THE BOARD

The Board comprises an Executive Chairman, two Executive Directors and four Independent Non-Executive Directors, one of which acts as the Senior Independent Director.

Executive Chairman and Group Chief Executive - Division of Responsibilities

The Company has separate roles for the Executive Chairman and Group Chief Executive, ensuring that there is a clear division of responsibilities at the head of the Company between the running of the Board and the operational responsibility for the running of the Company's business, as required by the Code.

The division of responsibility and accountability between the roles is well defined and using such a balanced approach ensures that no one individual has unfettered powers of decision.

Executive Chairman

John Tutte, as Executive Chairman, is primarily responsible for:

- leading the Board to ensure optimum effectiveness;
- encouraging a culture of openness and debate;
- facilitating constructive board relations and effective contributions from all Non-Executive Directors;
- ensuring that all Directors receive accurate, timely and clear information;
- taking a leading role in determining the Board's composition and structure;
- ensuring that effective communications are maintained with shareholders; and
- meeting with the Non-Executive Directors without the presence of the Executive Management Team.

John Tutte was not independent upon appointment when assessed against Provision 10 of the Code, as he was previously the Group Chief Executive of the Company. The Board recognises that this is outside the provisions of the Code, however as detailed on page 72, it was considered in the best interests of the Company for John Tutte to replace Steve Morgan as Chairman. This appointment was intended to be on an interim basis, with John Tutte easing back to a Non-Executive Chairman role at the 2020 AGM before retiring from the Board ahead of the 2021 AGM. It is intended that John Tutte will be succeeded by a Non-Executive Chairman who shall be independent when assessed against the circumstances outlined in the Code.

From the date of his first appointment, John Tutte has remained in post beyond nine years, which is not compliant with Provision 19 of the Code. This appointment was intended to be for a limited time, and it is intended that an independent Non-Executive Chairman will succeed John Tutte as Chairman following his retirement ahead of the AGM in 2021.

In 2019 and 2020, the Board engaged with major shareholders in respect of Board composition, particularly regarding the Chairmanship role, and the proposed succession plans were well-received by the shareholders consulted.

Group Chief Executive

Matthew Pratt, as Group Chief Executive, is responsible for:

- operational management of the Group;
- implementing strategic plans with the assistance of the Executive Management Team;
- ensuring that the visions and values of the Company are properly communicated across the Group; and
- reporting on these to the Board.

Senior Independent Director

In line with Provision 12 of the Code, Nick Hewson was appointed as the Senior Independent Director on 7 November 2018, having succeeded Debbie Hewitt in this position.

Nick Hewson has a wealth of experience as a Non-Executive Director and, having been on the Board since 2012, has a good understanding of the business.

The following additional responsibilities fall within the remit of the Senior Independent Director:

- acting as a sounding board for the Executive Chairman and supporting him in ensuring the Board is effective and that constructive relations are maintained;
- being available to shareholders in order to understand their issues and concerns in order to relay to the Board; and
- leading the evaluation of the performance of the Executive Chairman and obtaining views from other Directors.

Non-Executive Directors

The role of the Non-Executive Directors within the Company is essential in order to view the Group objectively and provide constructive challenge to the Executive Directors and scrutinise performance. They have a good understanding of the business and bring a range of skills and experience to the discussions of the boardroom, including offering of specialist advice and strategic guidance. The diversity and skills brought into the Company by the Non-Executive Directors is crucial to developing the strategy of the Group.

The Non-Executive Directors play a vital role in occupying seats on the Board's Committees and they are positioned in such way that the Committees benefit from their expertise and background.

The Non-Executive Directors play a vital role in appointing and removing Executive Directors, and ensuring that there are succession plans in place for key roles. The work of the Nomination Committee, comprising all Non-Executive Directors, can be seen on pages 71 to 74.

Company Secretary

The Company Secretary acts as secretary to the Board and its Committees and his appointment and removal is a matter for the Board as a whole. He is responsible for advising the Board on all governance matters. The Company Secretary is a Member of the Executive Management Team and all Directors have access to his advice and services. He is responsible for governance structures and mechanisms, corporate conduct and is the primary source of advice on the conduct of the business.

In certain circumstances, Board Committees and individual Directors may wish to take independent professional advice in connection with their responsibilities and duties, and, in this regard, the Company will meet the reasonable costs and expenses incurred and the Company Secretary will assist in arranging such advice.

BOARD BALANCE AND INDEPENDENCE

The Board considers that it is of a size and has a balance of skills, knowledge and experience that is appropriate for its business. The Executive Management Team provides the Board with an appropriate view of the detail of the business, which, together with the benefit of their significant collective experience of the UK house building industry, enables the Board to discharge its duties and responsibilities effectively. The Non-Executive Directors bring a wealth of experience and understanding from outside the Company which enables them to challenge and help develop proposals on the Company's strategy.

The details of the Directors' respective experience are set out in their biographical profiles on pages 50 to 51.

In considering the independence of each Non-Executive Director, the Board has taken into consideration the guidance provided by the Code. The Board considers that all Non-Executive Directors holding office during the year to be independent in accordance with Provision 10 of the Code, as they each:

i. have not been employed by the Company or Group;
ii. have no material business relationship with the Company;
iii. do not participate in the Company's employee share plans or pension scheme;
iv. have not received additional remuneration beyond the director's fee displayed on page 91 of this Annual Report;
v. have no close family ties with any of the Company's Directors, Executive Management Team or advisers;
vi. have no significant links with other Directors through involvement in other companies;
vii. do not represent a significant shareholder; and
viii. have not served on the Board for more than nine years from the date of their first appointment.

The Board believes that presently the balance of Non-Executive and Executive Directors is effective and contains the appropriate mix of skills and experience for the Board to continue successfully. The composition is compliant with Provision 11 of the Code as the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, is 4:2 (66.67%). Following the retirement of Vanda Murray after the 2020 AGM, the Board composition will remain compliant with this provision, with the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, being 3:2 (60%).

APPOINTMENTS TO EXTERNAL BOARDS

Prior to Executive Directors and Non-Executive Directors taking on any additional responsibility outside of the Group, and before making new appointments to the Board, an assessment is undertaken to determine whether this will

TABLE OF ATTENDANCE

Name	Role	Attendance at Meetings
John Tutte	Executive Chairman	8/8
Matthew Pratt	Group Chief Executive	8/8
Barbara Richmond	Group Finance Director	8/8
Nick Hewson	Senior Independent Director	8/8
Sir Michael Lyons	Non-Executive Director	8/8
Vanda Murray	Non-Executive Director	8/8
Nicky Dulieu	Non-Executive Director	5/5[1]

1 Nicky Dulieu was appointed as Non-Executive Director on 6 November 2019 and attended all meetings which were held from 6 November 2019 to the end of the 2020 financial year.

Corporate Governance Report continued

compromise their ability to commit sufficient time to the Company to properly discharge their responsibilities or create any potential conflicts.

In making the assessment, the Board considers the mandates attributable to such positions, in line with the scoring mechanism used by Institutional Shareholder Services, to determine whether a person is overboarded. The Board does not consider that any of its Directors are overboarded and is satisfied that sufficient time and energy is devoted to the Company by each Director.

In line with Provision 15 of the Code, the Executive Directors do not hold more than one significant Non-Executive Directorship position.

COMMITTEES

The Board is supported by Audit, Nomination, Remuneration and Placemaking and Sustainability Committees and their memberships, roles and activities are set out in separate reports, the reports can be found on the following pages:

i. Audit Committee report - pages 64 to 70;
ii. Nomination Committee report - pages 71 to 74;
iii. Placemaking and Sustainability Committee report - pages 75 to 77; and
iv. Remuneration Committee report - pages 78 to 100.

Each Committee has Terms of Reference, governing their responsibilities and powers, approved by the Board. The minutes of the Committee meetings are circulated to the Board and the Committee Chairmen provide reports to the Board on the work undertaken by the Committees.

The Audit Committee and the Nomination Committee are chaired by Nick Hewson, the Remuneration Committee is chaired by Vanda Murray and the Placemaking and Sustainability Committee is chaired by Sir Michael Lyons. Nicky Dulieu shall succeed Vanda Murray as Chair of the Remuneration Committee following the retirement of Vanda Murray on 6 November 2020.

The Board completed a performance evaluation of each of its Committees during the 2020 financial year. The evaluation reports were discussed at a meeting of the Committees and it was concluded that they were contributing and functioning effectively and were complying with their Terms of Reference.

3. COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION PRACTICES

To assist with the assessment of the Company's application of the Code, the following table sets out where key information relating to the Company's nomination related practices can be found within the Annual Report:

Subject	Page reference
Explanation of the main roles and responsibilities of the Nomination Committee	See page 71 of the Nomination Committee Report, under heading: Responsibilities and Terms of Reference
Explanation of the work undertaken by the Nomination Committee	See page 72 of the Nomination Committee Report, under heading: Main Activities During the Year
Annual reappointment of Directors and reasons why reappointment is recommended	See pages 60 to 61 of the Corporate Governance Report, under heading: Appointments and Re-Elections to the Board See pages 73 to 74 of the Nomination Committee Report, under heading: Annual Re-Election of the Directors
Tenure of Chairman	See page 58 of the Corporate Governance Report, under sub-heading: Executive Chairman See page 72 of the Nomination Committee Report, under heading: Succession
External search consultancy and connection disclosure	See page 72 and 73 of the Nomination Committee Report, under heading: Succession
Annual evaluation of Board, Committees and Directors and action taken following results of evaluation	See page 61 of the Corporate Governance Report, under heading: Board Performance Evaluation

THE NOMINATION COMMITTEE

The Nomination Committee is responsible for leading the process for appointments to the Board and ensuring that succession plans allow for the development of a diverse pipeline for the Board and Executive Management Team positions.

All members of the Nomination Committee are independent Non-Executive Directors and the Committee is chaired by Nick Hewson, the Senior Independent Director.

Further details of the role of the Nomination Committee and work undertaken throughout the year can be found on pages 71 to 74.

APPOINTMENTS AND RE-ELECTIONS TO THE BOARD

The appointments of the Non-Executive Directors are generally made for three-year terms and all Directors are subject to annual re-election. Following the assessment on the effectiveness of the Directors, the Nomination Committee will make recommendations to the Board on reappointments.

The Nomination Committee has recommended the reappointment of each of the Executive Directors and Non-Executive Directors.

The Board is mindful of the principles and provisions of the Code on election and re-election, including that there should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board, and that annual re-election is subject to continued satisfactory performance. The Board has decided that all Directors will be submitting themselves for re-election at the 2020 Annual General Meeting, save for Vanda Murray who has informed the Board of her intention to retire from the Board following the 2020 AGM due to other work commitments. Vanda Murray's appointment term was extended on 1 August 2020 to 6 November 2020, being the date of the 2020 Annual General Meeting, following which she shall retire from the Board.

The Board has satisfied itself that all Directors who will be submitting themselves for re-election continue to perform satisfactorily. Details of appropriate Annual General Meeting Resolutions will be found in the Notice of Annual General Meeting which will be sent to shareholders separately.

BOARD PERFORMANCE EVALUATION

In line with the Code, each year a formal performance evaluation of the Board and its Committees is undertaken.

Last year, an externally facilitated evaluation of the Board and its Committees was carried out by Independent Audit. In 2020, a formal internal evaluation of the Board and Committees was undertaken to build upon the progress made in the previous year. After reviewing the evaluation report prepared by Independent Audit last year, a questionnaire was created and tailored, taking into consideration comments made in the previous years' assessment as well as the current market.

The questionnaires were completed by all members of the Board and each member of the Committees. Members of the Executive Management Team and key external advisors were also invited to participate in the relevant questionnaires. The purpose of widening the participant pool was to gain a deeper understanding of the perception of the Board from non-Board members, which was a useful feedback tool.

Following completion of the questionnaires, an anonymised effectiveness report was compiled and presented at the relevant Board and Committee meetings held in June and July 2020. Having considered the output of this year's evaluation, the Board considers that it continues to function effectively and its relationship with its Committees continue to be sound. The main observations from the evaluation were:

- the Board works on a basis of trust and openness;
- the right people were brought together around the table to allow for meaningful discussions and meeting arrangements were rated highly;
- there was unanimous agreement that the organisation has a good focus on compliance and the Board have good oversight of the Group's financial heath, organisational controls and cyber risks;
- there was clarity on the Board's objectives with a good balance between short-term performance and long-term consequences;
- the quality of chairmanship was highly regarded in promoting inclusive discussions; and
- the response to the COVID-19 pandemic was highly rated, recognising the strength of the Board, Executive Management Team and wider leadership team in dealing with the situation with safety, transparency and efficiency.

The evaluation also identified the following areas for improvement, which will continue to be addressed over the coming year:

- considering the importance of the Board in setting and reviewing the strategy, it was identified that there was potential scope for a further session dedicated specifically to strategy to allow for blue sky thinking;
- there could be further challenge on how far and how quickly we are progressing towards our strategic objectives and milestones; and
- there may be scope for increasing focus on developing the next generation of leaders to ensure the leadership team remain effective.

As a result, the Board considers that it continues to operate effectively with meetings to facilitate and debate decision making.

2019 Evaluation

Recommendations of improvement from the 2019 evaluation	Action taken during the year
Renewed focus on preparing for crises which could impact the Group and ensuring that contingencies and mitigations are in place	A detailed business continuity plan was put in place during the year, which allowed the Group to be more prepared when the COVID-19 crisis hit, with the business continuity plan being activated.
Ensuring that the Board allocates sufficient time to overseeing organisational culture to ensure that it aligns with the Board's expectations	Work has been undertaken in the year to monitor, assess and embed culture, further details of which can be seen on pages 55 to 56, and this will remain on the Board's agenda for the coming year.
Possible scope for further consideration of how emerging technology in the market could bring strategic opportunities and risks	Reference to technology is now included within the Board papers for each meeting with discussion around how technology is used across the Group and where the opportunities and risks lie.

GOVERNANCE REPORT

Corporate Governance Report continued

DIVERSITY

The principle of boardroom diversity is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit, so that the Board has the right individuals in place, and recognises that diversity is an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board. A more detailed explanation of the approach to diversity can be found on page 107.

In line with Provision 23 of the Code, the gender split of the Company can be found on page 74 within the Nomination Committee Report.

4. AUDIT, RISK AND INTERNAL CONTROL

AUDIT, RISK AND CONTROL PRACTICES

To assist with the assessment of the Company's application of the Code, the following table sets out where key information relating to the Company's audit, risk and control practices can be found within the Annual Report:

Subject	Page reference
Explanation of the main roles and responsibilities of the Audit Committee	See pages 64 to 65 of the Audit Committee Report, under heading: Responsibilities and Terms of Reference
Explanation of the work undertaken by the Audit Committee	See page 66 of the Audit Committee Report, under heading: Main Activities During the Year
Risk management and internal control systems	See pages 38 to 39 of Strategic Report, under heading: Risk Management
Robust assessment of the Company's emerging and principal risks (including a description of the identified risks, procedures for identifying risks and an explanation of how these are being controlled and mitigated)	See pages 38 to 45 of Strategic Report, under heading: Risk Management
Adoption of going concern basis of accounting and assessment of prospects of the Company, taking into consideration the Company's current position and principal risks	See pages 47 to 48 of Strategic Report, under heading: Going Concern and Viability Statement
Explanation of the Directors responsibility for preparing the Annual Report and assessment forming the basis for their conclusion that the Annual Report is fair, balanced and understandable.	See page 116 of Governance Report, under heading: Statement of Directors' Responsibilities

AUDIT COMMITTEE

The Board has established an Audit Committee comprising all four independent Non-Executive Directors. The Executive Chairman is not a member of the Audit Committee.

The Board is satisfied that, with the financial backgrounds of Nick Hewson (being a Fellow of the Institute of Chartered Accountants in England and Wales) and Nicky Dulieu (having held various strategic and financial roles within a FTSE 250 company over a 23 year period), there is sufficient recent and relevant financial experience to ensure that the Committee is able to function effectively with the appropriate degree of challenge.

Further details of the role of the Audit Committee and work undertaken throughout the year can be found on pages 64 to 70.

5. REMUNERATION

REMUNERATION PRACTICES

To assist with the assessment of the Company's application of the Code, the following table sets out where key information relating to the Company's remuneration practices can be found within the Annual Report:

Subject	Page reference
Non-Executive Director remuneration	See page 91 of Directors' Remuneration Report, under heading: Single Total Figure Remuneration Table
Remuneration consultancy appointment	See pages 99 to 100 of Directors' Remuneration Report, under heading: Consideration of Directors' Remuneration – Remuneration Committee and Advisors
Executive Director remuneration supporting alignment with long-term shareholder interests	In the Remuneration Policy table, see Operation column of LTIP component for details of vesting and holding periods, on page 84. See also page 94 of Directors' Remuneration Report, under heading: Shareholding Guidelines and Share Interests
Discretion to override formulaic outcomes, malus and clawback provisions	See page 81 of Directors' Remuneration Report under sub-heading: Risk
Notice and contract periods	See page 87 of Directors' Remuneration Report, under heading: Service Contracts
Remuneration policy setting	See page 81 of Directors' Remuneration Report, under heading: Remuneration Strategy
Pay ratios	See page 97 of Directors' Remuneration Report, under sub-heading: CEO Pay Ratio
Engagement regarding remuneration	See page 57 of the Corporate Governance Report, under sub-heading: Resolution 11 See page 85 of Directors' Remuneration Report, under heading: Consideration of Shareholder Views

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee comprising all four independent Non-Executive Directors. In line with Provision 32 of the Code, the Executive Chairman is not a member of the Remuneration Committee as he was not independent upon appointment.

Vanda Murray is currently the Chair of the Remuneration Committee, having served on the Committee for over 12 months before taking over this role from her successor, Debbie Hewitt. Vanda Murray shall retire from the Board following the Annual General Meeting of the Company on 6 November 2020 and shall be succeeded as Chair of the Remuneration Committee by Nicky Dulieu. Nicky Dulieu has served as a member of the Remuneration Committee since her appointment to the Board on 6 November 2019 and has significant remuneration experience. She is currently appointed as the Chair of the Remuneration Committees of Adnams plc and Marshall Motor Holdings plc, therefore the Board is satisfied that Nicky Dulieu has sufficient remuneration experience to successfully lead the Remuneration Committee.

The Board has delegated the responsibility to the Remuneration Committee for determining the remuneration policy and setting the remuneration for the Chairman, Executive Directors and members of the Executive Management Team, taking into consideration the remuneration of the workforce.

Further details of the role of the Remuneration Committee and work undertaken throughout the year can be found on pages 78 to 100.

DIRECTORS' EMOLUMENTS WAIVER

On 27 March 2020, the Directors and senior directors in the business announced internally they had volunteered to take a 20% cut in salary for the duration of the crisis. Following this, the wider directorate in the business also volunteered to take a salary cut of 20%. Save for the Executive Chairman, salaries for the Directors, senior directors and wider directorate returned to their usual levels with effect from 18 May 2020, to coincide with the phased return to construction.

Following the volunteered offering from the Executive Chairman, the Remuneration Committee agreed that the salary of the Executive Chairman would remain at the reduced rate of 80% until the 2020 AGM, to be held on 6 November 2020, at which date his revised salary for his Non-Executive Chairmanship role would take effect. See page 89 of the Directors' Remuneration Report for further details.

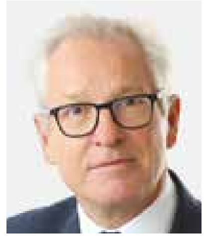
GRAHAM COPE
Company Secretary

15 September 2020

GOVERNANCE REPORT

Audit Committee Report

"The Committee monitors the effectiveness of the Group's financial reporting, systems of risk management and internal control and the integrity of the Company's internal and external audit processes."



NICK HEWSON
Chairman of the Audit Committee

I am pleased to present the Audit Committee Report for the 52 weeks ended 28 June 2020, which has been prepared in accordance with the requirements of the UK Corporate Governance Code 2018 (the "Code") and the Financial Conduct Authority's Listing Rules and Disclosure, Guidance and Transparency Rules (the "DTRs").

During 2020, the Committee maintained its focus on monitoring the effectiveness of the Group's financial reporting and the integrity of the risk management systems and internal control procedures by providing valuable independent challenge and oversight. This year was also the first financial year which KPMG LLP ("KPMG") provided the external audit function of the Company, having succeeded PricewaterhouseCoopers LLP following a successful tender process undertaken by the Committee in 2018.

I would also like to welcome Nicky Dulieu, Independent Non-Executive Director, who joined as a Member of the Board and the Committee on 6 November 2019. She brought with her solid financial and commercial experience which has added to the skill set of the Committee and enabled it to further enhance the quality of its work and challenge.

COMMITTEE MEMBERSHIP AND MEETINGS

There are four Members of the Committee, each of which are Independent Non-Executive Directors, with myself, the Senior Independent Director, being Chair of the Committee. The other Members of the Committee during the 2020 financial year were Sir Michael Lyons, Vanda Murray and Nicky Dulieu. The Company Secretary acts as Secretary to the Committee.

The Board is satisfied that there is the requisite recent and relevant financial experience on the Committee (in line with Provision 24 of the Code) and that there is sufficient competence in accounting and auditing (in line with DTRs 7.1.1A) due to the following:

- I, as Chairman of the Committee, am a Fellow of the Institute of Chartered Accountants in England and Wales; and
- Nicky Dulieu, as a Member of the Committee, has held various strategic and financial roles within a FTSE 250 company over a 23-year period.

The qualifications, skills and experience of each Committee Member can be found on pages 50 to 51.

As noted above, Nicky Dulieu joined as a Member of the Board and the Committee on 6 November 2019.

To enable the Committee to provide robust challenge of the reports submitted to the Committee, regular attendees at the meetings during the year included the Group Finance Director, Finance Director - Group Services (who has the responsibility for the Company's internal audit), Chief Information Officer (who has the responsibility for IT, including cyber security and systems accounts) and KPMG LLP as the external auditor.

The Committee met three times during the year and details of the meeting attendance can be seen in the table below. A summary of the principal activities of the Committee is provided below.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	3/3
Sir Michael Lyons	Member	3/3
Vanda Murray	Member	3/3
Nicky Dulieu [1]	Member	2/2

[1] Nicky Dulieu was appointed as a Member of the Committee on 6 November 2019 and attended all meetings that were held from 6 November 2019 to the end of the 2020 financial year.

Detailed papers and information were circulated sufficiently in advance of meetings to allow proper consideration of the matters for discussion. The Committee has also had the opportunity to meet separately with the external auditors and internal audit function following the final audit and the review of the 52 weeks ended 28 June 2020 financial statements. The Committee Chairman met with the Engagement Partner of the external auditors, as well as the Finance Director – Group Services to discuss internal audit matters.

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- monitoring the timeliness and integrity of the financial statements and accompanying reports to the shareholders and Corporate Governance Statements, including reviewing any significant financial reporting judgements containing therein and the findings of the external auditors;
- monitoring and reviewing any formal announcements relating to the Company's financial performance;
- reviewing and monitoring the effectiveness of systems for internal control, financial reporting and risk management, covering all material controls (including financial, operational and compliance controls), having regard to the long-term prospects and viability of the Company;
- providing advice to the Board upon request on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- reviewing and overseeing the effectiveness of internal audit;
- monitoring the timeliness of the tender process for the external auditors, considering what is in the best interests of the members of the Company, and facilitating the tendering process at least every ten years;
- making recommendations to the Board in relation to the appointment and removal of the external auditors and approving the remuneration and terms of engagement;
- determining the criteria used in order to assess the quality of the external audit and reporting on any significant issues considered in relation to the financial statements;
- reviewing and monitoring the external audit process and independent activity of the external auditors as well as the nature and scope of the external audit and its effectiveness;
- reviewing and monitoring the external auditor's independence and objectivity;
- monitoring and reviewing the policy on the engagement of the external auditors to supply non-audit services, taking into consideration the impact this may have on independence;
- ensuring that the internal and external audit functions remain independent and effective through formal and transparent review;
- reviewing the Company's procedures for detecting fraud and the adequacy of its systems and controls for the prevention of bribery;
- reviewing the Company's procedures for data management and cyber resilience;
- reviewing the Company's procedures and controls for the prevention of tax evasion and the facilitation of tax evasion;
- reviewing the Company's procedures for raising concerns; and
- reporting to the Board on how the Committee has discharged its responsibilities.

The Committee's Terms of Reference are available on the Company's website (redrowplc.co.uk).

AUDIT COMMITTEE REPORTING ON SIGNIFICANT ISSUES

The primary areas of judgement and estimation uncertainty which were considered and challenged by the Committee and how these were addressed are set out below:

(i) Valuation of inventory

The Committee receives a report prepared by management at each reporting date outlining the approach taken by management to assess the net realisable value of inventories together and cost of sales, with details of sites with significant areas of judgement and any forward land against which provisions have been made.

(ii) Defined benefit pension scheme valuation

The Committee receives details of the IAS 19R – Employee Benefits valuations carried out at each reporting date for management by the actuary who advises the Company and the underlying assumptions. A sensitivity analysis is also provided for its consideration. The Committee also receives details of the triennial independent scheme valuation report prepared by the Scheme Actuary and reviews key judgement areas made including relevant actuarial advice that has been received. In addition, the Committee also reviews the external auditors' report benchmarking pension actuarial assumptions. The Scheme was in surplus as at 28 June 2020.

(iii) Going Concern

Annually, management conducts a detailed going concern review, considering liquidity and banking covenant compliance. The Committee has challenged forecast cash flows and the assumptions applied to derive the cash flows and availability of finance from existing facilities. The Committee has challenged the various risks associated with the COVID-19 pandemic and the UK's departure from the European Union that have been assumed as part of this review. The cash flow forecasts evidence that the Group has adequate levels of liquidity from its committed facilities and complies with all banking covenants for at least 12 months from 15 September 2020. The Committee therefore considers that it is appropriate to continue to adopt a going concern basis in the preparation of the financial statements.

The Group Finance Director and Finance Director – Group Services are available to attend meetings to answer any questions the Committee may have. The Committee also annually reviews the internal controls that are in place and reviews the findings of the external auditors' testing of controls and processes for estimating as well as the adequacy of disclosures that management propose to be made in financial statements.

The Committee concluded that appropriate judgements had been applied in determining the estimates and that adequate disclosures had been made.

GOVERNANCE REPORT

Audit Committee Report continued

MAIN ACTIVITIES DURING THE YEAR

The Committee followed a programme which is structured around the annual reporting cycle and received reports from internal audit, the external audit and management. The principal activities undertaken were as follows:

September 2019	A review of the full year 2019 results, including the Annual Report and a report from the external auditors; Consideration of the Group risk assessment process, viability statement and a going concern review; A review of the related third party transactions; Discussion regarding the latest Business Performance Review; A review of the compliance with the Anti-Bribery Policy; and An update on cyber security.
February 2020	A review of the 2020 half-yearly accounts including a report from the external auditors; Consideration of the key accounting judgement areas and going concern; A review of the proposed external audit strategy for 2020 and associated fees; A review of the Risk Register; Discussion regarding the latest Business Performance Review; A review of the compliance with the Anti-Bribery Policy; An update on compliance with the General Data Protection Regulation 2018; A further update on cyber security; A review of the new Gifts and Hospitality Policy; A review of the Terms of Reference of the Committee; An update on the integration of KPMG LLP as the succeeding external auditors; A review of the effectiveness of the external audit process; and A review of the independence and objectivity of the external auditors.
June 2020	A review of the appropriateness of the Group's accounting policies; An update on action taken in response to the COVID-19 pandemic; A review of the Risk Register; Discussion regarding the latest Business Performance Review; A review of internal controls across the whole business; A review of the Cross Divisional Testing; An update on insurance cover for the Group; An update and discussion on internal audit and its strategy; An update and discussion on the external audit; A further update on the integration of KPMG LLP as the external auditors; A review of the external audit fees; A further update on compliance with the General Data Protection Regulation 2018; A further update on cyber security; A review of the Group's Anti-Bribery Policy, Anti-Facilitation of Tax Evasion Policy and Whistleblowing Policy; and Report presentation of the Committee Performance Evaluation and a discussion on its effectiveness.
September 2020	A review of the full year 2020 results, including the Annual Report and a report from the external auditors; Consideration of the Group risk assessment process, viability statement and a going concern review; A review of the related third party transactions; Discussion regarding the latest Business Performance Review; A review of the compliance with the Anti-Bribery Policy; and An update on cyber security.

EXTERNAL AUDITORS

Following the conclusion of the tender process led by the Committee, the Company announced on 9 November 2018 that the Board had approved the proposed appointment of KPMG LLP as the Company's external auditors for the financial year commencing 1 July 2019. There were a number of factors contributing to this proposal, including KPMG LLP's audit experience, particularly with other entities of a similar size to the Company, as well as their knowledge, reliability and approach to quality assurance and independence. The appointment was subsequently approved by shareholders at the 2019 Annual General Meeting, whereby 99.76% of votes were cast in favour of the resolution, with the appointment taking effect from 6 November 2019.

The tenure of the current Audit Partner from KPMG LLP, Nick Plumb, commenced from the financial year commencing 1 July 2019.

Provision of Non-Audit Services by External Auditors

The Committee has a formal policy in respect of the work of the external auditors. The purpose of this policy is to ensure that the auditors' objectivity and independence is maintained by ensuring both that the nature of any non-audit work undertaken and the level of fees paid does not compromise the auditors' position.

Appointments in respect of non-audit work require the prior approval of the Committee within an established budget. In addition, no work can be undertaken by the external auditors in any area where there is any identifiable risk that the work of an individual within the external audit firm or the external audit firm generally could conflict or compromise the quality, objectivity or independence of any audit or compliance work undertaken for the Group.

The external auditors are not indemnified by the Company nor has the Company purchased liability insurance for them.

Non-audit services provided by the external auditors during the 2020 financial year comprised audit related assurance services, in the form of an independent review of the half-yearly statements. The Committee concluded that the provision of such services was appropriate given that they were closely related to the work performed in the external audit process and, for reason of effectiveness and efficiency, it was considered advantageous to engage the external auditors due to their knowledge and expertise.

The Committee, in line with the above formal policy, approved all non-audit service fees for the work undertaken in the financial year. The provision of such services was in line with the FRC's Revised Ethical Standard 2019. As a result of this policy and additional discussions with the external auditors, the Committee is satisfied that the independence of KPMG LLP was not compromised because of this additional work. Details of fees paid to KPMG LLP for audit and non-audit purposes are disclosed on page 137.

Independence Assessment of External Auditors

In line with Provision 25 of the Code, the Committee monitors and reviews the independence and objectivity of the external auditors. The Committee is satisfied that KPMG LLP remain independent and objective following its assessment, taking into consideration the following:

i. Tenure of the audit firm – the 2020 financial year was the first period of KPMG LLP's appointment as the external auditors. The Committee is aware of the requirement for it to retender the Company's statutory audit services engagement at least every ten years, with rotation at least every twenty years. The Committee is also mindful of the Competition & Markets Authority view that companies may benefit from going out to tender every five years and, when considering the specific timing for the retender of the external auditors, the Committee shall consider which year would be in the best interests of its members. Having completed only one year of external audit services, the Committee is satisfied that the independence of KPMG LLP has not been impaired;

ii. Tenure of the audit partner – the 2020 financial year was the first period of Nick Plumb's engagement as Audit Partner of the external auditors. The Committee is aware of the requirement for the Audit Partner of the external auditor to be rotated at least every five years. Having completed only one year as Audit Partner, the Committee is satisfied that the independence of the external auditors, and Nick Plumb as Audit Partner, has not been impaired;

iii. Connection of the audit firm to the Members of the Committee – other than providing internal audit services to Marshalls plc, of which Vanda Murray is appointed as Chair, KPMG LLP has no connection to the Members of the Committee; and

iv. Level of non-audit services provided to the Company – the Committee is satisfied that the level of non-audit services provided by KPMG LLP was in line with the Company's policy and was appropriate in respect of the audit services provided and that an effective audit could be conducted, with such level in no way compromising independence.

Effectiveness Assessment of External Auditors

The performance of the external auditors is subject to regular review by the Committee, in line with Provision 25 of the Code. In its assessment of the effectiveness of the external auditors, the Committee considered the quality of the external audit processes; the knowledge and experience of the external audit team; the external audit scope and plan; the external audit communications; and the external audit governance and independence. Following its assessment, the Committee is satisfied that KPMG LLP remain effective and provide rigorous challenge.

GOVERNANCE REPORT

Audit Committee Report continued

Re-Appointment of External Auditors

Following its assessment of the independence and effectiveness of the external auditors, having received the recommendation from the Committee, the Company shall be proposing the re-appointment of KPMG LLP as its external auditors at the 2020 Annual General meeting.

The Committee confirms that there were no contractual obligations that acted to restrict the Committee's choice of external auditors.

INTERNAL CONTROLS

The Board recognises its overall responsibility for the Group's system of internal control and for monitoring its effectiveness. There is an ongoing process for identifying, evaluating and managing significant risks. However, in reviewing the effectiveness of internal control, any internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key business activities, including finance, land acquisition, product design, and procurement and information technology are controlled by the Executive Directors. All activity is organised within a defined structure with formal lines of responsibility, designated authority levels and a structured reporting framework. A formalised reporting structure has been established within the Group. The Executive Directors, the Company Secretary, Regional Chief Executives, Group Human Resources Director, Group Customer and Marketing Director and Group Development Director (the "Executive Management Team") meet monthly to discuss the Group's key issues, principal and emerging risks and opportunities. The divisions also hold monthly board meetings which are attended on a rotational basis by the Executive Directors.

The key features of the Group's internal controls are as follows:

- defined authorisation levels exist over key areas such as land purchase, the placing of orders and contracts and staff recruitment;
- a comprehensive prioritised Risk Register which is regularly reviewed and presented to the Committee;
- the Group's management information systems provide weekly updates on key statistics and information in respect of sales and production and the content of these weekly reports is regularly reviewed to ensure it remains appropriate;
- the Group has an in-house Health, Safety and Environmental department and places great emphasis on the importance of health and safety and environment management. The department works closely with the divisions to ensure that training is provided to employees and subcontractors. Best practice is shared and appropriate actions are taken to comply with health and safety best practice and legislation throughout the organisation;
- the Board requires each director in its operating divisions to complete an annual statement on Corporate Governance and related party transactions. The statement is designed to provide assurance that Group policies and procedures are being implemented and complied with in all material respects;
- key functional directors must complete a Principal Controls Self-Assessment Questionnaire which is reviewed by the Board to assist in improvements in the control framework;
- a weekly business report (WBR) comprising sales funnel information, gross margins and order book is produced for the Group, each division and each site and circulated across the Group;
- a monthly reporting pack is circulated in advance and reviewed at the meetings of the Board, Executive Management Team and divisional boards. Annual budgets are set, with actual performance compared against the annual budget;
- preparation and regular updates of strategic plans;
- a policy and procedures manual which covers all the significant aspects of the Group's operations and describes the systems and controls that are to be applied; and
- daily statements of a reconciled cash position identifying significant payments are prepared, rolling cash flow forecasts are prepared and forecast banking covenant compliance are tested.

Throughout the year, the Committee carried out assessments of internal control by considering documentation from the Executive Directors and the internal audit function as well as taking into consideration events since 28 June 2020. The internal controls extended to the financial reporting process and the preparation of consolidated financial statements. The basis for the preparation of consolidated financial statements has been undertaken in accordance with the Company's Accounting policies as set out on pages 130 to 135.

In assessing the effectiveness of the internal audit function, the Committee is satisfied that it has the appropriate status, processes, knowledge and resources to deliver an effective internal audit and that the function has had a positive impact on the controls and governance of the Group.

The Committee therefore confirms that it is satisfied that the system of controls has been in operation throughout the financial year and up to the date of this report.

RISK REGISTER

The Group formally reviews its prioritised Risk Register every year and more often as necessary. The updated and reviewed Risk Register is then discussed and approved by the Committee. In addition, the Executive Management Team, through its regular meetings, reviews key areas of risk on an ongoing basis and considers whether the internal controls identified in relation to those risks remain appropriate.

INSURANCE

The Board has appointed an experienced broker to advise on and co-ordinate all insurance matters across the Group and they liaise closely with appropriate Group personnel at head office and within the divisions and report directly to the Group Finance Director.

RISK MANAGEMENT AND INTERNAL AUDIT

The Group's Risk Register defines controls as prevent or detect and identifies owners for each high level risk. Feedback on the risks and controls is actively encouraged and is facilitated by links on the Group's intranet to ensure the risks listed remain relevant and accurate. The Register itself is regularly maintained and is reviewed by the Committee annually.

The internal audit strategy is discussed with the external auditors and discussed and agreed with the Committee. Suggested control improvements and any control weaknesses identified are followed up as appropriate. The cornerstone of the internal audit work undertaken is the Business Process Review, a risk-based programme that was designed, based on the Risk Register, to be carried out regularly at each division of the Group. The Business Process Review programme looks to provide assurance to the Group, by testing internal controls and reviewing specific principal and emerging risks, as well as seeking out best practice and sharing it across the Group and identifying business process improvements. Committee Members receive an Executive Summary of each Business Process Review report and these reports are then discussed at the next Committee meeting. In addition, the Committee at its meetings reviews the progress made by the relevant division, following the completion of a Business Process Review, against the internal audit process.

The Company has in place a business planning process whereby each land transaction, following completion of the development, is tested against its original appraisal to ascertain its performance and to improve cash flow forecasting. These Post Completion Reports are provided to the Committee and are discussed at each meeting.

BRIBERY ACT

Following the introduction of the Bribery Act 2010 the Company put in place a formal policy on bribery and corruption for all employees to strictly adhere to. The Company Secretary ensures that the policy is complied with, updates the policy, procedures and company code of practice as and when required and provides regular reports to the Committee.

The Bribery Act policy is formally reviewed and approved each year by the Committee.

The policy contains the definition of bribery and corruption, providing examples of how this could work in the context of the Company's industry and also offering guidance as to what would be considered acceptable behaviour. The policy deals with all matters of bribery and corruption and clarifies the Company's strict approach to any form of facilitation payment or conflict of interest.

Training is given to all staff to highlight the various forms of bribery and all new staff attend an induction course at the commencement of their employment which includes a section relating specifically to bribery and the implication on individuals and the Company of an act of bribery either given or received. Within the Code of Conduct, there is a specific decision-making tool which is designed to provide employees with key questions to ask themselves should they ever be faced with difficult situations which could ultimately lead to bribery or corruption. This seeks to guide them to act in a way that is in line with Company policy and prevent any form bribery taking place.

Each Division across the Group maintains its own Gift Register whereby all gifts received over the relevant threshold must be recorded. Gift authorisation forms must be formally approved and retained by each Division. Regular reviews of the Gift Register are undertaken in order to detect any potential issues arising under The Bribery Act. A combined Group-wide register is provided to the Committee to allow risk assessments to be carried out by the Committee. Within the Code of Conduct, there is a gift specific decision-making tool which employees are encouraged to use when considering whether they should accept or offer a gift or hospitality which seeks to guide them to the expected behaviours in line with our policy.

INTERACTION WITH FRC

During the year the Financial Reporting Council (FRC) Corporate Review team opened and concluded its review of our 2019 Annual Report. All correspondence received and responses were discussed with the Chair of the Audit Committee on behalf of the Committee. As a result of the FRC review, we have improved the clarity of our Group disclosures in relation to Critical Accounting Judgements and Key Sources of Estimation Uncertainty, Dividend distribution accounting policy and Trade and Other Receivables notes. The nature of the FRC review is that it provides no assurance that the annual report and accounts are correct in all material respects. The FRC's role is not to verify the information but is to consider compliance with reporting requirements.

THE CRIMINAL FINANCES ACT

Following the introduction of the Criminal Finances Act 2017 on 30 September 2017, the Company put in place a policy relating to the facilitation of tax evasion. The policy is applicable to every employee and the Employee Handbook, which is provided to each new employee, includes reference to the policy and the Group's zero-tolerance stance on tax evasion and its facilitation. As with the Bribery Act policy, the Company Secretary ensures that the policy is complied with and reports to the Committee on matters falling within the policy.

The Anti-Facilitation of Tax Evasion policy is formally reviewed and approved each year by the Committee. There were no changes made to the policy during the year.

GOVERNANCE REPORT

Audit Committee Report continued

PERFORMANCE EVALUATION

During the year, a formal internal evaluation of the Committee was carried out to build upon the progress made by the 2019 evaluation which was externally facilitated by Independent Audit.

After reviewing the evaluation report prepared by Independent Audit last year, a questionnaire was created and tailored, taking into consideration comments made in the previous years' assessment as well as the current market. The Members of the Committee, as well as those people who regularly attend the Committee meetings by invitation, were invited to participate in the evaluation.

Following completion of the questionnaire, an anonymised effectiveness report was compiled and presented to the Members of the Committee. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee was particularly strong in understanding and challenging the control and risk management framework and ensuring that the external auditors have the right focus. It was also agreed that the Committee maintains a clear focus and benefits from good and open discussions and is led by a knowledgeable Chairman who promotes challenge and debate from all Members.

COMPLIANCE STATEMENT

The Company has complied 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 for the 52 weeks ended 28 June 2020.

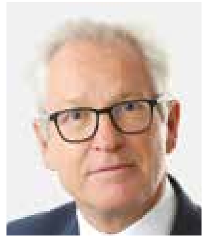
NICK HEWSON
Chairman of the Audit Committee

15 September 2020

GOVERNANCE REPORT

Nomination Committee Report

"Careful succession planning for the Board and the Executive Management Team, and rigorous assessment of the Board and its Committees, is crucial to the long-term success of the Company."



NICK HEWSON
Chairman of the Nomination Committee

I am pleased to present the Nomination Committee Report for the 52 weeks ended 28 June 2020. This report has been prepared in accordance with the requirements of the UK Corporate Governance Code 2018 (the "Code") which is the first year in which we shall be reporting against this new version of the Code.

During 2020, the Committee maintained its focus on the skillset, experience and knowledge required on the Board to ensure that it remains effective and focused on driving forward the strategy of the Company.

This year, we welcomed Nicky Dulieu as an Independent Non-Executive Director of the Board on 6 November 2019. She also joined as a Member of this Committee, as well as the Audit and Remuneration Committees at the same date. We are delighted that Nicky Dulieu has joined us as she brings with her a wealth of experience that has further enhanced the knowledge and skills of the Board as a whole.

Additionally, on 1 July 2020, Matthew Pratt was promoted to Group Chief Executive of the Company, having been appointed as Chief Operating Officer on 1 April 2019. This promotion is a great reflection of Company's commitment to internal progression and is explained further in this report.

COMMITTEE MEMBERSHIP AND MEETINGS

There are four Members of the Committee, each of which are Independent Non-Executive Directors, with myself, the Senior Independent Director, as Chair of the Committee. The other Members of the Committee during the 2020 financial year were Sir Michael Lyons, Vanda Murray and Nicky Dulieu. The Company Secretary acts as Secretary to the Committee.

As stated in my introduction above, Nicky Dulieu joined as a Member of the Board and the Committee on 6 November 2019.

The biographies of the Members of the Committee can be found at pages 50 to 51.

The Committee met three times during the 52 weeks ended 28 June 2020. For all meetings, and where necessary, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. Details of the meeting attendance can be seen in the table below.

Table of Attendance

Name	Role	Attendance at Meetings
Nick Hewson	Chairman	3/3
Sir Michael Lyons	Member	3/3
Vanda Murray	Member	3/3
Nicky Dulieu [1]	Member	2/2

1 Nicky Dulieu was appointed as a Member of the Committee on 6 November 2019 and attended all meetings that were held from 6 November 2019 to the end of the 2020 financial year.

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board (including skills, knowledge and experience) and making recommendations for further recruitment to the Board or proposing changes to the existing Board;
- reviewing the leadership needs of the Company, both executive and non-executive, ensuring appropriate succession planning for Directors and other senior executives within the business;
- leading the process for Board appointments, ensuring they are conducted on merit and against objective criteria;
- making recommendations to the Board, including on appointment of Executive Directors and Non-Executive Directors to the Board, the re-appointment of Directors, the re-election of Directors at the Annual General Meeting and the membership of the Audit, Nomination, Remuneration and Placemaking and Sustainability Committees;
- ensuring that a formal, structured and tailored induction programme is undertaken by any newly appointed member of the Board;
- reviewing annually the time required from the Non-Executive Directors;
- satisfying itself with regard to succession planning for the Board and senior management, taking into account the challenges and opportunities facing the Company and future skills and expertise needed on the Board including development and training;
- ensuring suitable candidates for the Board are identified through an appropriate recruitment process, giving due regard to the benefits of diversity, including gender and ethnicity, and recommended for appointment; and
- reviewing the policy on diversity and inclusion and ensuring there is sufficient linkage to the Company's strategy.

GOVERNANCE REPORT

Nomination Committee Report continued

The Committee's Terms of Reference are published on the Group's website (redrowplc.co.uk).

MAIN ACTIVITIES DURING THE YEAR

During the 2020 financial year, the Committee undertook the following activities:

- a review of the structure, size and composition of the Board;
- a review of executive and non-executive succession;
- a review of the succession plans of the Executive Management Team;
- an assessment of the Board composition and diversity;
- a recruitment process for an additional Independent Non-Executive Director, resulting in the appointment of Nicky Dulieu;
- consultation with major shareholders in respect of the intended Board changes following discussions with those shareholders at the end of 2019, including Matthew Pratt being promoted to Group Chief Executive and John Tutte stepping back to Non-Executive Chairman at the end of the 2020 AGM and being replaced by an Independent Non-Executive Chairman ahead of the 2021 AGM;
- a discussion following Vanda Murray informing the Board of her intention to retire from the Board on 6 November 2020 after the AGM as a result of other work commitments and the appointment of Nicky Dulieu to the role of Chair of the Remuneration Committee;
- an evaluation of the Board, its Committees and the Executive and Non-Executive Directors;
- a review and recommendation that the Directors stand for re-election at the conclusion of the 2020 Annual General Meeting in accordance with UK Corporate Governance Code;
- a review of the Committee's Terms of Reference; and
- engagement of an external recruitment agency, following a tender process for the provision of such services, to commence the search for an Independent Non-Executive Chairman to succeed John Tutte as the current Chairman ahead of the 2021 AGM.

Where appropriate, the Directors were not present and did not vote when any individual proposals were discussed.

SUCCESSION

Executive Directors

Chairman

John Tutte was appointed as Executive Chairman, replacing Steve Morgan, on 1 April 2019.

The Committee determined that the appointment of John Tutte, having a wealth of experience and knowledge of the Group, was in the best interests of the Company, as the circumstances necessitated continuity following the departure of Steve Morgan. Moreover, following Steve Morgan's retirement, the appointment of John Tutte allowed for an eventual transition to a more conventional board structure, which would be in line with the Code.

The Board consulted with major shareholders in respect of the rationale behind this appointment and set out its reasons to all shareholders via RNS announcement and additionally by way of publication on the Company website at http://investors.redrowplc.co.uk/corporate-governance.

The Committee recognised that ordinarily the Group Chief Executive should not go on to become Chairman and that should this happen, major shareholders should be consulted (per Provision 9 of the Code). For the reasons outlined, John Tutte was deemed the most suitable person for the role and the Board held consultations with major shareholders in this regard. Following these consultations, it is intended that John Tutte will step back to Non-Executive Chairman at the AGM in November 2020 and retire from the Board ahead of the AGM in 2021. An Independent Non-Executive Chairman is to be appointed following John's retirement ahead of the AGM in 2021, in line with Provision 9 of the Code.

The Committee also recognised that the Chairman should not remain in post beyond nine years from their first appointment to the Board and that, if this is to be extended, a clear explanation is to be provided (per Provision 19 of the Code). John Tutte joined the Board in July 2002 however, as explained above, the re-appointment of John Tutte to be proposed at the 2020 AGM is intended to allow for a thorough search process for a succeeding Independent Non-Executive Chairman.

In July 2020, the Committee commenced a tender process for external recruitment services to be provided to the Company to commence the search for the succeeding Non-Executive Chairman. Following the tender process, the Inzito Partnership was engaged to assist with the recruitment process for this position. Other than its engagement for this appointment, the Inzito Partnership has no connection to the Company or the individual directors of the Company. The process is still in the early stages, however further details of this process shall be outlined in next year's Annual Report. As soon as the appointment has been approved, the Company shall release an RNS announcement containing details of the appointment.

Group Chief Executive

Matthew Pratt, previously Chief Operating Officer, was promoted to Group Chief Executive on 1 July 2020.

Having joined the Board on 1 April 2019 as Chief Operating Officer, the Committee recommended the promotion of Matthew Pratt to Group Chief Executive, having been satisfied that his capabilities, experience and strategic focus would allow him to effectively lead the operational management of the Group and implement strategic plans with the assistance of the Executive Management Team.

During his tenure, the Committee was satisfied that Matthew Pratt had demonstrated the following, which were deemed essential for the appointment of Group Chief Executive:

- a deep understanding of the values and culture of the Group;
- a long-standing knowledge and understanding of the housebuilding and construction industry;
- the ability to manage successfully the operations of the Group; and
- the ability to form relationships with key stakeholders of the Company.

A key component of the Group's strategy is Valuing People and the Group possesses a talented employee base in which great focus is placed on development. As such, the Board greatly supports promotion from within, provided that the needs of the role and the qualities required can be clearly met. The appointment of Matthew Pratt as Group Chief Executive, having joined the company in 2003 as a Chief Quantity Surveyor and becoming a Regional Chief Executive in 2013, is a great example of how the Company develops and nurtures talent resulting in the ability for employees to make their way up to the Board.

Division of Responsibilities

The Committee is satisfied that the separation of roles at the head of the Company has been maintained, with the Executive Chairman being responsible for leading the Board and the Group Chief Executive being responsible for the executive leadership of the business. Further information on the division of responsibilities between the Executive Chairman and the Group Chief Executive can be found on page 58.

In addition to this, the Committee has determined that there remains an appropriate combination of Executive Directors and Independent Non-Executive Directors such that no one individual, or small group of individuals, dominates the Board's decision-making.

Non-Executive Directors

The Board considers that succession planning of the Board and its Committees is extremely important and believes that it now has a good balance and diversity among its Non-Executive Directors, with each of them having relevant skills derived from serving in a range of executive and non-executive positions over many years.

In late 2019, the Committee identified that the Board may benefit from the appointment of an additional Non-Executive Director and, following a tender process, Russell Reynolds Associates were engaged as the external search agency to assist with this appointment. Other than its engagement for this appointment, Russell Reynolds Associates has no connection to the Company or the individual directors of the Company.

A list of possible candidates was drawn up and interviews for the position were held. Following the interviews, a shortlist of potential candidates was presented to the Committee for consideration. The merits, strengths and weaknesses of the shortlisted candidates were discussed and considered extensively by the Committee. Following deliberations, the Committee unanimously agreed that Nicky Dulieu should be nominated to the Board for approval.

Nicky Dulieu has extensive Non-Executive Director experience and is currently a Non-Executive Director of Adnams plc, Marshall Motor Holdings plc and WH Smith plc. She trained as an accountant with Marks & Spencer Group plc and held various strategic and financial roles within the company over a 23-year period. Following this, Nicky Dulieu was appointed to the Board of Hobbs Limited and became Chief Executive from 2008 until 2014.

The Board accepted the Committee's recommendation, and the Company appointed Nicky Dulieu as an Independent Non-Executive Director with effect from the close of the AGM on 6 November 2019. Following her appointment, she undertook a tailored induction programme, which introduced her to the Company and senior management and allowed her understand the business in order for her to be able to properly discharge her duties.

Nicky Dulieu has brought to the Board strong financial and commercial experience as well as extensive knowledge of retailing and customer service, which shall be of great benefit to the Board.

Vanda Murray has informed the Board of her intention to retire from the Board as a result of other work commitments. Vanda Murray's appointment term was extended on 1 August 2020 to 6 November 2020, being the date of the 2020 Annual General Meeting. Vanda Murray will not be seeking re-election at the 2020 Annual General Meeting and will retire from the Board following that meeting.

ANNUAL RE-ELECTION OF THE DIRECTORS

The Committee believes that presently the balance of Non-Executive and Executive Directors is effective and contains the appropriate mix of skills and experience for the Board to continue successfully. The current composition is compliant with Provision 11 of the Code as the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, is 4:2 (66.67%). Following the retirement of Vanda Murray after the 2020 AGM, the Board composition will remain compliant with this provision, with the ratio of Independent Non-Executive Directors to Executive Directors, excluding the Chairman, being 3:2 (60%).

The Committee has also assessed the time commitment of all Directors to ensure that any other commitments do not compromise their ability to commit sufficient time to the Company to properly discharge their responsibilities. The Committee does not consider that any of its Directors are over boarded and is satisfied that sufficient time and energy is devoted to the Company by each Director.

Following an assessment comprising the following factors, the Committee has satisfied itself that all Directors continue to perform satisfactorily and are important to the Company's long-term sustainable success:

- the effectiveness of the Directors as part of the annual evaluation;
- the skills, knowledge and experience of the Directors, taking into consideration the requirements of the Company;
- the time dedicated by the Directors to the Company in order to properly discharge their responsibilities; and

GOVERNANCE REPORT

Nomination Committee Report continued

- the fulfilment of the independence criteria, as outlined in Provision 10 of the Code, for the Independent Non-Executive Directors.

As such, the Committee has recommended that the Board propose the re-election of all Directors at the 2020 AGM, save for Vanda Murray who has informed the Board of her intention to retire from the Board as a result of other work commitments. Vanda Murray's appointment term was extended on 1 August 2020 to 6 November 2020, being the date of the 2020 Annual General Meeting, following which she shall retire from the Board.

DIVERSITY

The principle of boardroom diversity is strongly supported and recognised by the Board and has clear linkages to the Company's strategy, with Valuing People being one of the Company's three strategic themes. It is the Board's policy that appointments to the Board will always be based on merit, so that the Board has the right individuals in place, and the Board recognises that diversity is an important consideration forming part of the selection criteria used to assess candidates to achieve a balance on the Board. The Board currently has not imposed a diversity quota.

The Group Human Resources Director attends the monthly Executive Management Team meetings and provides a monthly HR report, which provides key statistics on Group employees as well as providing updates on employee engagement and recruitment. She reports to the Nomination Committee at least twice a year to provide an update on progress.

Gender Diversity

The Committee continues to note the target of 33% female representation on boards outlined in the 2015 Hampton-Alexander review. Following the appointment of Nicky Dulieu to the Board on 6 November 2019, the current female representation on the Board is 42.86%. Once Vanda Murray retires from the Board following the 2020 AGM, the female representation on the Board will be 33.33%, thereby remaining in line within the aforementioned target.

The Board believes in the benefits of cognitive diversity, from a wide range of complementary skills. The Committee will continue to aspire to maintain a diverse Board with recruitment and selection of talented individuals and with a broad range of appropriate skills, irrespective of gender or otherwise.

In line with Provision 23 of the Code, the table below sets out the current position of the Company on a gender basis:

	Female	Male
Main Board	3 (43%)	4 (57%)
Executive Management Team	2 (22%)	7 (78%)
Direct reports to Executive Management Team	11 (33%)	22 (67%)
Redrow employees at June 2020	795 (34%)	1,548 (66%)

Ethnic Diversity

The Committee continues to monitor and review reports and recommendations relating to the composition of boards and diversity, including the Parker Review and the McGregor-Smith Review on ethnic diversity.

The Committee believes that all levels of the business should reflect a diverse workforce and that appointments to the Board will always be based on merit. The Board strictly prohibits any bias towards any particular ethnicity, creed, religious belief or otherwise.

As a national housebuilder, the Company is present in many different communities and the Board believes that the Group's workforce should be reflective of the communities we work in and the customers we create homes for, including in respect of ethnicity.

Further details of the steps taken by the Company to increase diversity and raise awareness of the importance of an inclusive workforce can be found on page 107.

PERFORMANCE EVALUATION

During the year, a formal internal evaluation of the Committee was carried out to build upon the progress made by the 2019 evaluation which was externally facilitated by Independent Audit.

After reviewing the evaluation report prepared by Independent Audit last year, a questionnaire was created and tailored, taking into consideration comments made in the previous years' assessment as well as the current market. The Members of the Committee, as well as those people who regularly attend the Committee meetings by invitation, were invited to participate in the evaluation.

Following completion of the questionnaire, an anonymised effectiveness report was compiled and presented to the Members of the Committee. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee was particularly strong in establishing the right size and mix of members of the Board with a good balance of personalities for generating lively discussion and that the Committee had found the right people for the Board ensuring good coverage of the core skills required for the business to remain effective. Succession planning for the Executive Management Team and management of potential successors for senior executive roles will remain a priority for the coming year.

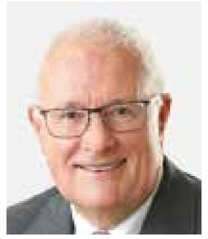
NICK HEWSON
Chairman of the Nomination Committee

15 September 2020

GOVERNANCE REPORT

Placemaking and Sustainability Committee Report

"The key priorities of the Committee are: strengthening the connection between people and places by Developing Thriving Communities; monitoring the Company's impact on the environment and the communities it creates by Building Responsibly; and ensuring that the Company supports and develops its people by Valuing People".



SIR MICHAEL LYONS
Chairman of the Placemaking and Sustainability Committee

I am pleased to present the Placemaking and Sustainability Committee Report for the 52 weeks ended 28 June 2020.

During 2020, the Committee maintained its focus on developing and monitoring the Company's approach to placemaking and sustainability and monitoring the impact of the Company's operations on the environment and its communities. A description of the main activities undertaken by the Committee during the year is outlined below.

This year, we welcomed Will Heath as a Member of the Committee. Will Heath is the Group Development Director of the Company and is responsible for the strategic management of the Group's land holdings. The Sustainability and Master Planning teams report into Will Heath and he is responsible for driving the placemaking and sustainability strategy of the Group. We are delighted that he has joined the Committee as a full Member.

COMMITTEE MEMBERSHIP AND MEETINGS

The Members of the Committee during the financial year comprised myself as Chairman of the Committee, Nick Hewson, Senior Independent Director, Matthew Pratt, Group Chief Executive, Karen Jones, Group Human Resources Director and Will Heath, Group Development Director. The Company Secretary acts as Secretary to the Committee.

Will Heath joined as a Member of the Committee on 9 October 2019.

The Committee met three times during the 2020 financial year. For all meetings, papers were circulated sufficiently in advance to allow proper consideration of all matters for discussion. Details of the meeting attendance can be seen in the table below.

Table of Attendance

Name	Role	Attendance at Meetings
Sir Michael Lyons	Chairman	3/3
Nick Hewson	Member	3/3
Matthew Pratt	Member	3/3
Karen Jones [1]	Member	2/3
Will Heath [2]	Member	2/2

1 Due to unforeseen circumstances, Karen Jones was unable to attend one meeting of the Committee, however she was fully appraised of the matters discussed therein.

2 Will Heath was appointed as a Member of the Committee on 9 October 2019 and attended all meetings that were held from 9 October 2019 to the end of the 2020 financial year.

RESPONSIBILITIES AND TERMS OF REFERENCE

The key responsibilities of the Committee are:

- to develop and monitor the Company's approach to sustainability and to review and approve the sustainability targets proposed by management;
- to assess the impact of the Company's operations on the environment and communities affected by its activities, including the consideration of policies to enhance the benefits of those activities and mitigate any negative impact of those activities;
- to monitor the Company's approach to environmental corporate social responsibility and community issues, including environmental management systems, waste and recycling management systems and energy and carbon management;
- to develop and monitor the Company's approach to placemaking, including monitoring of the Group's adherence to the Redrow 8, being the placemaking principles for designing sustainable communities;
- to ensure that the Company is continuing to create great places to live and making social, economic and environmental contributions to local areas by setting well-designed homes and amenities within attractive shared spaces;

GOVERNANCE REPORT

Placemaking and Sustainability Committee Report continued

- to review, in advance of each meeting, a sustainability performance scorecard provided by the Sustainability team, which assists the Committee to more clearly evaluate the relationship between the sustainability initiatives in place, or being considered, and the related performance levels being achieved;
- to ensure that the Company supports its people on a learning and development pathway to deliver high quality products and services;
- to ensure that there is sufficient encouragement and support given to Company employees so that they can realise their capability to contribute to the social, environment and economic health of our communities and having regard to promoting and maintaining the highest degree of physical, mental and social wellbeing in the workplace;
- to ensure that the Company continues to be an employer of choice in the industry, valuing and respecting its diversity; providing both advantage, and equality of opportunity in recruitment, development, recognition and reward;
- to review the Company's policies and reporting with regard to personnel recruitment, development and succession planning to ensure a sustainable and engaged workforce;
- to review the Company's involvement in the community, and the Company's policy on charitable donations and activities;
- to monitor the Company's developments in customer engagement and service to ensure its values are upheld; and
- to adhere to the Company's three key principles of sustainability: Developing Thriving Communities, Building Responsibly and Valuing People.

The Committee regularly reviews its Terms of Reference; these were last reviewed in October 2019 and are published on the Group's website (redrowplc.co.uk).

MAIN ACTIVITIES DURING THE YEAR

During the 52 weeks ended 28 June 2020, the principal activities of the Committee were as follows:

- considered and approved action plans for the three sustainability themes (Developing Thriving Communities, Building Responsibly and Valuing People) and measured progress against each;
- regularly reviewed the placemaking and sustainability scorecard which measures progress against the sustainability targets of the Company;
- considered and approved action plans for ensuring consistent implementation of the Redrow 8 placemaking principles across sites;
- discussed and agreed the adoption of the Landscaping Design Code of the Company to ensure consistent high quality landscaping schemes across the Company's developments, having particular regard to the biodiversity gains of landscaping;
- reviewed and discussed the progress on resource efficiency projects, including the Company's approach to action on climate change and supporting a waste minimisation campaign, including the Oxford Waste Project (a project to identify the root causes and audit of the wasted materials from a typical home of the Company);
- discussed the Company's membership of the NHS Healthy New Town Network, with the Redrow 8 principles incorporating and reflecting those of the 10 NHS principles relating to spatial design;
- monitored the work of the Biodiversity Working Group and its progress on biodiversity strategy for the Company, including educating all Divisions of the Company, reviewed the biodiversity objectives and discussed the Group's partnership with The Wildlife Trusts;
- monitored and regularly reviewed the Group's health, safety and environmental performance;
- regularly reviewed the prospective developments in the legislative and regulatory environments;
- monitored and reviewed the Company's response to environmental legislation and regulation, ensuring the appropriate risk mitigation controls were being implemented, monitored and evaluated;
- reviewed the 2020 Social Impact Review of the Company;
- reviewed the work undertaken by the Learning and Development team with particular reference to skill development;
- discussed the progress made by the Company with the 'Mind your Head' campaign following its signing up to the Building Mental Health pledge;
- reviewed the work undertaken by the Women's Network, including mentoring to females across the business and providing a network and support for women within the Group;
- discussed the results of the 2019 INsight Employee Engagement survey and reviewed the employee benefits and initiatives to ensure they remain fit for purpose;
- monitored and reviewed workforce engagement mechanisms, with particular focus on the communications with employees whilst on furlough;
- reviewed and evaluated the Group's collaboration with education partners, which is aiming to positively impact people and communities.
- supported the business in registering with the Living Wage Foundation to become an accredited living wage employer;
- engaged a specialist consultant to perform an independent review of the Company's ESG disclosures and scoring and agreed an improvement plan to enhance ESG reporting over the coming years;
- reviewed the NextGeneration Benchmark status and discussed key areas of focus to improve upon in the coming year;
- discussed and supported the renewal of the ISO 14001 Environmental Management System certification;
- reviewed the work undertaken as a result of COVID-19 from shutting down sites safely to putting in place COVID-19 measures including protocols and safe distancing measures on site, in the sales offices and in the Regional and Divisional offices; and
- undertook a performance evaluation of the Committee.

KEY DISCLOSURES

Within this Annual Report, there are a number of key disclosures and policies which relate to the work and scope of the Committee. The table below sets out where key information relating to items falling within the remit of this Committee is located within this report:

Subject	Page reference
Environmental	
Greenhouse Gas Emissions	See pages 104 to 105 of Directors' Report
Research and Development	
Resource Efficiency (including low carbon homes)	
Sustainable Materials	
Biodiversity	
Task Force on Climate-related Disclosures	See pages 111 to 115 of Directors' Report
Social	
Considerate Constructors	See page 22 of Strategic Report
Social Value Calculator	See pages 105 to 109 of Directors' Report
Placemaking	
Workforce Engagement	
Employee Wellness	
Diversity and Inclusion Policy	
Learning and Development	
Health, Safety and Environment	
Charitable and Political Donations	
Human Rights	
Supply Chain	
Local Communities	
Customers	
Governance	
Code of Conduct	See pages 109 to 110 of Directors' Report
Modern Slavery	
Stakeholder Engagement	
Employee Wellness	
Policy References	
Group Non-Financial Information Statement	See page 46 of Strategic Report

PERFORMANCE EVALUATION

During the year, a formal internal evaluation of the Committee was carried out to build upon the progress made by the 2019 evaluation which was externally facilitated by Independent Audit.

After reviewing the evaluation report prepared by Independent Audit last year, a questionnaire was created and tailored, taking into consideration comments made in the previous years' assessment as well as the current market. The Members of the Committee were invited to participate in the evaluation.

Following completion of the questionnaire, an anonymised effectiveness report was compiled and presented to the Members of the Committee. The findings of the evaluation were discussed and the Committee was found to be effective, concluding that it had fulfilled its remit and had in place appropriate Terms of Reference.

The evaluation highlighted that the Committee benefits from a good Chairman and has engaging and focused discussions. It also found that the Committee was particularly strong in overseeing the Company's health and safety and social and moral responsibilities and maintaining focus on the concerns of the Committee. The review offered a number of suggestions for the future shape of the work of the Committee, which will be considered further by the Committee. Further enhancement of the Company's ESG disclosures, obtaining independent assurance over environmental performance and controls and reviewing the remit of the Committee will remain priorities for the coming year.

SIR MICHAEL LYONS
Chairman of the Placemaking and Sustainability Committee

15 September 2020

GOVERNANCE REPORT

Directors' Remuneration Report

"I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 28 June 2020."

VANDA MURRAY OBE
Chair of the Remuneration Committee

In line with the reporting requirements, this remuneration report is split into three sections:

ANNUAL STATEMENT

The annual statement sets out an overview of how our policy operates, the context in which remuneration decisions for the 52 weeks ended 28 June 2020 were made and our approach to paying Executive Directors in 2021 following changes to executive directors' roles.

REMUNERATION POLICY

Our previous remuneration policy comes to the end of its three-year life and therefore a new policy will be put to a shareholder vote at the 2020 AGM. As described in more detail below, the Committee, following consultation with major shareholders is rolling forward the 2017 policy for one further year. The rolled over policy is set out in this remuneration report and will be subject to a binding shareholder vote at the 2020 AGM

ANNUAL REPORT ON REMUNERATION

This describes in further detail the pay outcomes for the 52 weeks ended 28 June 2020 and the proposed implementation for the 2021 financial year. It also includes CEO pay ratio reporting for the first time and other details including executives' shareholding and historic outcomes.

IMPACT OF COVID-19 ON EXECUTIVE DIRECTORS' REMUNERATION

As set out in detail in the Operating and Financial Review sections, the COVID-19 pandemic which emerged in the last quarter of our financial year was more disruptive to our business than any we can recall in recent times. In these unprecedented times, the Board's main priority has been to safeguard the well-being of our workforce and customers.

Throughout this challenging period for the industry, the management team has demonstrated great resilience and have collectively taken responsible actions in response to the COVID-19 pandemic.

- On 27 March 2020 we announced the orderly and safe closure of all the Group's developments and, on that date, the entire directorate volunteered to take a 20% cut in salary and pensions. This was not reinstated until sites reopened and a significant proportion of furloughed staff had returned to work.
- In the case of John Tutte, he volunteered to continue with a 20% reduction in his salary and pension until he steps back to a non-executive role after the November 2020 AGM.
- The Group worked proactively to manage its cash flow and a significant proportion of employees were furloughed. As the Group's cash flow position improved from a phased return to construction, the Group decided not to utilise the Government's Job Retention Scheme and has returned all payments received under the scheme. The Executives have agreed to forgo any bonus entitlements in respect of the 2019/20 year. It should be noted that a number of non-profit related targets had been met when they were assessed at the end of the year.

The Remuneration Committee is pleased that the management team has acted responsibly and that its swift actions during this period have considered fully the wider stakeholder experience and left the business in good shape in what remains a very uncertain environment.

Inevitably, the impact of the pandemic has had an impact on the annual bonus and LTIP vesting outcomes for the year ending 28 June 2020. As disclosed in last year's report, the 2020 annual bonus was based on a scorecard of measures. Half the bonus was based on PBT which was not achieved. The other half of the bonus was based on order book, land, customer service, health and safety and personal objectives and performance against these objectives resulted in 37.9% out of a potential 50%. However, reflecting the impact on Redrow's wider stakeholders, the executive directors agreed, prior to the bonus achievement being assessed or awarded, to voluntarily forgo any bonus for the year and the Remuneration Committee is supportive of this action.

The LTIP awards granted in 2017 were subject to stretching EPS and ROCE conditions measured over the three financial years ending 28 June 2020. EPS for the year was 32.9p and ROCE was 9.2%, reflecting the impact of COVID-19 in the final year of assessment, which meant neither measure reached their respective threshold targets and thus the award will lapse in full in November 2020.

REMUNERATION POLICY RENEWAL

The Redrow Directors' Remuneration Policy was last approved by shareholders at the November 2017 Annual General Meeting and is due for renewal at the 2020 meeting. The Remuneration Committee was part way through a comprehensive review of directors' remuneration and was looking to consult with shareholders and proxy advisory agencies on changes to its Remuneration Policy in the final quarter of the 2020 financial year.

However, as a consequence of the unprecedented impact of COVID-19 on the business in Q4 and as the Board's focus turned to more immediate priorities, the Remuneration Committee did not feel it was appropriate to bring forward a new Remuneration Policy with potentially significant changes at the 2020 AGM. Instead, we intend to rollover the current 2017 Policy and put forward a revised policy for approval in 2021 when there should be greater clarity on the market environment. The concept of a rolled over policy was included in guidance issued by The Investment Association and our major shareholders made it clear during a comprehensive consultation exercise that they were supportive of our rollover proposal.

The 'rolled over' policy will require shareholder approval at the November 2020 Annual General Meeting. This policy will be on largely the same terms as the current one, albeit with some commitments on compliance with good practice and with the provisions of the UK Corporate Governance Code built in.

The Remuneration Committee is cognisant of the focus on executive pensions and this is reflected in the reduction that has been applied to Matthew Pratt's contribution rate since taking on the Chief Executive role on 1 July 2020 (see below). The Remuneration Committee has committed to reduce all executive directors' contribution rates to the workforce rate of 7% of salary by 1 July 2023. This commitment is included in the rollover policy and the new policy that we intend to put to a shareholder vote in 2021.

Under the current policy, on cessation of employment, good leavers' outstanding share awards vest on their normal vesting date and, in the case of LTIP awards, these are reduced pro-rata for time and a 2-year holding period would continue to apply. This potentially creates alignment with shareholders for up to 5 years after leaving employment. As part of the forthcoming directors' remuneration policy review, the Remuneration Committee will seek to include a post-cessation shareholding guideline in line with evolving market and good practice from next year.

BOARD CHANGES

As previously announced, it was intended that John Tutte would move to Non-Executive Chairman from 30 June 2020. However, due to the impact of the pandemic on the business, the Board asked John Tutte to remain as Executive Chairman until the Company's AGM in 2020 to support the senior management team get the business back to full operation and the Board was grateful that John agreed to this request. However, it remains John's intention to retire from the Board ahead of the AGM in 2021 and, as announced on 20 April 2020, Matthew Pratt took up the position of Group Chief Executive on 1 July 2020.

Matthew Pratt's salary in his new role as Chief Executive from 1 July 2020 has been set significantly below market levels at £540,000 to allow him time to gain experience and develop into the role. The Remuneration Committee intends to increase his salary to £625,000 from 1 July 2021 subject to performance in his new role over the next 12 months. The Committee believes the phasing of base salary is appropriate and, having conducted a comprehensive internal and external CEO search, the Committee is comfortable that a £625,000 salary suitably reflects the scope and responsibility of the role for a business of Redrow's scale and is appropriately positioned against peers in the industry and other FTSE 250 comparable businesses. A £625,000 salary (applicable from 1 July 2021 subject to performance) is 2.5% higher than John Tutte's salary as Executive Chairman which was agreed in July 2019.

Upon taking up the role, Matthew's pension contribution was reduced to 7% of salary which is in line with the pension contribution rate across the Redrow workforce. His bonus opportunity and LTIP grant levels will remain in line with the existing policy opportunities, at 100% of salary and 150% of salary respectively. The Remuneration Committee intends to review these incentive opportunities and the choice of performance measures over the next 12 months to ensure they remain competitive for a company of Redrow's size and scale and reflect the short and medium-term priorities of the Group as it emerges from the pandemic.

The Remuneration Committee determined that John Tutte's salary should remain at £610,000 for the period he is in post as an executive and that he will not participate in the 2020/21 annual bonus scheme or receive an LTIP award in 2020.

John volunteered to reduce his salary by 20% (in line with the voluntary reduction communicated by the Board on 9 April 2020) and has since volunteered to extend this reduction until he steps back to being Non-Executive Chairman at the November 2020 AGM. Therefore, his salary will be £488,000 (reduced from £610,000). John will continue to receive a contribution towards pension (by reference to his lower salary) and his standard benefits while he continues as Executive Chairman.

GOVERNANCE REPORT

Directors' Remuneration Report continued

John's fee in his role as Non-Executive Chairman following the 2020 AGM shall be set at £300,000p.a. This fee rate reflects the value and experience he provides to the business and the likely level of time commitment required during these challenging times. A lower fee is likely to apply to the next Non-Executive Chairman.

ALIGNING OUR SHORT-TERM PRIORITIES

Each year we review the choice of annual bonus measures to ensure they remain relevant and reflect the business strategy. As the business comes to terms with the pandemic, The Committee believes there should be greater focus on sales and growing profit. Therefore, 50% of the bonus will continue to be based on stretching PBT targets based on the current outlook and 24% will be based on delivering sales volume and revenue as consumer confidence grows.

Customer service remains of paramount importance, as does the health and safety of our employees. Therefore, 14% of the bonus is based on customer service targets and 12% on H&S underpinned by COVID-19 compliance on our sites.

The Committee believes a mix of profit, revenue, customer service and H&S aligns the executive team with the key priorities of the business over the next 12 months.

Setting meaningful LTIP targets at the current time is challenging given the uncertainty surrounding COVID-19 and the economic outlook. Therefore, the Remuneration Committee intends to grant LTIP awards at the normal time, in September, and it will set the measures and targets within six months of grant. The targets will be communicated to shareholders at the time they have been agreed and set. The level of challenge associated with these targets will take into account the business outlook at the time.

The Remuneration Committee has discretion to adjust the number of shares vesting from the award if it considers that the vesting outcome is not sufficiently reflective of the underlying performance of the Company and to the extent the Committee believes there have been windfall gains.

LOOKING FORWARD

Redrow's senior management team has shown great leadership, resilience and energy in recent months and the Remuneration Committee will continue to ensure its approach to setting senior executive pay is commensurate with that of shareholders, employees, customers, suppliers and other stakeholders.

As announced in July, after three years as a non-executive at Redrow I will be stepping off the Board at the November 2020 AGM. I will be handing over the responsibility of chairing the Remuneration Committee to Nicky Dulieu with whom I have worked closely over the last year. Under Nicky's chairmanship, the Remuneration Committee will resume its review of the Remuneration Policy from the start of the next calendar year and will seek the views of shareholders in helping to shape the new policy.

Please feel free to contact me or Nicky, via the Company Secretary, if you would like to provide feedback on the design of the new policy.

I look forward to your support at the upcoming AGM.

VANDA MURRAY OBE
Chair of the Remuneration Committee

This report has been prepared in accordance with the UK Corporate Governance Code, the relevant provisions of the Listing Rules and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

2020 DIRECTORS' REMUNERATION POLICY

As described in the Annual Statement, the Remuneration Committee has decided to roll forward the 2017 shareholder approved Remuneration Policy for a further year (effective following shareholder approval at the 2020 Annual General Meeting) with the intention of putting forward a revised policy to a binding shareholder vote in 2021 when there should be greater clarity on the market environment following the impact of the COVID-19 pandemic.

Therefore, there are no material changes between this Policy and the 2017 one. The two exceptions are:

- Pension contribution rates for newly appointed executive directors will be aligned with the workforce rate and a commitment has been provided for all executive directors to be workforce aligned by 1 July 2023. The pension section of the policy table has been updated to reflect this.
- The clawback policy has been updated to reflect additional triggers introduced.

This 2017 Policy was originally formed as part of discussions between the Committee, the Executive Directors, Human Resources Director and external advisors and with the feedback from stakeholders. The decision to roll forward the 2017 Policy for a further year was made by the Committee, following discussions with the wider Board and a comprehensive consultation exercise with the Group's major shareholders and proxy voting agencies in 2020.

Remuneration strategy

This Policy has considered the provisions of the 2018 UK Corporate Governance Code and in particular the following six factors:

Clarity

- The Policy has a clear aim; to incentivise and reward for the delivery of our strategy
- This Policy is an update of the previous Policy, with minimal changes so is well understood both internally and externally
- Each component of remuneration is clearly explained in the Policy table, including its purpose, how it is operated, the maximum potential and any relevant performance measures
- Full disclosure of performance measures and assessments is provided for shareholders' consideration

Simplicity

- The Policy reflects standard UK market practice, with the operation of an annual incentive and a single long-term share plan, full details of which are set out in the Policy table
- All payments are in the form of cash or Redrow plc shares, there are no artificial structures used to deliver remuneration

Risk

- The Committee has the ability to use its discretion to override the formulaic outturns of the incentive plans if it is felt appropriate
- Comprehensive malus and clawback provisions operate in both incentive plans, providing the ability to recover or withhold payments if appropriate

Predictability

- Appropriate individual (and where necessary aggregate) limits are set out in the Policy and within the respective plan rules so outcomes can be predicted
- The possible reward outcomes under different performance scenarios are shown in the "Illustration of Remuneration Policy" section on page 86
- In operating the Policy, the Committee continually monitors the performance of in-flight incentive awards so that it is well aware of potential outcomes

Proportionality

- The outcomes of our incentive plans are directly aligned to the delivery of our strategy
- Outcomes are assessed against multiple metrics to ensure performance is considered on a broad basis
- The Committee has the ability to use its discretion to override the formulaic outturns of the incentive plans if it is felt appropriate

Alignment of culture

- A key focus of our Policy is to promote long-term sustainable performance which is reflective of the business culture
- Incentive outcomes rely on strong performance across a broad selection of measures which are important to our stakeholders

GOVERNANCE REPORT

Directors' Remuneration Report continued

THE REMUNERATION POLICY CONTINUED

Policy Table for Executive Directors

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Base Salary	To provide a market competitive element of fixed remuneration to attract and retain leaders of the required calibre to deliver the strategy.	Salaries are determined by the Committee taking into account all relevant factors such as: the size and complexity of the Company, the scope and responsibilities of the role, the skills and experience of the individual and performance in role. The Committee's assessment of the competitive market positioning of base salaries is based on consideration of market data from UK companies of similar size and complexity and companies in the house-building sector. Salaries are normally reviewed annually, with any changes effective at the start of the financial year.	There is no prescribed maximum salary. Any salary increases will normally be in line with those of the wider workforce. The Committee has discretion to award larger increases where it considers this appropriate, such as to reflect (for example): • a significant change in the size and complexity of the Company; • an increase in scope and responsibility of the role, or a change in role; • an Executive Director being moved to market positioning over time; and • an Executive Director falling below competitive market positioning.	N/A
Benefits	To provide a market competitive benefits package to support the Director in fulfilling their role.	Benefits may include: a company car (or equivalent cash allowance), private medical insurance, permanent health insurance, fixed term group income protection and a death in service benefit, and where appropriate any tax payable thereon. Executive Directors may also participate in all-employee share plans on the same basis as other employees. The Committee has discretion to include, where it considers it appropriate to do so, other benefits to reflect specific individual circumstances, such as housing, relocation, travel, or other expatriate allowances.	Benefit provision, for which there is no prescribed monetary maximum, is set at an appropriate level for the specific nature and location of the role. Participation in all employee share plans is subject to statutory limits.	N/A
Pension	To provide a market competitive element of fixed remuneration for retirement planning.	Individuals are eligible to participate in the Company's Defined Contribution (DC) pension scheme or receive a pension allowance cash supplement. Executive Directors who are members of the Company's Defined Benefit (DB) pension scheme will continue to receive benefits under the terms of that scheme. There will be no new entrants or accrual of future benefits under the DB scheme.	The maximum DC contribution/cash supplement (in respect of a financial year) is 20% of base salary. Any new executive directors appointed to the Board will have a maximum pension contribution of 7% of salary in line with the current wider workforce contribution rate. All executive directors will have a pension contribution rate of no more than 7% of salary from 1 July 2023.	N/A
Annual Bonus	A variable pay opportunity which motivates and rewards annual performance and delivery of the strategy on an annual basis. Deferral aligns reward with long term value of Redrow shares.	The Committee determines participation levels each year. Targets are set by the Committee for the relevant financial year and are assessed following the year end. A portion (currently 50%) of any bonus earned will be deferred into Redrow shares, which are awarded in the form of nil-cost options which vest after a period set by the Committee. Currently, half of the deferred shares vests after one year and half after two years, subject to continued employment. Following exercise of a vested deferred share award, participants will be entitled to receive an amount equal to the aggregate of any dividends which they would have been entitled to receive as a shareholder during the period between the grant and satisfaction of the award. In future years, the Committee retains the discretion to change the deferred amount and/or lengthen the deferral period. Where appropriate (for example, in limited circumstances where it may not be possible to grant a share award due to technical reasons), the Committee may determine that deferral is in the form of an equivalent cash award (which in all other respects mirrors the terms of the deferred share awards). Clawback provisions apply to both the cash and deferred elements.	100% of salary	Performance is assessed against key financial and operational performance measures linked to the delivery of the strategy and shareholder value determined each year by the Committee. The 2020/21 performance measures are set out on page 90. The Committee retains discretion to adjust the measures and/or weightings in future years to reflect prevailing financial, strategic and operational objectives of the business or of the individual. However, a minimum of 50% of the total will always be based on key financial measures. No bonus will be payable for performance below threshold levels set by the Committee. The Committee has discretion to adjust the level of payout if the outcome from a formulaic assessment does not appropriately reflect underlying business performance.

GOVERNANCE REPORT

Directors' Remuneration Report continued

THE REMUNERATION POLICY CONTINUED

Component	Purpose/link to strategy	Operation	Maximum	Performance framework
Long Term Incentive Plan (LTIP)	Designed to motivate and reward long-term performance and delivery of the strategy and provide alignment with Redrow shareholders.	Awards may be made under the Redrow plc 2014 Long Term Incentive Plan (LTIP). Awards are normally in the form of nil-cost options. The Committee may also determine that awards are made in the form of conditional share awards or as an equivalent cash award (for example, in limited circumstances where it may not be possible to grant a share award due to technical reasons) which in all other respects mirrors the terms of the LTIP. Awards normally vest subject to the satisfaction of performance conditions measured over a period of at least three years. Vested award will normally be subject to an additional holding period of two years. Clawback provisions apply. Awards incorporate the right to receive (in cash or shares) the aggregate value of dividends paid on vested shares between the vesting date and the date on which the awards are released following the holding period, on such basis as the Committee may determine, which may assume the reinvestment of these dividends in shares on a cumulative basis.	The maximum award which may be granted in respect of a financial year will normally not exceed 150% of salary. However, in exceptional circumstances only, the Committee may make awards of up to 200% of salary.	The LTIP is based on performance measures aligned to the creation of long-term shareholder value, measured over a performance period of at least three years. An explanation of the approach to the current performance measures is set out on page 90. For threshold performance, 20% of the awards would normally vest. The Committee retains discretion to include additional or alternative financial performance measures and/or adjust the weightings in future years to reflect prevailing strategic or operational objectives of the business aligned with shareholder value creation. Performance conditions applicable to LTIP awards may be amended if an event occurs which cause the Committee to consider that an amended performance condition would be more appropriate and not materially less difficult to satisfy.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Remuneration Policy set out above where the terms of the payment were agreed (i) before 10 November 2014 (the date the Company's first shareholder approved Remuneration Policy came into effect); (ii) before the Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee agreeing awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted. The Committee may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

Choice of performance measures and target setting

For the annual bonus and LTIP, performance measures are chosen which help to drive and reward the achievement of the Group's strategy and also provide alignment between employees and shareholders. The Committee reviews measures each year to ensure they remain appropriate and reflect the future strategic direction of the Group. Targets for each performance measure are set by the Committee with reference to internal plans and external expectations. Performance is typically measured on a 'sliding scale' so that incentive payouts increase pro-rata for levels of performance in between the threshold and maximum performance targets.

Differences in pay policy for employees and executive directors

The principles applied to the remuneration of Executive Directors are essentially the same as those for the Company. The difference between pay for Executive Directors and employees is that for Executive Directors the variable pay element forms a greater proportion of the overall package and the total remuneration opportunity is higher to reflect the increased responsibility of the role. While remuneration practices vary across the full employee population, they are based on the same broad principles which underpin the policy for Executive Directors set out above. For example:

- Remuneration packages should be sufficient to attract and retain the calibre of talent necessary to deliver the strategy for shareholders;
- A significant number of Group employees are eligible to participate in bonus or incentive arrangements designed to drive a shared responsibility for delivering performance for shareholders;
- Redrow operates a number of share incentive plans to encourage employee share ownership and align employees with the interests of shareholders. The deferred bonus plan is cascaded to senior management. All employees are entitled to participate in the Save As You Earn (SAYE) share option plan under which employees are granted options and encouraged to save in order to invest in Company shares; and
- All employees are eligible to participate in the defined contribution pension scheme.

Consideration of conditions elsewhere in the company

When setting the Remuneration Policy for Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Company. The Committee did not consult directly with employees when formulating the Remuneration Policy for Executive Directors. The Committee considers salary increases within the business but does not formally consider any other comparison metric.

Consideration of shareholder views

The Committee engages with all major independent shareholders and shareholder advisory groups, when developing this Remuneration Policy. Views expressed during this engagement are taken into account by the Committee in finalising the proposals. The Committee will subsequently inform all of those consulted of planned changes as a result of the consultation and the final proposed Policy. We will be conducting a comprehensive consultation exercise as part of the development of the 2021 Policy.

Charitable donations

Where an individual waives any current or future right or entitlement to a remuneration payment or other benefit, which they would otherwise be eligible to receive under any of the components set out in the Policy Table on pages 82 to 84, the Committee may determine that a charitable donation, which is, in its opinion, equivalent to the value of that payment or benefit, may be made by the Company.

Executive shareholding guidelines

Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met Executives will be required to retain all vested deferred bonus shares and LTIP shares on a net of tax basis.

Clawback

For awards under the annual bonus plan (including deferred share awards) and awards made since the introduction of the 2014 LTIP, the Committee has discretion to clawback awards in the event of a material misstatement of the Company's audited financial results or employee misconduct. Awards made from 2019/20, included additional triggers relating to an error in the calculation of a performance condition and circumstances which the Committee considers sufficient to have, or had potential to have, caused reputational damage will also apply.

In such circumstances, at any time prior to the fifth anniversary of the payment of any cash bonus or vesting of a deferred bonus/LTIP award, the Committee has discretion to:

- reduce, cancel or impose further conditions on outstanding deferred bonus/LTIP awards; or
- require the participant to repay (in cash or shares) some or all of the value delivered from a deferred bonus/LTIP awards; and/or
- require the participant to repay some or all of any cash bonus received.

Where a charitable donation has been made in accordance with the Remuneration Policy, clawback will not apply.

GOVERNANCE REPORT

Directors' Remuneration Report continued

THE REMUNERATION POLICY CONTINUED

For deferred bonus plan awards, in the event of a material misstatement of the Company's audited financial results or employee misconduct, any unexercised awards will lapse immediately and the participant will forfeit any shares previously acquired under awards made under that plan.

Corporate events

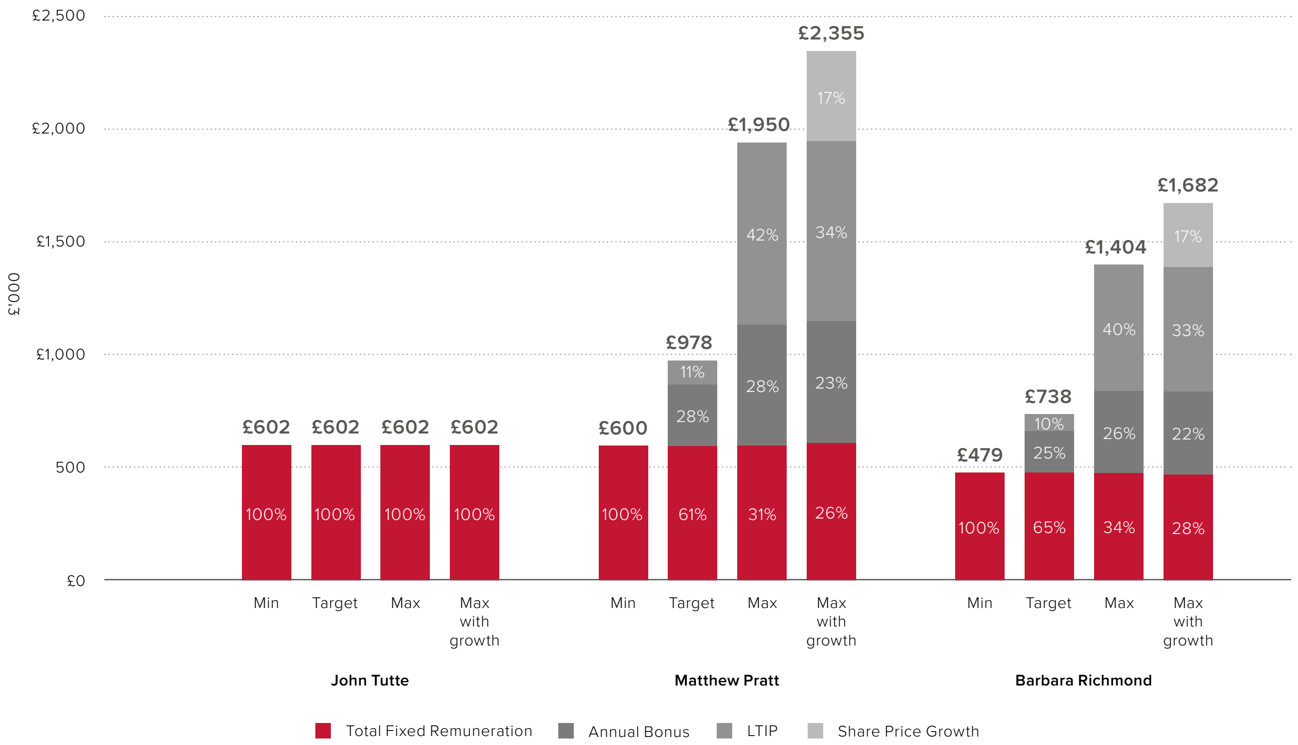
Unvested awards under the deferred bonus plan and LTIP will normally vest early in the event of a takeover or winding-up of the Company and, in the case of the deferred bonus plan, if the Company goes into administration or a voluntary arrangement is proposed with its creditors. In these circumstances, deferred bonus awards vest in full and LTIP awards vest taking into account the relevant performance conditions and, unless the Committee determines otherwise, time pro rating to reflect the proportion of the performance period that has elapsed. Awards may also be rolled over for equivalent awards in a different company. If the Company is or is likely to be affected by a demerger, special dividend, delisting or other event which in the Committee's opinion, may affect the current or future value of the Company's shares, the Committee may allow some or all of the awards to vest. The extent to which LTIP awards vest in these circumstances will be calculated on the same basis as set out above for a takeover. The terms of awards may be (a) in the event of any variation of the Company's share capital, delisting, special dividend or distribution, demerger or other event which may in the Committee's opinion, affect the current or future value of the Company's shares, adjusted or (b) amended in accordance with the plan rules.

Illustration of remuneration policy

The charts below illustrate the potential value of the remuneration packages for the Executive Directors under the following scenarios (no share price growth is assumed):

- Minimum – reflects fixed pay only (base salary and pension contributions as at 1 July 2020 and benefits included using the disclosed values for the year ended 28 June 2020, except for the Chairman, where it reflects his proposed ongoing position of no variable incentives and only his time as Executive Chairman up to the November 2020 Annual General Meeting);
- Target – reflects fixed pay, target bonus (50% of salary) and LTIP awards vesting at threshold (i.e. 20% of salary); and
- Maximum – reflects fixed pay, maximum bonus (100% of salary) and maximum LTIP awards, assuming the proposed Policy is approved (i.e. 150% of salary for the CEO and FD).
- Maximum plus share price growth – as for Maximum above, but with the value of 50% share price growth included within the LTIP element

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY



Approach to remuneration for recruitment of a new executive director

On the appointment of any new Executive Director, the Committee would seek to offer a remuneration package which can secure an individual with the necessary skills and experience to lead the business and deliver the strategy.

Executive Directors would be appointed within the remuneration framework set out in the Policy Table for Executive Directors. Salaries would typically be set at an appropriately market competitive level to reflect skills and experience, although, if appropriate, the Committee may set salaries towards the lower end of the market range to allow future salary progression to reflect performance in the role. In accordance with the Policy Table, the Committee also has discretion to include other benefits such as housing or relocation benefits, if relevant to reflect specific individual circumstances. The maximum level of variable remuneration which may be awarded (excluding any compensatory awards referred to below) would be as set out in the Policy Table.

Where an individual forfeits outstanding incentive awards with a previous employer, the Committee may offer compensatory awards to facilitate recruitment. These awards would be in such form as the Committee considers appropriate, taking into account all relevant factors including the form, expected value, anticipated vesting and timing of the forfeited awards. The value of any compensatory awards would be no higher, in the opinion of the Committee, than the value forfeited. While cash may be included in the recruitment package to reflect the forfeiture of cash-based incentive awards, the Committee does not envisage that substantial "golden hello" cash payments would be offered.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. Share awards may be granted under the Company's LTIP in excess of the limits set out in the Policy Table above to provide compensatory buyout awards only (which may be subject to any performance conditions the Committee considers appropriate), in accordance with the terms above. If necessary, awards may be granted outside of these plans as currently permitted under the Listing Rules, but within the limits set out in this section.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the Policy Table for Non-Executive Directors.

Service contracts

The service agreements of the Executive Directors are rolling contracts which were entered into on the dates shown in the table below:

Name	Contract date	Notice period from the Director	Notice period from the Company
John Tutte	01/04/19	12 months	12 months
Barbara Richmond	18/01/10	6 months	12 months
Matthew Pratt	01/07/20	6 months	6 months

The service agreements provide for formal notice to be served to terminate the agreement, by either the Company or the Executive Director, with the required period of notice shown in the table. The agreements and letters of appointment do not include any provisions for pre-determined compensation for early termination. The Committee may terminate service agreements immediately by making a payment in lieu of notice consisting of base salary, benefits and pension for the unexpired period of notice. At the discretion of the Committee, this payment may be made as instalments over the period, subject to a duty to mitigate, or as a lump sum.

For appointments after 1 July 2017, it is the Committee's policy that notice periods will normally be 6 months from both the Director and the Company initially and thereafter, 12 months from both the Director and the Company, and that payments in lieu of notice will comprise no more than base salary, benefits and pension only over the unexpired period of notice. This policy applies to Matthew Pratt who was appointed to the Board on 1 April 2019.

The Non-Executive Directors' terms of appointment are detailed in formal letters of appointment as shown in the table below. Each appointment is for a fixed initial period of three years although this term is terminable upon either party giving three months' notice.

Name	Position	Date of initial appointment	Current date of appointment
Nick Hewson	Non-Executive	01/12/12	01/12/18
Sir Michael Lyons	Non-Executive	06/01/15	06/01/18
Vanda Murray [1]	Non-Executive	01/08/17	01/08/20
Nicky Dulieu	Non-Executive	06/11/19	06/11/19

[1] Vanda Murray's appointment was extended on 1 August 2020 to cover the period from this date until the 2020 AGM, at which point she will be retiring from the Board.

Copies of the Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

GOVERNANCE REPORT

Directors' Remuneration Report continued

THE REMUNERATION POLICY CONTINUED

Policy on payments following Directors' termination of service

On termination of a Director's contract, the Committee's objective is to agree an outcome which is in the best interests of the Company and its shareholders, taking into account the specific circumstances and performance of the individual, as well as any relevant contractual obligations and incentive plan rules.

As described in the section above, contractual payments in lieu of notice would be limited to salary and contractual benefits and may be made in instalments subject to mitigation.

The Committee has discretion to make a payment under the annual bonus in respect of the year of leaving where an individual is designated a "good leaver" (as described below). In such circumstances, the maximum bonus opportunity would normally be reduced pro-rata to reflect the portion of the year served. Any payment would remain subject to performance against the original targets and, if practicable, would be assessed and paid (in cash) as part of the normal year end assessment process. Outstanding awards under the deferred bonus plan and the LTIP would be treated in accordance with the relevant plan rules. Under these rules, if the participant leaves as a "good leaver", then the treatment of outstanding awards will be as follows:

- Deferred bonus: Nil-cost options will be exercisable for a period of six months following the date of cessation. Options will be exercisable in full unless (for awards made in respect of 2015 and subsequent financial years other than in the case of death) the Committee exercises discretion to reduce the awards pro-rata to reflect the extent to which the vesting period had elapsed at the date of cessation; and
- LTIP: Awards will normally continue to the original vesting date although the Committee may determine that awards vest following cessation. Where a holding period applies, awards will normally continue to be subject to that holding period following cessation. Unless the Committee determines otherwise, awards will be reduced pro-rata to reflect the extent to which the performance period has elapsed at the date of cessation and time served as an executive. The Committee will decide the extent to which the award vests in these circumstances, taking account of the extent to which the performance condition is satisfied and time served as an executive. If an individual dies, their LTIP awards will normally vest shortly following their death and their LTIP awards will only be time pro-rated if the Committee considers it appropriate.

Circumstances in which a participant will be considered a "good leaver" are: death, ill-health, injury, disability, redundancy, retirement or the sale of the individual's employing company or business outside of the Group.

Where an individual leaves the Company for any other reason, deferred bonus and unvested LTIP awards will lapse.

The Committee retains discretion 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) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment or for any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with their cessation of office or employment. The details and rationale for any such payments would be disclosed in the Annual Remuneration Report.

Non-Executive Director Fees

Component	Approach of the Company
Non-Executive fees	Fees are determined by the Board excluding the Non-Executive Directors. The fee encompasses a basic fee and supplementary fees for serving on a Board Committee or acting as Senior Independent Director. It may also include supplementary fees for undertaking duties or making a time commitment to Company business beyond the Non-Executive Director's normal role. Expenses incurred in respect of the performance of duties for the Company may be reimbursed or paid for by the Company, including any tax due on such payments. The fees payable to the Non-Executive Directors will not exceed the limit set out in the Company's Articles of Association and will be set at a level which reflects skills, experience, time commitment and appropriate market data.
The Non-Executive Directors do not participate in any bonus or incentive plan, nor do they receive any benefits nor participate in any pension arrangements.	

ANNUAL REMUNERATION REPORT

STATEMENT OF IMPLEMENTATION FOR 2021

This section summarises how the Committee intends to operate the Remuneration Policy for the year ending 30 June 2021.

Salary

The Committee's policy on salary increases, as set out in the Remuneration Policy, is that they should normally be in line with increases for employees within the business. This approach has been applied consistently by the Committee over a number of years.

Given the circumstances the Company has not awarded a company-wide pay increase this year and therefore, Barbara Richmond's salary remains unchanged from 1 July 2020.

It had been intended that John Tutte would move to Non-Executive Chairman from 1 July 2020. However, due to the impact of the COVID-19 pandemic on the business, the Board asked John to remain as Executive Chairman until the November 2020 AGM to support the senior management team which he has agreed to do. In line with the company-wide pay freeze, John did not receive an increase to his salary from 1 July 2020.

At the start of the pandemic, the entire directorate volunteered to take a 20% cut in salary and pensions, John Tutte has volunteered to continue his voluntary reduction of 20% of salary until he steps back to Non-Executive Chairman at the November 2020 AGM and therefore his annual rate of salary will be equivalent to £488,000.

Having joined the Main Board as Chief Operating Officer in April 2019, Matthew Pratt took up the position of Group Chief Executive on 1 July 2020. The Remuneration Committee considered carefully how to position Matthew's base salary and felt a phased approach was more appropriate to allow Matthew to gain experience and develop into the role and to reflect John Tutte continuing in an executive capacity until the November 2020 AGM. Therefore, Matthew's salary has initially been set significantly below market levels for the first year at £540,000 and the Remuneration Committee intends to increase this to £625,000 from 1 July 2021 subject to performance. The Committee believes this is an appropriate salary for the following reasons:

- It reflects the level of responsibility and scope of the full role in a challenging market;
- The Redrow Nominations Committee undertook a comprehensive internal and external search and it became clear that top leadership talent with home construction knowledge is relatively scarce. This has been reflected in the level of starting salaries for CEOs with sector experience at other comparable listed housebuilders (where joining salaries have been higher than £625,000);
- The £625,000 salary is subject to performance and, if appropriate, would apply from July 2021 (noting it is a 2.5% increase on John Tutte's which was agreed in July 2019);
- As a sense check, the Remuneration Committee benchmarked the role and took comfort that a £625,000 salary is not excessive against comparable home construction peers and FTSE 250 companies;
- The Remuneration Committee consulted with leading shareholders who appeared supportive of the phased approach to Matthew's salary and the salary positioning; and
- The value of Matthew's total pay package value remains modest against market levels.

The salaries for 2021 are effective from 1 July 2020 and are as follows:

£'000	1 July 2020	1 July 2019	Change
John Tutte [1]	**488**	610	(20%)
Barbara Richmond	**370**	370	0%
Matthew Pratt [2]	**540**	–	–

1 John Tutte's salary reflects the continuation of his voluntary 20% reduction

2 Matthew Pratt's role as COO prior to 1 July 2020 is not directly comparable with his position as Chief Executive

GOVERNANCE REPORT

Directors' Remuneration Report continued

Pension

John Tutte and Barbara Richmond will continue to receive a contribution towards pension of 20% of salary.

On appointment to the main Board on 1st April 2019, Matthew Pratt's pension contribution was agreed at a lower rate of 10% of salary which was a reduction from his previous package which carried a contribution of 15%. On his appointment to Group Chief Executive on 1 July 2020 his pension contribution was further reduced to 7% of salary which is line with the majority of the workforce.

As part of the rolling over of the 2017 policy, a firm commitment has been provided for all executive directors to be aligned with the workforce rate of 7% of salary from 1 July 2023 which aligns with the Company's year end.

Annual bonus

The annual bonus opportunity will remain at 100% of salary in line with our Policy. John Tutte will not participate in the annual bonus scheme in 2020/21.

The Committee has decided to make changes to the measures that will apply for 2020/21 to reflect the challenging environment. Consistent with last year, 50% of the bonus will be based on PBT targets. To support our aim of delivering sales volumes in a difficult market, 24% of the bonus will be based on revenue.

Customer service remains of paramount importance as does the health and safety of our employees and subcontractors. Accordingly, 14% of the bonus will be based on customer service targets and 12% on health and safety underpinned by COVID-19 compliance on our sites.

Measures	2020
Profit Before Tax	50%
Turnover	24%
Customer Service	14%
Health & Safety	12%

These revised measures are felt to be more appropriately aligned with our current priorities as we seek to return to growth following the shock to our core business in 2020.

It is the current intention that the targets will be disclosed in the FY 2021 Remuneration Report provided the Committee is comfortable they are no longer commercially sensitive at the time.

LTIP awards to be granted during 2021

It is expected that LTIP awards in the 2021 financial year will be made at the level of 150% of salary to Matthew Pratt and Barbara Richmond. John Tutte will not participate in the 2021 LTIP.

Setting meaningful LTIP targets at the current time is challenging given the uncertainty surrounding COVID-19 and the economic outlook. Therefore, the Remuneration Committee intends to grant LTIP awards at the normal time, in September 2020, and set the measures and targets within six months of grant when there should hopefully be more visibility on the medium term outlook. The measures and targets will be communicated to shareholders at the time they have been agreed and communicated with participants and there will be full disclosure in next year's Remuneration Report. The level of challenge associated with these targets will take into account the business outlook at the time.

The Remuneration Committee has discretion to adjust the number of shares vesting from the award if it considers that vesting outcome is not sufficiently reflective of the underlying performance of the Company and to the extent the Committee believes there have been windfall gains.

In line with our Policy, these awards will be subject to an additional two-year post-vesting holding period.

Non-Executive Director Fees

The base fee for a Non-Executive Director remains unchanged at £55k p.a. The Company pays an additional fee of £10k p.a. to Committee Chairs and an additional fee of £10k p.a. to the Senior Independent Director. On his appointment as Non-Executive Chairman, John Tutte will receive a fee equivalent to £300k p.a. which is consistent with that granted to our previous Non-Executive Chairman and is reflective of John Tutte's likely higher than typical expected time commitments during FY 2021 as the Company emerges from a difficult year. The Remuneration Committee believes this fee positioning is appropriate given John's likely degree of involvement in the business and it is expected that a market-aligned fee rate will apply to John's successor as Non-Executive Chairman.

OUTCOMES IN RESPECT OF 2020

The tables below set out the remuneration for the Directors in respect of 2020. Further discussion of each of the components is set out on the pages which follow. Where indicated, these disclosures have been audited.

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

The remuneration of the Executive Directors in respect of 2020 is shown in the table below (with the prior year comparative):

	Salary (ii)		Benefits (iv)		Pensions (v)		Total Fixed Remuneration		Bonus (vi)		LTIP (vii)		Total Variable Remuneration		Total	
£'000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
John Tutte (i)	**580**	598	**16**	16	**116**	120	**712**	734	–	508	–	851	–	1,359	**712**	2,093
Barbara Richmond	**360**	338	**35**	19	**72**	68	**467**	425	–	287	–	481	–	768	**467**	1,193
Matthew Pratt (iii)	**399**	103	**22**	5	**40**	10	**461**	118	–	87	–	184	–	271	**461**	389

(i) John Tutte served as Chief Executive Officer until 1 April 2019 when he became Executive Chairman.

(ii) Executive Directors took a voluntary 20% salary and pension deduction from 1 April 2020 to 18 May 2020 with John Tutte maintaining the deduction throughout his remaining period as Executive Chairman.

(iii) Matthew Pratt was appointed to the Board as Chief Operating Officer on 1 April 2019. His FY 2019 remuneration relates to his period on the Board except for the 2019 LTIP value which is in relation to the award he was granted in September 2016 when he was not on the Board.

(iv) Benefits include a fully expensed company car (or equivalent cash allowance) and private health insurance.

(v) Pension includes the value of the cash allowance paid to John Tutte, Barbara Richmond and Matthew Pratt in respect of the relevant year.

(vi) Annual bonus represents the full value of the bonus awarded in respect of the relevant financial year. Details of performance targets are set out below. Half of the 2019 bonus was deferred into Redrow shares, which vests in two tranches of 50% each, on the first and second anniversaries of the grant date, subject to continued employment.

(vii) LTIP represents the value of the LTIP award which vests in respect of the 3-year performance period ending in the relevant financial year. No shares will vest on 15 November 2020 due to the vesting threshold not being reached. The 2019 column includes an updated vested value for the 2016 LTIP award (which vested at 100% of maximum), based on the share price on the actual date of vesting (12 September 2019). The figure provided last year was based on the average share price over the last three months of the FY2019 financial year.

The fees of the Non-Executive Directors in respect of 2020 are shown in the table below (with the prior year comparative).

	Fees	
£'000	2020	2019
Steve Morgan (i)	–	7
Debbie Hewitt (ii)	–	26
Nick Hewson	73	72
Sir Michael Lyons	63	65
Vanda Murray	63	61
Nicky Dulieu (iii)	35	–

(i) Steve Morgan served as Non-Executive Chairman from 1 July 2018 until his retirement from the Board on 31 March 2019. The disclosure in this table and footnote are in reference to that period. Steve Morgan drew a nominal fee of £10k per annum which he donated via Payroll Giving to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee. The Company also made a donation in 2019 to The Steve Morgan Foundation of £218k (being the balance for this period of Steve Morgan's notional annual fee of £300k per annum less the £10 nominal fee).

(ii) Debbie Hewitt retired as a Non-Executive Director on 7 November 2018.

(iii) Nicky Dulieu was appointed as Non-Executive Director on 6 November 2019.

GOVERNANCE REPORT

Directors' Remuneration Report continued

2020 Annual bonus

The maximum bonus opportunity for the Executive Directors during 2020 was 100% of salary, in line with the Remuneration Policy. This was based on the achievement of stretching targets under a balanced scorecard of six key performance measures. The scorecard combined measures which represent an appropriate balance between 'backward looking' financial performance (PBT) 'forward looking' strategic and operational measures (order book and land holdings) which support shareholder value creation over the medium to long-term together with building responsibly measures (customer recommend score and accident rate) and personal objectives.

	% of bonus opportunity	Rationale
PBT	50%	A fundamental measure of annual profitability
Closing private order book	10%	A measure of how effectively we are protecting future performance
Land holdings acquired	10%	Measures the foundation for our future growth
Customer recommend score	15%	Measure of customer satisfaction
Accident rate	5%	Focus on building safely
Personal objectives	10%	Covering strategic, operational and people objectives

The 2020 targets and outcomes are disclosed in the following table:

	% of bonus opportunity	Threshold payout	Maximum payout	Actual 2020 performance	Payout achieved (% of total bonus opportunity)
PBT	50%	£395m	£435m	£140m	–
Order book	10%	£650m	£720m	£1,135m	10%
GDV of land acquired	10%	£2.05bn	£2.25bn	£1.5bn	–
Customer recommend score	15%	90%	92.5%	91.8%	12.9%
Accident rate	5%	Homes built/accidents >15		16.62	5%
Personal objectives	10%			Achieved - see below	10%
Total	100%				37.9%

Personal objectives for each Executive Director were divided into three equally weighted measures, categorised under the headings Strategic, Operational and People. For FY 2020, the Strategic measure was common to all three Executive Directors and was focused on a forward-looking strategic plan to mitigate potential changes to the Help to Buy scheme. The Operational measure was targeted on delivering a more even spread of completions throughout the year. The People measure was based on talent management and succession planning activities in each Executives' respective area of the business. Commercial sensitivities remain around the specific targets but in all cases the Committee assessed performance using a combination of quantitative and qualitative information and was satisfied that the targets had been met in full.

Whilst some of the non-profit related measures were achieved (which would have resulted in a 37.9% payout under the scheme), the Executive Directors, having reflected on the impact on Redrow's wider stakeholders, advised the Committee during the financial year that they wished to forego voluntarily any bonus for the year. The Remuneration Committee is supportive of this wish and therefore no bonuses will be awarded this year.

Long Term Incentive Plan (LTIP)

The LTIP is designed to motivate and reward long-term performance and delivery of the strategy and provide alignment with Redrow shareholders.

The sections below summarise details of the LTIP awards which vested in respect of 2020 (2017 awards) and which were granted during the 2020 financial year.

LTIP awards vesting in respect of 2020

The LTIP awards granted in November 2017 were based on performance over the three year performance period ending 28 June 2020. Based on performance against the EPS and ROCE targets set when the award was granted, summarised in the table following, neither of the thresholds were met and therefore these awards will lapse on 15 November 2020.

Award vesting level as a % of share options granted (for each component)	EPS for 2020*	ROCE for 2020
Nil	Below 84.42p	Below 24.2%
6.67%	84.42p	24.2%
20%	94.92p	25.7%
50%	109.62p or above	27.2% or above
Vesting between the points above is on a sliding scale basis		
Actual performance	32.9p	9.2%
Vesting (% of total award)	nil%	nil%

* As outlined in the Cash Return Circular published in 2019 an upwards adjustment of the EPS performance target was necessary to neutralise the effect of the return of cash and share consolidation which took place in 2019.

As no shares vested the value of these awards is nil and has been included in the 2020 LTIP column of the Single Total Figure of Remuneration Table on page 91.

SCHEME INTERESTS AWARDED DURING 2020 (AUDITED)

The following table sets out details of LTIP awards to Executive Directors during the 2020 financial year.

Executive Director	Number of awards granted	Basis of award	Face value [1]	Threshold vesting (% of maximum)	Vesting date
John Tutte	153,911	150% of salary	£915k	13.3%	September 2022
Barbara Richmond	93,356	150% of salary	£555k	13.3%	September 2022
Matthew Pratt	103,448	150% of salary	£615k	13.3%	September 2022

[1] The face value has been calculated using the average share price used to determine the number of shares awarded, being 594.5p (the average, over the three days to the date of grant).

Awards to John Tutte, Matthew Pratt and Barbara Richmond are made in the form of nil-cost options.

The LTIP awards granted on 11 September 2019 will vest in September 2022 based on performance over the three-year performance period ending 30 June 2022 as follows:

Award vesting level as a % of share options granted (for each component)	EPS for 2022	ROCE for 2022
Nil	Below 105.0p	Below 23.4%
6.67%	105.0p	23.4%
20%	110.0p	24.4%
50%	115.0p or above	25.4% or above
Vesting between the points above is on a sliding scale basis. The target range was set in light of the business outlook at the time including internal forecasts, external analyst consensus and a broader view of the macroeconomic environment.		

Deferred Bonus Plan awards, being 50% of the bonus earned relating to FY2019 performance, were granted during the year as set out below:

Executive Director	Number of awards granted	Face value [1]	Portion of bonus deferred	Vesting date
John Tutte	42,750	£254k	50%	50% in September 2020 and 50% in September 2021
Barbara Richmond	24,163	£144k	50%	50% in September 2020 and 50% in September 2021
Matthew Pratt	25,471	£151k	50%	50% in September 2020 and 50% in September 2021

[1] The face value has been calculated using the average share price used to determine the number of shares awarded, being 594.5p (the average over the three days to the date of grant).

GOVERNANCE REPORT

Directors’ Remuneration Report continued

Shareholding guidelines and share interests

Under our shareholding guidelines, Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Until the shareholding guideline has been met Executives will be required to retain all deferred bonus shares and LTIP shares on a net of tax basis. As shown in the table below, John Tutte and Barbara Richmond meet this guideline.

* Matthew Pratt is building his shareholding in line with the Remuneration Policy and held at 61% of salary as at 28 June 2020. As noted above, Matthew is expected to retain all Deferred Bonus Plan and LTIP shares on a net of tax basis until the shareholding guideline is met. Non-Executive Directors are not subject to shareholding guidelines.

STATEMENT OF SHAREHOLDING AND SCHEME INTERESTS (AUDITED)

The following table sets out the shareholding (including connected persons) of the Directors in the Company as at 28 June 2020 and current interests in long-term incentives.

	Number of shares beneficially held at 28 June 2020	Shareholding as % of salary	Guideline met?
Executive Directors			
John Tutte	755,686	699%	Yes
Matthew Pratt	73,020	61%	No*
Barbara Richmond	542,332	662%	Yes
Non-Executive Directors			
Nick Hewson	19,523		
Sir Michael Lyons	2,857		
Vanda Murray	3,333		
Nicky Dulieu	–		

Shareholding as a percentage of salary is calculated using the shareholding and base salary as at 1 July 2020 and the average share price for the final quarter of the 52 weeks ended 28 June 2020.

The table below provides details of the interests of the Executive Directors in incentive awards during the year.

	Awards held at 30 June 2019	Grant Date	Share Price on Grant £	Award Vested	Awards granted in year	Awards Exercised in year	Awards held at 28 June 2020	Exercise Price £	From	To
John Tutte										
SAYE 2017	3,673	30/10/17	6.12	–	–	–	3,673	4.90	01/01/21	01/07/21
LTIP 2016	138,882	12/09/16	4.097	138,882	–	(138,882)	–		12/09/19	12/09/26
LTIP 2017	147,346	15/11/17	5.935	–	–	–	147,346		15/11/20	15/11/27
LTIP 2018	152,370	10/09/18	5.887	–	–	–	152,370		10/09/21	10/09/28
LTIP 2019	–	11/09/19	5.945	–	153,911	–	153,911		11/09/22	11/09/29
DEF BONUS 2017	22,579	11/09/17	6.30	22,579	–	(22,579)	–		11/09/18	11/09/27
DEF BONUS 2018	47,923	10/09/18	5.887	23,961		(23,961)	23,962		10/09/19	10/09/28
DEF BONUS 2019	–	11/09/19	5.945	–	42,750	–	42,750		11/09/20	11/09/29
	512,773			185,422	196,661	(185,422)	524,012			
Barbara Richmond										
SAYE 2016	2,812	28/10/16	4.00	2,812	–	(2,812)	–	3.20	01/01/20	01/07/20
SAYE 2017	1,836	30/10/17	6.12	–	–	–	1,836	4.90	01/01/21	01/07/21
SAYE 2019	1,821	28/10/19	6.18	–	–	–	1,821	4.94	01/01/23	01/07/23
LTIP 2016	78,472	12/09/16	4.097	78,472	–	(36,975)	41,497		12/09/19	12/09/26
LTIP 2017	83,404	15/11/17	5.935	–	–	–	83,404		15/11/20	15/11/27
LTIP 2018	86,122	10/09/18	5.887	–	–	–	86,122		10/09/21	10/09/28
LTIP 2019	–	11/09/19	5.945	–	93,356	–	93,356		11/09/22	11/09/29
DEF BONUS 2017	12,758	11/09/17	6.30	12,758	–	(12,758)	–		11/09/18	11/09/27
DEF BONUS 2018	27,062	10/09/18	5.887	13,531	–	(13,531)	13,531		10/09/19	10/09/28
DEF BONUS 2019	–	11/09/19	5.945	–	24,163	–	24,163		11/09/20	11/09/29
	294,287			107,573	117,519	(66,076)	345,730			
Matthew Pratt										
SAYE 2017	3,673	30/10/17	6.12	–	–	–	3,673	4.90	01/01/21	01/07/21
LTIP 2016	30,022	12/09/16	4.097	30,022	–	(14,146)	15,876		12/09/19	12/09/26
LTIP 2017	23,168	15/11/17	5.935	–	–	–	23,168		15/11/20	15/11/27
LTIP 2018	23,951	10/09/18	5.887	–	–	–	23,951		10/09/21	10/09/28
LTIP 2019	–	11/09/19	5.945	–	103,448	–	103,448		11/09/22	11/09/29
DEF BONUS 2017	11,846	11/09/17	6.30	11,846	–	(11,846)	–		11/09/18	11/09/27
DEF BONUS 2018	27,858	10/09/18	5.887	13,929	–	(13,929)	13,929		10/09/19	10/09/28
DEF BONUS 2019	–	11/09/19	5.945	–	25,471	–	25,471		11/09/20	11/09/29
	120,518			55,797	128,919	(39,921)	209,516			

i. The performance conditions attached to the 2018 LTIP awards were disclosed in the 2019 Directors’ Remuneration Report.
ii. The performance conditions attached to the 2019 LTIP awards are shown on page 93.
iii. There are no further performance conditions attached to the exercise of the deferred bonus awards.
iv. Between 29 June 2020 and 15 September 2020 (being the latest practicable date prior to the posting of this report), there were no further changes to the directors’ interests set out in the Statement of shareholding and scheme interests above.

As noted on page 74 of the 2019 Annual Report, 108,961 LTIP share options granted in September 2016 to Steve Morgan vested on 12 September 2019 and were paid in cash as per the scheme rules.

GOVERNANCE REPORT

Directors' Remuneration Report continued

GAINS MADE BY DIRECTORS ON SHARE OPTIONS

The table below outlines the notional gains made by Directors on share options exercised during the year, calculated as at the exercise date.

Executive Director	Scheme	No. shares exercised	Date of exercise	Mid price on date of exercise (pence)	Notional gain on exercise (£'000)
John Tutte	LTIP 2016	138,882	12/09/19	612.00	849.96
	DEF BONUS 2017	22,579	11/09/19	604.50	136.49
	DEF BONUS 2018	23,961	11/10/19	595.83	142.77
		185,422			**1,129.22**
Barbara Richmond	LTIP 2016	36,975	12/09/19	612.00	226.29
	DEF BONUS 2017	12,758	11/09/19	604.50	77.12
	DEF BONUS 2018	13,531	10/09/19	595.83	80.62
		63,264			**384.03**
Matthew Pratt	LTIP 2016	14,146	12/09/19	612.00	86.57
	DEF BONUS 2017	11,846	11/09/19	604.50	71.61
	DEF BONUS 2018	13,929	10/09/19	595.83	82.99
		39,921			**241.17**

Pension

John Tutte and Matthew Pratt are deferred members of the Redrow Staff Pension Scheme (now closed to future accrual) and details of entitlements under this plan are set out below. He also received a pension allowance supplement of 20% of salary. Barbara Richmond received a pension allowance supplement equivalent to 20% of salary and Matthew Pratt received a contribution of 10% of salary. The value of these cash supplements is included in the pension column of the Single Total Figure of Remuneration Table on page 91. John Tutte, Barbara Richmond and Matthew Pratt are also covered by fixed term group income protection and death in service benefit.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Details of the Executive Directors' pension entitlements under the defined benefit section of the Redrow Staff Pension Scheme are as follows:

Director	Normal retirement date	Accrued benefit at 28 June 2020 £	Benefits paid to Director during period up to 28 June 2020 £	Defined Benefit accrued during period up to 28 June 2020 £
John Tutte	24 June 2021	57,919	Nil	Nil
Matthew Pratt	6 July 2040	15,373	Nil	Nil

The normal retirement date shows the date at which the Director can retire without actuarial reduction. No additional benefit is available on early retirement.

The accrued pension shown above is the amount of pension entitlement that would be paid each year on retirement on the normal retirement date, based on service to 29 February 2012. The Scheme closed the accrual of future benefits with effect from 1 March 2012.

SUPPORTING DISCLOSURES AND ADDITIONAL CONTEXT

Percentage change in remuneration of Executive Chairman

The table below shows the percentage change in the salary, benefits and annual bonus of the Executive Chairman and of all Redrow employees who qualify for participation in the Company's bonus and benefits plans between 2019 and 2020.

	Executive Chairman	All Redrow employees
Salary	2.0%	2.92%
Benefits	Nil%	11.0%
Annual bonus	(100%)	(64.3%)

Additional Statutory Information

Name	Matthew Pratt (Chief Operating Officer during FY 2020)	Barbara Richmond (Chief Financial Officer)	Nick Hewson (Senior Independent Director)	Vanda Murray (Non-Executive Director)	Sir Michael Lyons (Non-Executive Director)	Nicky Delieu (Non-Executive Director)
Salary	Matthew Pratt was appointed to the Board as Chief Operating Officer on 1 April 2019*	6.50%	1.40%	3.30%	-3.00%	Nicky Delieu was appointed as Non-Executive Director on 6 November 2019*
Benefits		84.2%**	n/a	n/a	n/a	
Annual bonus		-100%	n/a	n/a	n/a	

* A year-on-year comparison is not possible in these circumstances

** This increase from £19k to £35k was in relation to a change in company car and the provision of fuel

CEO Pay Ratio

CEO Pay Ratio	Method A
25th Percentile pay ratio	27:1
50th Percentile pay ratio	18:1
75th Percentile pay ratio	12:1

The remuneration figures for the employee at each quartile were determined with reference to 28 June 2020.

Our CEO pay ratios have been calculated using Option A under the Companies (Miscellaneous Reports) Regulations 2018 as this is the most statistically accurate way. The total remuneration of all UK employees for the 2020 financial year has been calculated and ranked to identify the employees where remuneration places them at the 25th, 50th and 75th percentile points.

The total pay and benefits and salary of the employees paid at the 25th percentile, 50th percentile and 75th percentile is shown below.

	25th Percentile	50th Percentile	75th Percentile**
Salary	£23,950	£32,008	£27,760
Total pay and benefits	£26,069	£40,581	£60,756

* The pay ratio comparison has been calculated on using John Tutte's single total figure remuneration as Executive Chairman as this is considered the most appropriate position

** The employee identified at the 75th percentile is in a sales consultant role, which has the opportunity to earn higher remuneration through commission arrangements, hence the base salary is lower than the 50th percentile employee but total pay and benefits is higher

The Remuneration Committee notes that the Executive Chairman's remuneration package is appropriately more heavily weighted toward variable pay elements, i.e. annual bonus and LTIP, than the general employee population and is therefore likely to result in the ratio fluctuating as a function of the outcomes of incentive plans year on year. However, the Committee will continue to monitor pay ratios, including any longer term trends, as part of its annual agenda.

GOVERNANCE REPORT

Directors' Remuneration Report continued

Relative importance of spend on pay

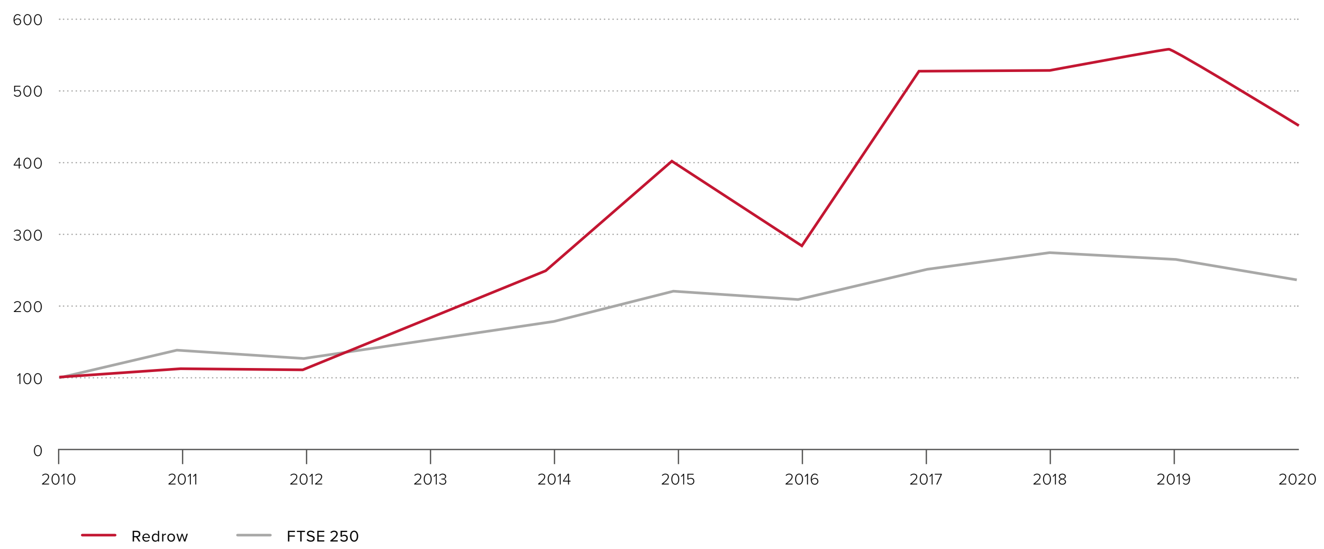
The table below shows total employee remuneration and distributions to shareholders, in respect of 2020 and 2019 (and the difference between the two).

£m	2020	2019	Change (%)
Total employee remuneration	**134**	141	(5.0%)
Distributions to shareholders	–	220	(100%)

Total employee remuneration represents amounts included in note 7a to the accounts in respect of wages, social security, pension and incentive costs for all Group employees. Distributions to shareholders include the cash returns in respect of each financial year (see note 5 to the financial statements). This represents nil pence per share in respect of 2020 compared to 60.5 pence per share in respect of 2019 including the B share cash return.

Performance graph and table

The chart below shows the TSR of Redrow in the ten-year period to 28 June 2020 against the TSR of the FTSE 250. TSR refers to share price growth with re-invested dividends. The Committee believes the FTSE 250 index is the most appropriate index against which the TSR of Redrow should be measured, as it is a constituent of the FTSE 250.



The table below provides remuneration data for the Executive Chairman/Group Chief Executive (as applicable) for each of the nine financial years over the equivalent period.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Name	Steve Morgan	Steve Morgan	Steve Morgan	Steve Morgan	John Tutte	John Tutte	John Tutte	John Tutte	John Tutte	**John Tutte**
Remuneration/ donations*	£582k	£855k	£1,050k	£1,922k	£2,355k	£1,916k	£2,463k	£1,950k	£2,093k	**£712k**
Bonus (% of Maximum)	50%	50%	80%	100%	100%	100%	100%	96.7%	85%	**Nil%****
LTIP vesting (% of Maximum)	0%	0%	19%	100%	100%	100%	100%	100%	100%	**Nil%**

* For Steve Morgan, this value includes the nominal salary and benefits disclosed in the Single Total Figure of Remuneration table as well as Company donations to The Steve Morgan Foundation, a UK registered charity of which Steve Morgan is a trustee, reflecting notional salary and waived annual cash bonus in respect of the relevant year. It also includes the value of deferred bonus and vested LTIP cash awards in respect of each relevant year (calculated in accordance with the methodology applicable to the Single Total Figure of Remuneration Table).

** John Tutte voluntarily waived any bonus for 2020 given the wider stakeholder experience

External non-executive directorships held by Executive Directors

It is the Committee's policy that, with the approval of the Board, Executive Directors may hold one non-executive directorship at another company in order to broaden their knowledge and experience to the benefit of the Company. The Executive Director may retain any fee received for these duties. Barbara Richmond is a non-executive director of Lonza Group Ltd and in line with the Committee's policy, she is entitled to retain the fees from this appointment. She received fees of £205k during 2020 (£169k during 2019). This represented 240,000 Swiss Francs in both years.

Consideration of directors' remuneration – Remuneration Committee and advisors

The Remuneration Committee is comprised solely of Non-Executive Directors and comprises Vanda Murray as Chair, Nick Hewson, Sir Michael Lyons and Nicky Dulieu.

The Committee has agreed Terms of Reference detailing its authority and responsibilities. The Terms of Reference of the Committee are kept under regular review and are published on the Group's website and include:

- determining the Remuneration Policy in respect of the Executive Directors and the Company Secretary (together 'the Senior Executives'), taking into account the context of the Company's overall approach to remuneration for all employees and within this Policy determining the total individual package of each Senior Executive;
- determining performance targets and the extent of their achievement for both annual and long-term incentive awards operated by the Company affecting Senior Executives; and
- monitoring and approving the level and structure of remuneration of the Executive Committee immediately below the Senior Executives.

The Committee meets as often as is required but at least twice per year. The Committee met four times during the course of the financial year ended 28 June 2020 and details of Committee attendance are set out in the following table:

TABLE OF ATTENDANCE

Name	Role	Attendance at Meetings
Vanda Murray	Chair*	4/4
Nick Hewson	Member	4/4
Sir Michael Lyons	Member	4/4
Nicky Dulieu	Member	4/4

* As announced in July 2020 Vanda Murray will be stepping off the Board at the November 2020 AGM. Nicky Dulieu will take over as Chair having been a member of the Remuneration Committee since November 2019.

GOVERNANCE REPORT

Directors' Remuneration Report continued

The Committee received advice from FIT Remuneration Consultants LLP during the year. FIT is a member of the Remuneration Consultants Group and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is comfortable that FIT does not have connections with Redrow plc that may impair their objectivity and independence. The fees charged by FIT for the provision of independent advice to the Committee during 2020 was £44,858 FIT provided no other services to the Company.

Statement of voting at Annual General Meeting

At the Annual General Meeting held on 6 November 2019, votes cast by proxy and at the meeting in respect of directors' remuneration report are shown in the table.

	Votes For		Votes Against		Total	
Resolution	**No.**	**%**	**No.**	**%**	**votes cast exc withheld**	**Votes withheld**
Approval of Directors' Remuneration Report for the year ended 30 June 2019	193,706,106	69.61	84,585,769	30.39	278,291,875	1,443,300

In line with provision 4 of the UK Corporate Governance Code, the Board has consulted with major shareholders to understand their concerns following the number of votes against this resolution and has taken action following the feedback received. An update statement in respect the action taken after consultation with major shareholders can be found on the Company's website at http://investors.redrowplc.co.uk/corporate-governance and a final summary setting out the impact of shareholder feedback on the Board's decisions can be found on page 57.

By order of the Board

VANDA MURRAY OBE
Chair of the Remuneration Committee

15 September 2020

GOVERNANCE REPORT

Directors' Report

OTHER STATUTORY DISCLOSURES

The Companies Act 2006 (the "Act") requires the Directors to present a fair review of the business during the 52 weeks to 28 June 2020 and of the position of the Company at the end of the financial year together with the financial statements, Auditors' Report and a description of the principal risks and uncertainties which the Company faces. The Strategic Report can be found on pages 1 to 48 of the Annual Report. The FCA's Disclosure Guidance and Transparency Rules require certain information to be included which can be found in the Corporate Governance Report on pages 49 to 116.

There were no significant events since the balance sheet date. An indication of likely future developments in the business of the Company and details of the Company's use of financial instruments for risk management purposes are included in the Strategic Report.

The Corporate Governance Report and the Strategic Report, together with the Notice of Annual General Meeting including the explanatory notes and sections of the Annual Report incorporated by reference, form part of the Directors' Report which is presented in accordance with, and with reliance upon, applicable English company law. The liabilities of the Directors in connection with this report shall be limited as provided by English Law.

The table opposite sets out where key information can be found in the Annual Report.

Subject	Page Reference
Dividends	See note 5 of the financial statements on page 138.
Capital Structure (details of the issued share capital)	See note 18 of the financial statements on page 158.
Directors	• See page 59 detailing the Directors who served during the year, along with their meeting attendance. • Biographical details of the Directors of the Company who are seeking election and re-election at the 2020 AGM are set out on pages 50 to 51. • Details of Directors' interests, including interests in the Company's shares, are disclosed in the Directors' Remuneration Report on page 94.
Employment Policies of the Company	Details of the Company's employment policies may be found in the Directors' Report on pages 107 to 108.
The Redrow Benefit Trust Report (the "Employee Benefit Trust")	Details of the shares held by the Employee Benefit Trust may be found in the Directors' Report on page 103.
Environmental, social and governance (ESG) disclosures	Details of the Company's approach to ESG matters can be found in the Directors' Report on pages 103 to 110.
Greenhouse gas emissions	All disclosures of the Company's greenhouse gas emissions, as required to be disclosed under Schedule 7 of The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (pursuant to the Act, Strategic Report and directors' report Regulations 2013), are contained in the Directors' Report on page 104.
Redrow plc Long Term Incentive Plan (LTIP)	Details of the Company's LTIP are set out in note 7d of the consolidated financial statements on pages 140 to 143 and the Directors' Remuneration Report on pages 78 to 100.
Section 172(1) Statement	The Section 172(1) Statement can be found in the Strategic Report on pages 32 to 37.

The Directors have pleasure in presenting to the shareholders their report and audited consolidated financial statements for the 52 weeks ended 28 June 2020.

GOVERNANCE REPORT

Directors' Report continued

RESULTS, DIVIDENDS AND RETURN OF CASH

The Group made a profit after tax of £113m (2019: £329m). As announced on 24 March 2020, due to the uncertainty around the impact of the COVID-19 pandemic on the business, it was decided that the Company would cancel the 10.5p interim dividend which was due to be paid on 9 April 2020 to holders of ordinary shares on the register at the close of business on 6 March 2020. The Board is not recommending the payment of a final dividend for the year at the 2020 Annual General Meeting.

ANNUAL GENERAL MEETING

Notice of the 2020 Annual General Meeting to be held on Friday, 6 November 2020 will be sent to shareholders separately. Members wishing to vote, should return forms of proxy to the Company's Registrar not less than 48 hours before the time for holding the meeting.

The formal notice convening the Annual General Meeting, together with explanatory notes, will be found in a separate circular which will be sent to shareholders separately and will be available on the Company's website. Shareholders will also find with the Notice of Annual General Meeting a form of proxy for use in connection with the meeting.

DIRECTORS

The Directors of the Company during the year to the date of this report, along with their meeting attendance, are listed on page 59. The current Directors are listed on pages 50 to 51 together with their biographical details.

Details of Directors' pay, service contracts and Directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration Report on pages 78 to 100.

Formal appraisals of the Executive Directors were undertaken during the financial year. All the Non-Executive Directors underwent an annual appraisal conducted by the Senior Independent Non-Executive Director. The Board confirms that Matthew Pratt and Barbara Richmond, who stand for reappointment as Executive Directors; Nick Hewson and Sir Michael Lyons who stand for reappointment as Non-Executive Directors; and John Tutte and Nicky Dulieu who stand for appointment as Non-Executive Directors, continue to be effective and demonstrate the appropriate commitment to their roles.

The Executive Directors have formal service agreements and termination of their employment may be effective by 12 months' notice given by the Company for John Tutte and Barbara Richmond and 6 months' notice given by the Company for Matthew Pratt.

In accordance with the UK Corporate Governance Code (the "Code"), all of the Directors will retire at the Annual General Meeting to be held on Friday, 6 November 2020 and, being eligible, offer themselves for reappointment, save for Vanda Murray who will be stepping down from the Board following the 2020 AGM.

DIRECTORS INTERESTS

Related party transactions are disclosed in note 22 to the Financial Statements. A summary of remuneration provided to key management personnel is provided in note 7c.

POWERS OF THE DIRECTORS

Subject to the Company's Articles of Association, UK legislation and any of the directions given by Special Resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. Directors have been authorised to allot and issue shares by way of Resolutions of the Company passed at its Annual General Meeting.

The rules in relation to the appointment and replacement of Directors are as set out in the Company's Articles of Association and applicable English company law. The Articles of Association can only be amended, or new Articles adopted, by a resolution passed by shareholders in a general meeting by at least three quarters of the votes cast.

CAPITAL STRUCTURE

The Company has an issued share capital of 352,190,420 ordinary shares of 10.5 pence each. The Company has one class of ordinary shares which carry ordinary rights to dividends (subject to the Company's Articles of Association). Each share carries the right to one vote at general meetings of the Company in respect of resolutions which are taken on a poll.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Authority was given to the Directors at last year's Annual General Meeting to allot unissued shares up to an aggregate nominal amount of £12,326,664.70 (which is equivalent to approximately 33% of the Company's issued share capital) and up to a further aggregate nominal amount of £12,326,664.70 in connection with an offer by way of a rights issue. The authority was not exercised during the period ended 28 June 2020 or prior to the date of this report. The Company has no current intention of exercising the authority but nevertheless as this authority expires at the forthcoming Annual General Meeting, the Directors will be seeking new authorities as set out in the Notice of Annual General Meeting.

VOTING AND TRANSFER OF SHARES

The Company's Articles of Association do not contain any specific restrictions on the size of a shareholder's holding or on the transfer of shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association do not contain, and the Company is not aware of, any restrictions on voting rights, including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

Zedra Trust Company (Guernsey) Limited, as trustee of the Employee Benefit Trust, held 8,841,362 shares (2.51%) in the Company as at 28 June 2020 on trust for the benefit of employees of the Company. The voting rights attaching to the shares held by the Employee Benefit Trust are exercisable by the Trustee and there are no restrictions on the exercise of the voting of, or acceptance of any offer relating to those shares.

SUBSTANTIAL HOLDINGS IN THE COMPANY

As at 28 June 2020, the Company had been advised of the following notifiable interests in its ordinary shares, in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules (the "DTRs").

Notifiable Person	Number of Ordinary Shares Held	% of voting rights
Bridgemere Securities Limited	56,352,350	16.00%
Vidacos Nominees/HSBC [1]	17,876,321	5.08%

1 The Company was notified of this interest prior to the 20 for 21 share consolidation on 8 April 2019. The figure displayed as the number of shares held has been calculated by applying the 20:21 consolidation ratio to number of voting rights contained within their most recent notification to the Company under DTR 5.1, at which time was 18,770,138.

In line with the relevant rules, the table above does not include notifications received from investment firms where the interest has fallen below 5%, or from non-investment firms where the interest has fallen below 3%.

The Company has not been notified of any changes to the above interests, or any other notifiable interests, since 28 June 2020.

CHANGE OF CONTROL

The Company's banking facilities require repayment in the event of a change of control. In addition the Company's employee share incentive schemes contain provisions, whereby, upon a change of control, outstanding options and awards would vest and become exercisable by the relevant employees, subject to the rules of the schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment in event of a takeover bid.

INDEPENDENT AUDITORS

Following the conclusion of the formal tender process, the Company announced on 9 November 2018 that the Board had approved the proposed appointment of KPMG LLP as the Company's external auditors for the financial year commencing 1 July 2019. The appointment was subsequently approved by shareholders at the 2019 AGM, receiving 99.76% of votes in favour, with the appointment taking effect from 6 November 2019.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the course of the 52 weeks ended 28 June 2020, qualifying third party indemnity provisions were in place. The Company agreed to indemnify the Directors, former Directors and the Company Secretary of the Company and Associated Companies (as defined in Section 256 of the Companies Act 2006), to the extent permitted by law and the Company's Articles of Association, against any liability arising in connection with: any negligence, default, breach of duty or breach of trust by them; and their duties, powers or office, including in connection with the activities of the Company or Associated Company in its capacity as a trustee of an occupational pension scheme.

The above indemnity provisions remain in force at the date of this report. In addition, the Company maintains directors' and officers' insurance for each Director of the Company and its Associated Companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES

Limiting the environmental impact of developments by building responsibly and creating thriving and desirable places to live are key parts of the Group's strategy, and through the use of its design principles, the Company has ensured that social, environmental and economic aspects are incorporated into the communities delivered. Valuing people is also a key component of the Group's strategy and this is executed by valuing and developing people and partners and inspiring the next generation to build.

In recognition of the Company's sustainability performance, it was awarded a gold level status in the most recent NextGeneration Benchmark, which is an assessment and ranking of the sustainability performance of the UK's 25 largest housebuilder, thereby retaining third place for the fourth year in a row.

The Board considers ESG matters as part of its regular risk assessment and the following sections seek to provide a deeper understanding of the work undertaken by the Company in relation to ESG matters.

STRATEGIC REPORT
GOVERNANCE REPORT
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

GOVERNANCE REPORT

Directors' Report continued

ENVIRONMENTAL

Greenhouse Gas Emissions

Greenhouse gas ("GHG") emissions data for the period 1 July 2019 to 28 June 2020 are set out in the table below:

Emissions from:	Current Reporting Year (1 July 2019 to 28 June 2020)	Comparison Year (1 July 2018 to 30 June 2019)	Units
Scope 1 activities:			
• Direct emissions from combustion of fuels and business travel	**12,250**	12,478	tonnes of CO_2e
Scope 2 activities:			
• Indirect emissions from purchased electricity and heat	**3,254**	1,985	tonnes of CO_2e
Total Greenhouse Gas Emissions:			
• (Scope 1 + Scope 2)	**15,504**	14,463	tonnes of CO_2e
Intensity ratio:			
Total emissions per 100m² of build	**3.01**	2.42	tonnes of CO_2e per 100m² of build

Notes to the Greenhouse Gas Emissions Data

This disclosure includes all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our consolidated financial statement and we do not have responsibility for any emission sources that are not included in our consolidated statement.

During the reporting period, the annual quantity of energy consumed by the Company was 37,032,239 kWh. This figure is the aggregate of:

- the annual quantity of energy consumed from activities for which the company is responsible involving the combustion of gas;
- the annual quantity of energy consumed resulting from the purchase of electricity and heat by the company for its own use; and
- the annual quantity of energy consumed from activities for which the company is responsible, involving the consumption of fuel for the purposes of transport.

100% of the figures reported above relate to emissions and energy consumed solely in the United Kingdom.

The Company has taken several measures for the purpose of reducing greenhouse gas emissions and increasing the Company's energy efficiency:

- Almost 50% of our greenhouse gas emissions come from use of diesel on our sites and consequently we have been working to reduce this during the year. We are currently trialling a hybrid generator system with solar PV and a smart energy management system and will be looking to roll this out across all 130 construction sites following further testing. We are also currently investigating the efficacy of Hydrotreated Vegetable Oil (HVO) with our supply partners, as an alternative fuel for site plant and equipment which we anticipate would reduce net CO_2 emissions by up to 90%.
- Following energy audits carried out at the beginning of the reporting year, we have identified a number of opportunities to improve the energy efficiency of our sales offices, show homes, sites and our divisional offices. These opportunities relate to lighting, heating and hot water and are now being actioned by the relevant departments. We are currently reviewing our policy for our show homes lighting and our strategy for our divisional offices energy management.
- We have also been working to reduce site and office gas and electricity consumption with new eco-cabins being now rolled-out to all new sites, providing: improved thermal insulation, double glazed windows with low u values, energy efficient LED lights with PIR activation, energy efficient heaters with thermal cut out and timers and energy efficient point of use hot taps.

We have used the GHG Reporting Protocol – Corporate Standard and the emissions have been calculated using the 2020 UK Government's Greenhouse Gas Conversion Factors for Company Reporting. Reported Scope 2 emissions are calculated using the location-based method. The slight increase in normalised emissions is attributable to improved data collection, combined with a reduction in homes completed due to COVID-19 in 2020. We intend to set this as a new baseline year and set a new ambitious target going forward.

This inventory of greenhouse gas emissions has been verified by SGS to a limited level of assurance, in accordance with ISO 14064-3:2006, as meeting the requirements of The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard. Further details and the independent assurance report can be found at redrowplc.co.uk/about-redrow/our-values/building-responsibly/managing-our-resources-efficiently/

Research and Development

The Company has a centralised Product Development Team charged with identifying and evaluating new construction techniques and products. In addition, the Company has a centralised Sustainability team, as these issues play a prominent role in the Company's activities. The Company recognises its responsibilities to the community as a whole and has adopted an environment strategy which is a core part of the Company's objectives.

The charge to the income statement in respect of research and development for the 52 weeks ended 28 June 2020 was £0.4m (2019: £0.6m).

Resource Efficiency

Managing resources efficiently is a key principle underpinning one of the Company's strategic themes of building responsibly. The following are key examples of the Company's approach to managing its resources efficiently:

1. **Carbon** – the Company continues to be an active Gold Leaf member of the UK Green Building Council and is working to reduce the carbon emissions from both its homes and operations. The Company is committed to extending its existing approach in order to deliver zero-carbon homes in the coming decade and has taken its first steps in this journey during the year, as further explained in the Strategic Report.
2. **Water** – the homes produced by the Group have one of the lowest water use standards in the industry at 105 litres-per-person-per-day (lpppd), compared with a building regulation standard of 125 lpppd. The Company is committed to reducing the amount of water used in its operations and during the year, the water usage was 18.50 m³ per 100m² of build.
3. **Waste** – the Company is also committed to reducing waste from its operations and in 2020, waste generated was 8.97 tonnes per 100m² of build. Where possible, we also ensure that any waste created is reused or recycled as appropriate and during the year, 97.4% of our waste was diverted from landfill.

For further details on the Company's approach to managing its resources efficiently, please see pages 23 to 25 of the Strategic Report.

Sustainable materials

The Company is committed to sourcing sustainable materials in for use in its operations to contribute to its long-term sustainability. The following are key examples of the Company's approach to sourcing such materials:

1. **Timber** – the Company uses a large amount of timber in the construction of its homes and is committed to sourcing forest products from well-managed sources. In the 2019 calendar year, 99.9% of the forest products used by the Company were from verified and credibly certified sources.
2. **Other materials** – the Company also uses supply chain mapping for other materials and products used in constructing its homes to allow it to work with supply partners to identify and avoid products deemed to be high risk in respect of environmental and social ethics.

For further details on the Company's approach to sourcing sustainable materials, please see pages 19 to 21 of the Strategic Report.

Biodiversity

During the year, the Company launched its industry-leading biodiversity strategy in partnership with The Wildlife Trusts to ensure that our developments enhance biodiversity and contribute to nature's recovery and internal workshops have been running to equip our teams with the knowledge and skills to make a difference to nature.

For further details on the Company's new biodiversity strategy, and action taken during the year for nature, please see pages 15 to 16 of the Strategic Report.

Climate-related Disclosures

Following the recommendation of the Task Force on Climate-related Financial Disclosure (TCFD), it was decided that specific climate-related disclosures would be included within this Annual Report. Please see pages 111 to 115 for the TCFD disclosure table.

SOCIAL

Social Impact Review

The Company seeks to make a meaningful social impact when building homes for our customers. A review was undertaken in 2020 to assess the social impact of our operations and the full report can be found on the Company's website at redrowplc.co.uk.

Social Value Calculator

In 2019, the Company received the NextGeneration Innovation Award, which is awarded to a homebuilder that has demonstrated initiatives that go far beyond the criteria used for the benchmark. The Group was recognised for its commitment to supporting healthy communities by developing a unique Social Value Calculator. The calculator presents a monetary value against individual outcomes over a 25-year period, being the typical length of a mortgage, and its assessment methods are consistent with the guidance advocated in HM Treasury's Green Book on quantifying the social impact of its policies.

The Group's ground-breaking work on researching the social value associated with multiple aspects of home building and community creation ensures it has a clearer, more holistic perspective on the impact of the placemaking decisions. It also allows the Company to take a more strategic approach to design and community planning and further the knowledge and perspective of the business on the features and characteristics of a new development which are most likely to make people happier and healthier.

GOVERNANCE REPORT

Directors' Report continued

Placemaking

The Company has developed a benchmarking scorecard of placemaking principles for designing sustainable communities, called the Redrow 8. The assessment criteria underpinning the Redrow 8 has been refined to reflect the key characteristics of well-designed places set out in the government guidance.

During the year, a placemaking e-learning module was launched for all staff in order to develop their knowledge of how key placemaking and urban design principles are to be applied to the communities served by the Company.

For further details on the Company's approach to placemaking, please see pages 14 to 15 of the Strategic Report.

Workforce Engagement

The Board believes that greater engagement with the workforce is essential to preserving long-term value. Valuing people is a fundamental part of the Group's strategy and understanding the views of employees and actively encouraging their participation sits highly on the Board's agenda. The Company engages with employees through the following means:

1. **Designated workforce Non-Executive Director** – in line with Provision 5 of the Code, Vanda Murray was appointed as the designated Non-Executive Director for workforce engagement in 2019. Board and Committee meetings are arranged throughout the year in different divisions across the country, with visits to different development sites arranged around the Board meetings. This has allowed Vanda Murray the opportunity to engage directly with the workforce, at both divisional offices and on sites, to obtain their views on a wide range of matters relating to life at Redrow. This is then fed back to the Board providing for an important mechanism for the Board to understand the views of the workforce. Following her retirement from the Board on 6 November 2020 after the AGM, Vanda Murray will be succeeded by Nicky Dulieu as the designated Non-Executive Director for workforce engagement.
2. **Employee communication via the intranet, Engage** – Engage is available for all employees of the Company and is the hub for sharing news and communications across the business. It encourages employees to actively participate and have a voice in decisions being made by the Company. This proved to be a vital communications tool during the COVID-19 pandemic as it allowed information to be shared instantly with all employees (whether still working or on furlough) so that we were able to keep each person in the loop and up to date with actions being taken by the business.
3. **Employee engagement meetings** – each divisional business and Group has a team of elected representatives who attends regular engagement meetings. These meetings keep employees up to date with Company news and employee health and wellbeing initiatives and enable the representatives to put forward the views and ideas of the department. Each employee has access to their engagement representative and has the opportunity to discuss matters arising from these meetings. All meeting materials and action plans following meetings are made available to all employees via Engage.
4. **INsight survey** – this survey is distributed annually to all employees and in the latest survey there was a 91% participation rate. The feedback from employees was anonymised.

   Following the results, workshops were carried out with each team to discuss the findings and feedback was collated by the Engagement team. Resulting from the feedback, commitments and themes for the year were posted on Engage with regular progress reports posted on these.

   Enhanced maternity and paternity leave, flexible working and enhanced flexible holidays are just a few examples of the changes made as a result of employee engagement through the INsight survey.
5. **Direct communication channel to the Board** – employees have the opportunity to email the Board and Executive Management Team to ask them any question relating to the business. Employees have the option to anonymise their name, division and job title. All questions asked are discussed at the next Board meeting and responses are posted on Engage for all employees to view.

   The objective of this was to ensure that the Board is reachable at all levels across the business and to reinforce the culture of openness and transparency throughout the Group.
6. **Promotion of share ownership through employee share plans** – the Company supports employee share ownership at all levels as it directly aligns employee interests with those of shareholders. Share ownership encourages employees to take a wider view of the Group. Thinking like a shareholder, as well as an employee, provides for a deeper perspective and encourages the workforce to be more inquisitive as to whether they can individually and collectively improve to create even more shareholder value.
7. **Division specific communications** – the Divisions are encouraged to make their employees aware of the financial and economic factors affecting their respective Divisions and the Company as a whole. Each Division has a dedicated section on the intranet which is regularly updated to reflect matters directly affecting that part of the business.
8. **Company performance communications** – the Company's intranet, Engage, is also used as a tool for communicating factors affecting the performance of the Company to employees to ensure that they understand how the business is performing in the current market. Additionally, the Executive Chairman circulates the results announcements and trading updates to all employees. Following the release of the interim and final results announcements, the Group Finance Director attends the Head Office and each Divisional office to make a presentation directly to employees to explain the results and strategy for the year.

The Board shall keep these engagement mechanisms under review so that they can be ensure they remain effective.

Employee Wellness

The Company recognises that the wellness of its employees is vital to the success of the business and has put in place a number of initiatives to focus on health and wellbeing, including:

1. **Mental health first aiders** – following the Company's commitment to the Building Mental Health Charter, employees have received training on the area of mental health, including mandatory training for all Heads of Department, so that they can understand the importance of such health and be open to discussing this within their teams. There is also a mental health e-learning module which all employees were invited to participate in.

   Further additional training was provided to a number of employees who volunteered to become mental health first aiders. There are currently over 200 employees who have been trained and equipped to act as mental health first aiders.
2. **MyLife** – this employee assistance programme is now made available to all employees, subcontractors and their families. The programme includes a free confidential advice helpline available 24/7 and provides advice and support through telephone counselling sessions for both personal and work-related problems.

The HR department has a dedicated team focusing on health and wellbeing to ensure that health remains a key priority and that the wellness initiatives in place are fit for purpose.

Diversity and Inclusion Policy

The Company recognises that its continued success depends upon its ability to recruit the right people, retain them and help them to reach their full potential.

The Company believes that attracting a diverse range of skills and abilities will enable it to meet the challenge of the growing skills gap in the sector.

The Company is firmly committed to giving every potential recruit and employee the same opportunities irrespective of their gender, race, ethnic or national origin, disability, age, sexuality, religious belief, marital status or social class. This commitment continues throughout employment, ensuring that equal training, career development and promotion opportunities are available to all employees.

As such the Company opposes all forms of unlawful or unjust discrimination and requires all colleagues to comply with legislation in this area and strive for best practice.

The Company embeds this through awareness and training in the following policies:

- Diversity and Inclusion Policy
- Recruitment and Selection Policy
- Human Rights Policy
- Disciplinary and Grievance Policy and Procedures

The Company has in place a number of initiatives which the Board believes will further increase the diversity of our workforce. Some examples of these initiatives follow:

1. **Redrow Women's Network** – as part of the Company's commitment to diversity and narrowing the gender pay gap, in 2019 the first Redrow Woman's Network was set up to inspire and support women across the Group. It is also a valuable feedback tool for the Company which allows the Board to understand the challenges that women face on their career path.
2. **Redrow Educational Partnership** – the partnership offers resources, support and work experience to schools across the country. The activities undertaken within this initiative aims to address stereotypes within the industry and highlight the wide spectrum of roles within the housebuilding industry.
3. **Mentoring Scheme** – one of the challenges which the Company is faced with is the progression of women through the business into senior roles. The Group has a mentoring scheme to ensure that all female trainees have the benefit of a mentor once they have completed their initial programme. Whilst it is appreciated that gender is just one of many diversity characteristics, the Board believes that this is a good starting point and, following a review of the success of the programme, it is expected that the scheme will be extended to wider employees.
4. **Training** – a number of employees, including mentors within the mentor scheme, have attended training on unconscious bias and the importance of a diverse and inclusive workforce. Mentors are encouraged to discuss the importance of these issues with their mentees in order to embed the message early on in the careers of our workforce. The more openly that these issues are discussed, the easier it is to create a culture of diversity across the Group.
5. **Enhanced Parental Leave** – in September 2018, the Company introduced enhanced parental leave benefits for all employees which the Board believes will contribute to employee retention for both females and males.
6. **Membership** – the Company also became a member of WISE (Women in Science and Engineering), a Community Interest Company which provides support to employers, educators and training providers who are seeking to improve their gender balance, including engagement and advancement of women.

The Company has taken steps to create and sustain a diverse and inclusive culture across the Group and is committed to being proactive in working to attract and retain a more diverse workforce.

GOVERNANCE REPORT

Directors' Report continued

Learning and Development

The Company places considerable importance on training and developing its people. Historically, training has primarily been delivered face-to-face at the Company's in-house training facilities and supported through blended e-learning. During the COVID-19 lockdown, and in the time since, the Group has placed additional emphasis on its e-learning platform, ensuring all colleagues completed vital return-to-work training, in addition to refreshing core skills. Moving forward the Company will make more use of technology to deliver training through e-learning, webinars and interactive online sessions.

During the year, 5,925 training days were completed in total.

The Company, in partnership with Liverpool John Moores University and Coleg Cambria, established the UK's first dedicated Housebuilding Degree. The three-year degree provides students with a full overview of housebuilding skills including quality, project management, health and safety, business skills and law. Learning is achieved through a blend of classroom activities, virtual learning, practical site visits and tutorials, meaning that learners are be able to combine their studies with working and earning. To date this has been used to upskill the Group's existing workforce and the Board are pleased to welcome the first intake of sponsored degree students who will join the Group this Autumn post A Levels.

During the year, the Company recruited over 120 trainees, including 90 apprentices and 15% of our direct employees are trainees. Company apprentices receive first class training, both on site and at local colleges, and the Company partners with key suppliers to ensure that apprentices receive a comprehensive understanding of the wider aspects of their chosen field.

The Company is committed to assisting with tackling the problem of attracting young people to construction, and more specifically housebuilding, by analysing the barriers to entry-level recruitment into the sector and making recommendations to overcome these. For further details of the work undertaken in analysing the state of apprenticeships and construction careers in the UK, the 2020 Apprentice Report can be found on the Company's website at redrowplc.co.uk.

Health, Safety and Environment

The Company is committed to quality and excellence therefore it follows that minimising risk to people, plant, products and the environment is inseparable from all of its other objectives. Health and safety has naturally become embedded into the culture of the Group, as it forms part of the overall duty of being an employee or supplier of the Group.

The Group seeks to achieve the highest health, safety and environmental standards as it significantly contributes to the overall performance of the business and protects both people and environment from harm. The Company operates an environmental management system that ensures that it manages environmental impacts in a systematic way and is certified by the British Standards Institute to the international standard ISO 14001:2015.

For further details on our approach to health and safety, see page 25 of the Strategic Report.

Charitable and Political Donations

The Company recognises the difference it can create through its presence as a national housebuilder by developing thriving communities through supporting the local community and charitable projects. The Company and its employees are actively involved in fundraising activities for our selected charitable partners.

Divisions annually select a local charity to support whereby its purpose is in alignment with one of the Group's key priorities. This allows each part of the business to choose a charity meaningful to them in the communities in which they operate. In accordance with Company policy, the charity must be verified before any donations are made to it and a record is maintained of all charitable contributions made.

The Group paid £0.2m in charitable donations during the year, being £0.1m in respect of national charities and £0.1m in support of local charities.

The Company does not engage or support any form of political donations. No Group company or employee is permitted to make a political donation in the name of the Company and employees are cautioned to be extra vigilant to ensure that political contributions are not made in circumstances where gifts, hospitality or the actions of third parties are engaged in transactions on behalf of the Company. The Group made no political donations during the year.

Human Rights

The Board values and appreciates the contribution made by all employees at every level and is committed to protecting and respecting human rights. Each employee is treated fairly and equally and the Company has measures in place to ensure that the Group is free from discrimination. Throughout the Group there is a zero-tolerance approach to any form of harassment or bullying; forced or involuntary labour; and child labour in any form. The Board is invested in the development of employees and has put in place measures to protect both their physical and mental wellbeing.

The Company embeds its commitments to the protection of human rights through its Human Rights Policy.

Supply Chain

The Company conducts its operations with respect to the interests and human rights of those employed in our supply chain. The Group works collaboratively with its supply chain to develop relationships based on honesty, openness, respect and fairness. In addition, the Group supports its supply chain by, among other things, improving their knowledge of sustainability through training and working with subcontractors to attract new entrants into the industry and supporting their training needs.

As a partner of the Supply Chain School, the Group's supply chain have access to thousands of online presentations, training modules, guidance documents and checklists and are regularly invited to attend workshops and briefings.

Due diligence is conducted on the Group's supply chains to ensure that the values of the partners which we are working with are aligned with the Group's commitments to high ethical business standards. The Company embeds these commitments and expectations through its policy, Partnering with our Supply Chain.

For further details on our how the Company partners with its supply chain for sustainability, see pages 19 to 20 of the Strategic Report.

Local Communities

During the year, the Company continued to create thriving communities and committed £188m to the local communities served for the development of new schools, local shops, community and health centres as well as green spaces as part of the planning process. The Company is creating more than 1,600 acres of green space and communal areas on its current developments and during the year it created 22km of new cycling routes in and beyond its developments.

The Group is committed to providing high quality affordable homes for local people and has designed, built and delivered over 940 new affordable homes across its developments in England and Wales in partnership with Registered Providers.

For further details on our how the Company creates strong, connected communities, see pages 16 to 17 of the Strategic Report.

Customers

The Company's purpose is to operate to create a better way for people to live and there is very much a customer focused culture across the Group.

During the year, based on a survey run by the Home Builders Federation, over 90% of customers polled said they would recommend a Redrow home to a friend, earning the Company a top five-star rating. The Company was also the first top ten housebuilder to join the Institute of Customers Services and was nominated for the Best Customer Satisfaction Strategy at the UK Customer Service Awards during the year.

Technology also plays a key part in the Company's innovative customer service offering. Having launched the Red Site Managers Inspection iPad app in 2019, site and customer service managers use this system to ensure that identifying and rectifying potential issues during the build is a smooth process leading to a high quality end product. Customers also have access to the My Redrow app, which is an online members-only area for customers to personalise their home with finishes and upgrades.

'Hard Hat tours' are also conducted with customers during the pre-plaster stage of construction to show the care and attention to details that goes into building their home, and allows them to feel connected to their home even before it is built.

Business Relationships

A summary of how the Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of this on the decisions taken by the Company, can be found within the Section 172(1) Statement on pages 32 to 37.

GOVERNANCE

Corporate Governance

The Board remains committed to high standards of corporate governance. Details relating to the Company's governance arrangements and compliance with the UK Corporate Governance Code are provided in the Corporate Governance Report on pages 49 to 100.

Code of Conduct

The Company has in place a Code of Conduct, which acts as a guide for employees to doing the right thing in business. It focuses on the values and behaviours deemed most important for the Group and seeks to guide employees in their good judgement to act in the Redrow way.

The Code of Conduct provides a number of decision-making tools to assist employees if faced with difficult decisions and sets out the Company's policy on a number of key matters deemed integral to doing the right thing in business, including:

- Whistleblowing;
- Health, safety and environment;
- Diversity and inclusion;
- Human rights;
- Supply chain and modern slavery;
- Integrity (comprising bribery, gifts and hospitality, tax evasion facilitation, conflicts of interest, share dealing and data and asset protection); and
- Charitable and political donations.

The Code of Conduct has been made available to all employees and is publicised on the Company's intranet, Engage.

Modern Slavery

There is a Group commitment to ensuring that there is no modern slavery or human trafficking in any part of our business or supply chains. The Group has a policy in place reflecting its commitment to acting ethically and with integrity in all business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in its supply chains.

GOVERNANCE REPORT

Directors' Report continued

There are a number of key initiatives in place to assist with the approach to ethical and responsible sourcing, including the following:

1. All suppliers and manufacturers must submit a detailed Supplier Appraisal Assessment for approval as part of the pre-tender qualification process. The appraisal forms also track the country of manufacture allowing the Company to identify materials supplied by manufacturers with a high-risk profile.
2. All supply partners must warrant that they shall comply, and will use their best endeavours to ensure that any subcontractor or party within their own supply chain shall at all times comply, with the Modern Slavery Act 2015.
3. The Company's Standard Purchase Order and Subcontractor Terms of Contract require trading partners to comply fully with the Modern Slavery Act 2015, with any breach resulting in the termination of all live contracts.

With temporary labour acknowledged as an area of high risk for modern slavery, Datum RPO were introduced at the start of July 2019 to manage all temporary labour requirement and processes. Alongside a number of system based checks for example right to work, health and safety conducted by Datum RPO, they also carry out physical checks and audits periodically to ensure temporary agency workers are legally complaint and there are no instances of modern slavery.

As a partner of the Supply Chain School, the Group's workforce and supply chain have access to thousands of online presentations, training modules, guidance documents and checklists and are regularly invited to attend workshops and briefings. One of the key areas covered by the school is modern slavery, with online presentations, checklists, guidance documents and training modules accessed from their website.

In its partnership with the Supply Chain School, the Company has recently worked in collaboration with the school and other partners on further developing guidance materials to identify what a good due diligence systems look like.

For further details on the steps taken by the Group to ensure that modern slavery is not taking place in our business or supply chains, please see our Slavery and Human Trafficking Statement for the 2020 financial year, which is available to view at redrowplc.co.uk.

Stakeholder Engagement

The Board regularly reviews the identity and key priorities of its stakeholders and the business strategy of the Group is shaped by the issues that matter to key stakeholders.

There is a section of the Company's website, at redrowplc.co.uk, which is dedicated to stakeholder engagement, and includes identification of who the key stakeholders are, what the Company understands to be their priorities and how the Company has responded to those priorities. The following groups have been identified as the current key stakeholders of the Group:

1. Customers;
2. Our people;
3. Government regulators;
4. Investors;
5. Landowners;
6. Local communities;
7. Non-Governmental Organisations and society;
8. Planning authorities; and
9. Supply chain.

The Section 172(1) Statement of the Group, explaining how the Directors have engaged with the stakeholders outlined in that section of the Companies Act 2006, can be found on pages 32 to 37 of the Strategic Report.

Anti-Bribery and Corruption

The Company has a zero tolerance approach to bribery or corruption of any form and there is a widely publicised formal policy in place dealing with this, which is available to all employees.

The Company has a principle-based system for bribery prevention, which comprises the following six principles:

1. maintenance of bribery risk assessments within our sector;
2. top level commitment of the unacceptability of bribery which is engrained in our culture;
3. proper due diligence with people we do business with and seeking reciprocal anti-bribery agreements;
4. clear policies and procedures applicable to all employees and business partners;
5. effective implementation by embedding anti-bribery within internal controls, recruitment, remuneration policies, operations, communications and training; and
6. monitoring and reviewing through auditing and financial controls which are sensitive to bribery.

Further details of the company's Anti-Bribery and Corruption policy, and work undertaken to prevent bribery taking place within the business, can be found in the Audit Committee Report on page 69.

PROVISION OF INFORMATION TO AUDITORS

Each Director in office at the date the Directors' report is approved, confirms that:

(a) so far as the Director is aware, there is no relevant audit information (as defined in section 418(3) of the Companies Act 2006) of which the Company's external auditors are unaware; and

(b) they have taken all of the steps that they ought to have taken as a Director in order to make themselves aware of any such relevant audit information and to establish that the Company's external auditors are aware of that information.

GOING CONCERN

In considering whether it is appropriate to prepare these financial statements on a going concern basis, the Directors have conducted a detailed going concern review, considering the Group's liquidity and banking covenant compliance.

Following the review, details of which can be found within the Basis of Preparation section of Accounting Policies on page 130, the Directors consider that the Group has adequate resources in place for the forecast period and have therefore adopted the going concern basis of accounting in preparing these financial statements.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

In addition to reporting and disclosing our environmental and sustainability performance throughout this report, this year we have also included specific climate-related disclosures following the TCFD's recommendations and structured this around its key four thematic areas.

Governance	Disclose the organisation's governance around climate-related risks and opportunities.
Describe the Board's oversight of climate-related risks and opportunities.	The Placemaking and Sustainability Committee develops and monitors the Company's approach to environmental, social and economic issues. The Committee also reviews and approves the setting of performance objectives and targets and monitors progress against these. The Committee reports to the Main Board which has ultimate responsibility for sustainability and climate-related matters. The Health, Safety and Environment Management Committee also develops and monitors the Company's approach to environmental sustainability matters and regularly reviews the objectives and effective operation of the ISO 14001 Environmental Management System (EMS). The composition of the Main Board can be seen on pages 50 to 51 and the members of the Placemaking and Sustainability Committee can be seen on page 75, with representatives from other disciplines within the business invited to attend the meetings as necessary.
Describe management's role in assessing and managing climate-related risks and opportunities.	The Group Development Director briefs the Placemaking and Sustainability Committee on sustainability and climate change matters, supported by the in-house sustainability team who provide expertise in developing the sustainability strategy, environmental and sustainability policies and identifying areas of improvement. The Group Development Director also chairs a monthly Sustainability meeting with Directors of departments across the business, including the Group Design and Technical Director, Group Commercial Director, Group Customer and Marketing Director, Group HR Director, Group Masterplanning Director, Group HS&E Director and Construction Director. These meetings ensure that climate and sustainability-related issues are understood across the functions of the business and responsibility for assessing and managing risks and opportunities is shared with the appropriate teams.

GOVERNANCE REPORT

Directors' Report continued

Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The business has identified the following climate-related risks and opportunities: **Risks** • Disruption to build programme and delivery chain from flooding and storm damage • Increased requirements for surface water management impacting on margins and insurance • Extreme weather events affecting productivity in offices and sites • Risk of overheating of homes and apartments due to increase in outside temperatures • Droughts exacerbating water scarcity • Failure to be proactive in identifying opportunities for energy efficient products and materials • Failure to ensure sustainable procurement routes • Risk that the supply chain fails to supply materials/technologies required to tackle climate change • Failure to reduce operational environmental impacts (e.g. Greenhouse Gas emissions) • Increased energy and fuel prices for Redrow's operations • Failure to implement current and emerging regulations adequately • Not meeting customer expectations in the use of environmentally friendly materials and products • Potential litigation from customers for failing to meet regulations and adequately plan for physical risks **Opportunities** • Increased awareness and demand from our customers for homes adaptable to climate change issues • Innovation and research opportunities for lower carbon design and the use of innovative products • Focus on identifying and implementing initiatives for climate change adaptation • Focus on our supply chain resilience, the use of materials with lower embodied carbon and materials that come from recycled and ethical sources • Use of renewable energy on our operations

Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	The business has identified the following climate-related risks and opportunities that can impact our strategy and financial planning: **Risks** • Direct regulations arising from UK Government and regional government setting out policies to minimise carbon dioxide emissions and achieve zero carbon homes • Climate change impacts such as increased temperatures, water shortages and flood risk may result in the need to redesign aspects of our product which may result in increased costs, sourcing and adoption of new technologies • An increase in extreme weather events may impact on supply chain continuity and construction activities, limiting production • Changing climate may reduce the availability of land on which the business can build and may cause disruption to construction programme • Building materials becoming unavailable or limited and hence more expensive which will impact our operations, build programme and financial planning • Insufficient development of innovative products and technologies can limit our plans to delivering homes with climate resilient measures taken into account during their design **Opportunities** • Increasing regulatory standards bring customer benefits and subsequent marketing benefits - energy efficiency of new homes is becoming more important to our customers as the cost of energy continues to rise • Focusing on the development of lower-emission homes and the provision of low-carbon lifestyles in the communities we build • Focusing on increasing green travel options in the developments we create, providing us with marketing benefits and higher customer satisfaction • Ability to respond to and pre-empt consumer demand in the area of low-carbon products and sustainable communities, placing us in a better competitive position and therefore increasing revenues • An increased focus on meeting business targets relating to carbon, energy, waste and water as part of our strategy to Building Responsibly means we are realising opportunities to contribute to environmental improvements as well as reducing our operating costs
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our business strategy and objectives have been developed by several key means: 1. Stakeholder engagement and materiality assessment - whereby key stakeholders were consulted on issues such as energy efficiency and low carbon (homes), flood risks, biodiversity, water efficiency. These issues were then prioritised according to their impact/potential impact. 2. Risk and opportunities processes - as outlined in section below The resulting strategy has three business principles, each of which encompasses issues relating to climate change: – Developing Thriving Communities (including objectives such as placemaking and biodiversity) – Building Responsibly (including objectives such as responsible sourcing of materials and carbon reduction) – Valuing People (including objectives and targets relating to climate-related and sustainability training) We currently evaluate the climate-related risks to Redrow through our existing risk evaluation and management systems. This includes an examination of impacts and likelihood of occurrence to give us opportunity to examine different scenarios, but is not formal scenario analysis. We are reviewing our approach to climate risk management, in particular in our examination of science based targets and expect to be using more formal scenario analysis for climate related risks in the next two years.

GOVERNANCE REPORT

Directors' Report continued

Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks.
Describe the organisation's processes for identifying and assessing climate-related risks.	A comprehensive risk register is maintained at Group level covering all aspects and disciplines within the business. Climate change risks are covered in a specific section which is read in context with other sections. For each risk there are Prevent Controls and Detect controls in place and each section is owned by a member of the Executive Management Team responsible for review and monitoring. Newly identified risks are added when encountered and a six monthly review is held. At a divisional level, issues with potential to impact the divisional operational performance, are reported monthly on a site-by site basis at the divisional board meeting. Sustainability and climate change risks are also identified and assessed within the Group's specific sustainability risk matrix, which is aligned with the main group risk register. This forms part of our Environmental Management System, which is externally certified to ISO14001:2015. Redrow's in-house Technical, Commercial and Sustainability teams continuously monitor developments in regulation and legislation and engage at high level within the industry to maintain currency and to provide input to policy direction. This information is fed back to the Main Board in monthly reports. Appropriate solutions to meet sustainability requirements are identified, evaluated and where appropriate, employed in future-proofing product specifications.
Describe the organisation's processes for managing climate-related risks.	The development and implementation of a robust sustainability strategy in the business ensures we recognise and address key climate-related risks and opportunities. Managing impacts from changing weather patterns is done in various ways, including: – Monitoring frequency, location and severity of extreme weather events, insurance market response and regulatory change in response to extreme weather events – We have appropriate insurance cover in place, especially for flood risk – We regularly review policies and procedures for considering flood risk when procuring land or planning a development – We obtain professional advice on risk reduction measures for our product design – We continually review materials suppliers to secure supply from alternative sources if necessary Appropriate action plans are fed into the business process, shaping and informing a number of Company policies which are published on our website and are available to staff and customers. Policy decisions are communicated back to divisional Managing Directors for immediate implementation. The impacts can be relevant in the short term, for instance in dealing with unique site specific requirements imposed through planning conditions and equally important for long term strategy development for future business.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	All risks and opportunities which are identified as being pertinent to the business, including climate change and sustainability issues are reported through the monthly cycle of management reporting to the Executive Management Team, quarterly to the Main Board and quarterly to the Placemaking and Sustainability Committee. Reports captured include those from divisional Board meetings and from specialist disciplines within the business located at the Head Office such as Sustainability, Commercial, Financial, Health and Safety, Human Resources, Sales & Marketing and Technical.

Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Throughout this report we disclose a range of metrics that relate key themes of our Sustainability Strategy: energy, carbon, waste, water and biodiversity. These include: • Scope 1 and 2 emissions • Total emissions per $100m^2$ build • Total energy consumed by source • Waste generated per $100m^2$ build • % of waste diverted from landfill • % of forest products used in our homes from verified and credibly certified sources • % of materials and subcontractor sourced locally • % of homes with domestic recycling facilities • Water usage per $100m^2$ build
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks.	Greenhouse Gas Emissions data for Scope 1 and 2 are detailed in page 104 of this report. This disclosure includes all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is reported in line with the Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We are committed to reducing our environmental impact and we aim to continually reduce the energy and water consumption, carbon emissions and waste generated from our operations and to become environmentally and net-positive. Our targets are shown below (set with 2017 as the baseline year): • Reduction of the carbon intensity of our construction operations and offices by 10% by 2022 • Reduction of the water intensity of our construction operations and offices by 5% by 2022 • 95% + of construction waste diverted from landfill • Reduction of our construction waste intensity by 10% by 2022 In addition, we are currently considering our methodology to calculate our Scope 3 emissions and our approach to Science Based Targets.

By order of the Board

GRAHAM COPE
Company Secretary
Redrow plc

Registered no: 2877315

15 September 2020

GOVERNANCE REPORT

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We, the Directors, confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, 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.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

John Tutte	Executive Chairman
Matthew Pratt	Group Chief Executive
Barbara Richmond	Group Finance Director
Nick Hewson	Senior Independent Director and Non-Executive Director
Sir Michael Lyons	Non-Executive Director
Vanda Murray	Non-Executive Director
Nicky Dulieu	Non-Executive Director

By order of the Board

GRAHAM COPE
Company Secretary

15 September 2020

Redrow plc
Redrow House
St. David's Park
Flintshire
CH5 3RX

Independent Auditors' Report

To the Members of Redrow plc

1. Our opinion is unmodified

We have audited the financial statements of Redrow plc ("the Company") for the period ended 28 June 2020 which comprise the Consolidated Income Statement, the Group and Company Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes, including the accounting policies on pages 130-135.

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 June 2020 and of the Group's profit for the period then ended;

– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

– the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the audit committee on 13 November 2019. The period of total uninterrupted engagement is for the one financial period ended 28 June 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: group financial statements as a whole	£15.4m 5% of normalised Group profit before tax
Coverage	100% of Group profit before tax
Key audit matters	
Audit risks	Cost of sales recognition and carrying amount of both land held for development and work in progress
	Valuation of defined benefit obligation
	Brexit
Event driven	Going concern

Independent Auditors' Report continued

To the Members of Redrow plc

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Cost of sales recognition and carrying amount of both land held for development and work in progress *Cost of sales (£1,097 million; 2019: £1,608 million), carrying amount of land held for development (£1,538 million; 2019: £1,547 million) and work in progress (£972 million; 2019: £790 million)* *Refer to page 65 (Audit Committee Report), page 133 (accounting policy) and pages 153 (financial disclosures).*	**Subjective estimates** The carrying value of land and work in progress is determined by reference to a number of estimates, which are subject to levels of estimation uncertainty including the likelihood of favourable planning applications, and forecasts of future build costs and sales prices. Changes in any of the key estimates could lead to a material change in the carrying value of land and work in progress. For certain sites, typically large, multi-phased sites or other sites where significant infrastructure costs are incurred towards the latter stages of site completion, cost of sales for completed sales includes estimates of these future costs. The level of estimation uncertainty can be material where the future infrastructure requirements are large and complex. The effect of these matters is that as part of our risk assessment we determined that the cost of sales of £1,097 million and the carrying amount of land held for development (£1,538 million) and work in progress (£972 million) have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** **Test of details:** For a sample of undeveloped land sites and capitalised pre development costs, we corroborated explanations received from management as to their planning status by assessing underlying planning and legal documents and compared the latest estimates of site profitability to budget; to determine if any provisions are required against the undeveloped land bank. **Test of details:** For a sample of sites which due to either their size and/or complexity we considered at higher risk of misstatement we: – compared the period end carrying value recorded to that determined by the Quantity Surveyor and performed a comparison to the actual costs incurred to verify that any abnormal costs or build variances incurred, including those related to COVID 19 disruption, have been appropriately identified and accounted for in the period. – For a sample of costs. we assessed the accuracy of the site build cost budgets, which are used by the company to both estimate the net realisable value of WIP and calculate and allocate cost of sale on sale of a unit, by comparing the inputs to the budgets to supporting documents such as invoices and quotations. **Sector expertise:** We used our own Quantity surveyor specialist to challenge areas of risk within the build cost forecasts, particularly in respect of incomplete site-wide infrastructure and development works, to assess whether the risk was appropriately reflected in both forecast costs and cost of sales for sold units. **Test of details:** We identified low and negative margin sites and assessed the completeness and accuracy of related net realisable value provisions recorded. **Historical comparisons:** For a sample of completed sites, we performed a retrospective review to compare the overall build cost budget (including central infrastructure and development costs) and sales forecasts to actual costs and selling prices achieved to determine the accuracy of site budgets and forecasts. **Test of details:** We recalculated the write down recorded on the London sites which the company now plans to exit by comparing forecast sales proceeds to carrying amount and used our valuation specialist to assess the determination of expected sales proceeds. **Assessing transparency:** Assessing the adequacy of the Group's disclosures about the degree of estimation involved in calculating cost of sales and carrying value of land and work in progress.

Independent Auditors' Report continued

To the Members of Redrow plc

	The risk	Our response
Going concern including the impact of Covid-19 *Refer to page 47 (Going Concern and Viability statement), page 65 (Audit Committee), page 111 (Directors' Report) page 130 (accounting policy) and page 153 (financial disclosures).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Coronavirus on the economy as a whole leading to a significant decrease in revenue and cash inflows. There are also less predictable but realistic second order impacts, such as the impact of Brexit on the supply of building materials, demand for housing and cost price inflation, which could result in a reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** – **Funding assessment:** We assessed whether the directors' view of the availability of borrowings and covenant terms is consistent with our understanding of the facility agreement and remains appropriate for the Group's requirements. – **Test of detail:** We evaluated the models the directors used in their assessment and whether the assumptions used are realistic, achievable and consistent with external information such as industry and economic forecasts. We also assessed assumptions against post period end actual performance, our understanding of the sector as well as any other matters identified in the audit. – **Historical comparisons:** We evaluated the reliability of the Group's cash flow forecasts and average selling prices by assessing previous forecasts made by the Group against actual performance. – **Sensitivity analysis:** We considered sensitivities over the level of available financial resources and headroom over debt covenants indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the rapidly changing and uncertain Coronavirus situation. – **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to the outcome of the procedures detailed above. **Our results:** – We found the going concern disclosure without any material uncertainty to be acceptable.

	The risk	Our response
Valuation of the defined benefit obligation *Group and Company: (£151 million; 2019: £130 million)* *Refer to page 65 (Audit Committee Report), page 134 (accounting policy) and page 144 (financial disclosures).*	**Subjective estimate** Small changes in the assumptions used to determine the liabilities of The Redrow Staff Pension scheme, in particular those relating to price inflation rate, the discount rate and post retirement mortality rates, can have a significant impact on the valuation of the liabilities. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that that valuation of defined benefit obligation of £151 million had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 7e) disclose the sensitivity estimated by the Group and Company.	**Our procedures included:** – **Benchmarking Assumptions:** We used our actuarial specialists to challenge the key assumptions applied in the calculation of the liability, includingthose relating to price inflation rate, the discount rate and post retirement mortality rates against externally derived market data;. – **Assessing actuaries' credentials:** We assessed the competence, independence, and integrity of Group's actuarial expert and third party expert fund managers. – **Assessing transparency:** We considered the adequacy of the Group's disclosures relating to thesensitivity of the obligation to the assumptions. **Our results:** Overall, the results of our testing were satisfactory and we consider the carrying amount of defined benefit obligation to be acceptable.

Independent Auditors' Report continued

To the Members of Redrow plc

3. Our application of materiality and an overview of the scope of our audit

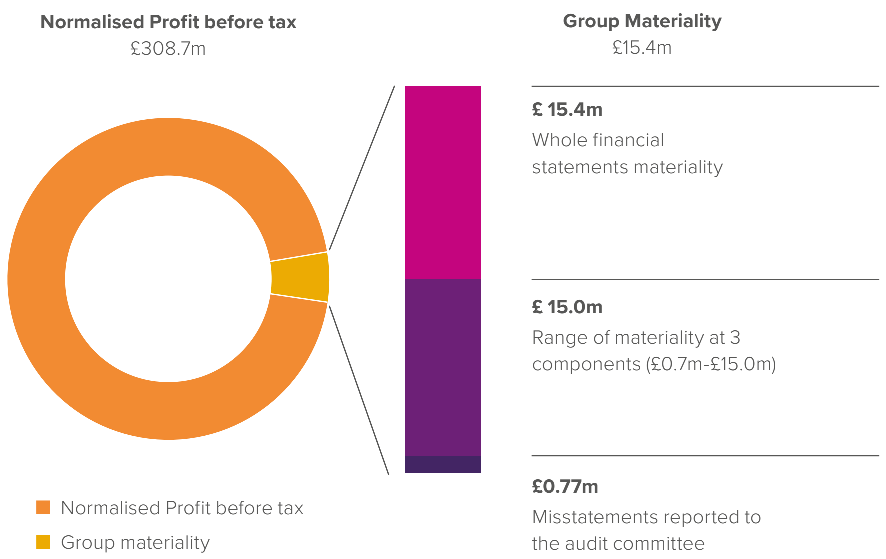
Materiality for the Group financial statements as a whole was set at £15.4 million determined with reference to a benchmark of profit before tax, normalised by averaging over the last three years due to impact of COVID-19 on the financial performance in the period to 28 June 2020, of which it represents 5%. The averaging of the benchmark as a result of the impact of COVID-19 reflected a revision to our initial materiality set for planning purposes, which was based on current year forecast profit before tax.

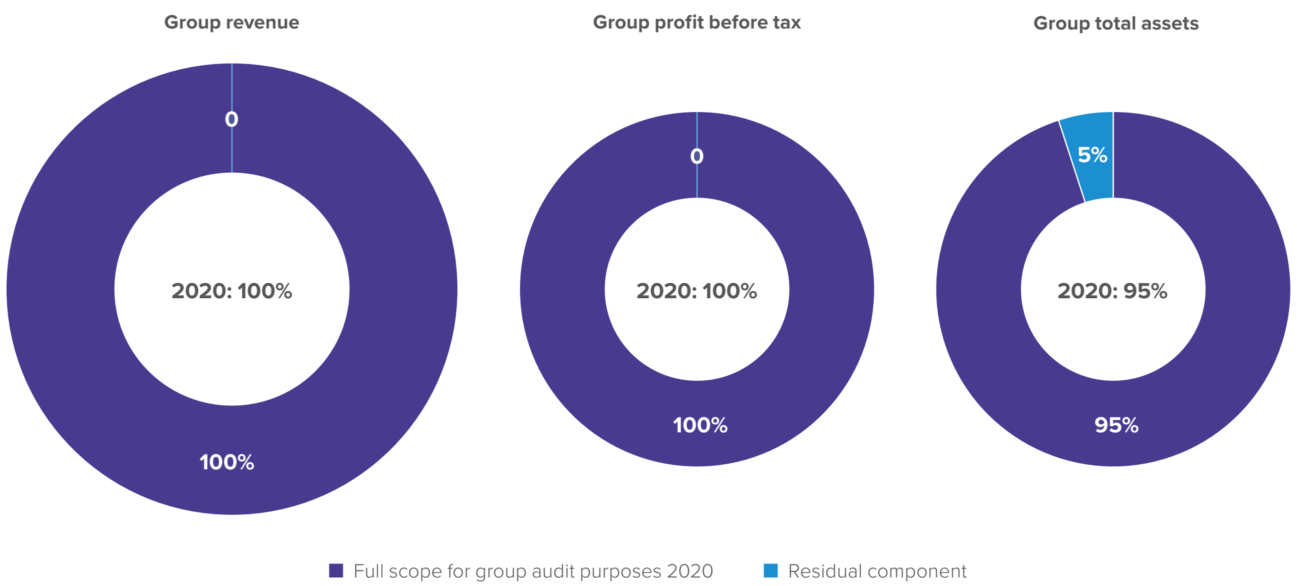
Materiality for the parent company financial statements as a whole was set at £15.3 million, determined with reference to a benchmark of net assets, of which it represents 1.6%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.77 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 55 reporting components, we subjected 3 to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated below.





4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement on page 130 of the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 47 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management report describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered 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.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Independent Auditors' Report continued

To the Members of Redrow plc

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that 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; or

- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 116, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and other relevant construction legislation as well as consumer rights legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items.The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

16 September 2020

FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	52 weeks ended 28 June 2020 £m	52 weeks ended 30 June 2019 £m
Revenue	2	**1,339**	2,112
Cost of sales		**(1,097)**	(1,608)
Gross profit		**242**	504
Administrative expenses		**(94)**	(93)
Operating profit	2	**148**	411
Financial income	3	**2**	3
Financial costs	3	**(10)**	(8)
Net financing costs		**(8)**	(5)
Share of profit of joint ventures after interest and taxation	11	**–**	–
Profit before tax		**140**	406
Income tax expense	4	**(27)**	(77)
Profit for the year		**113**	329
Earnings per share – basic	6	**32.9p**	92.3p
– diluted	6	**32.8p**	92.0p

FINANCIAL STATEMENTS

Statement of Comprehensive Income

		Group		Company	
	Note	52 weeks ended 28 June 2020 £m	52 weeks ended 30 June 2019 £m	52 weeks ended 28 June 2020 £m	52 weeks ended 30 June 2019 £m
Profit for the year		**113**	329	**2**	486
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss					
Remeasurements of post employment benefit obligations	7e	**1**	(7)	**1**	(7)
Deferred tax on actuarial losses/(gains) taken directly to equity		**–**	1	**–**	1
Other comprehensive income/(expense) for the year net of tax		**1**	(6)	**1**	(6)
Total comprehensive income for the year	19	**114**	323	**3**	480

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

Balance Sheets

		Group		Company	
	Note	As at 28 June 2020 £m	As at 30 June 2019 £m	As at 28 June 2020 £m	As at 30 June 2019 £m
Assets					
Intangible assets	8	**2**	2	**–**	–
Property, plant and equipment	9	**19**	16	**–**	–
Lease right of use assets	10	**7**	–	**–**	–
Investments	11	**9**	6	**–**	–
Deferred tax assets	12	**1**	4	**–**	–
Retirement benefit surplus	7e	**22**	18	**22**	18
Trade and other receivables	13	**–**	9	**774**	–
Total non-current assets		**60**	55	**796**	18
Inventories	14	**2,585**	2,404	**–**	–
Trade and other receivables	13	**38**	48	**300**	890
Current corporation tax		**7**	–	**1**	1
Cash and cash equivalents	15f	**44**	204	**41**	212
Total current assets		**2,674**	2,656	**342**	1,103
Total assets		**2,734**	2,711	**1,138**	1,121
Equity					
Retained earnings at 1 July 2019/2 July 2018		**1,481**	1,379	**908**	646
Profit for the year		**113**	329	**2**	486
Other comprehensive income/(expense) for the year		**1**	(6)	**1**	(6)
Dividend paid	5	**(72)**	(218)	**(72)**	(218)
Movement in LTIP/SAYE		**(1)**	(3)	**–**	–
Retained earnings at 28 June 2020/30 June 2019	19	**1,522**	1,481	**839**	908
Share capital	18	**37**	37	**37**	37
Share premium account	19	**59**	59	**59**	59
Other reserves	19	**8**	8	**7**	7
Total equity		**1,626**	1,585	**942**	1,011
Liabilities					
Bank loans	15	**170**	80	**170**	80
Trade and other payables	16	**120**	167	**–**	–
Deferred tax liabilities	12	**5**	4	**–**	–
Long-term provisions	17	**8**	8	**–**	–
Total non-current liabilities		**303**	259	**170**	80
Trade and other payables	16	**805**	833	**26**	30
Current income tax liabilities		**–**	34	**–**	–
Total current liabilities		**805**	867	**26**	30
Total liabilities		**1,108**	1,126	**196**	110
Total equity and liabilities		**2,734**	2,711	**1,138**	1,121

The financial statements on pages 126 to 161 were approved by the Board of Directors on 15 September 2020 and were signed on its behalf by:

JOHN TUTTE
Director

BARBARA RICHMOND
Director

Redrow plc Registered Number 2877315

FINANCIAL STATEMENTS

Statement of Changes in Equity

	Note	Group 52 weeks ended 28 June 2020 £m	Group 52 weeks ended 30 June 2019 £m	Company 52 weeks ended 28 June 2020 £m	Company 52 weeks ended 30 June 2019 £m
Profit for the year		**113**	329	**2**	486
Other comprehensive income/(expense) for the year		**1**	(6)	**1**	(6)
Total comprehensive income relating to the year (net)		**114**	323	**3**	480
Dividend paid	5, 19	**(72)**	(218)	**(72)**	(218)
Movement in LTIP/SAYE	19	**(1)**	(3)	**–**	–
Net increase/(decrease) in equity		**41**	102	**(69)**	262
Opening equity		**1,585**	1,483	**1,011**	749
Closing equity		**1,626**	1,585	**942**	1,011

The above items are presented net of tax where appropriate. See note 4 and note 12 for information on income tax and deferred tax expense.

As permitted by Section 408 of the Companies Act 2006, the Income Statement of Redrow plc is not presented as a part of these financial statements.

The consolidated profit on ordinary activities after taxation for the financial year, excluding intra-Group dividends, is made up as follows:

	2020 £m	2019 £m
Holding company	**2**	(14)
Subsidiary companies	**111**	343
	113	329

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

Statement of Cash Flows

	Note	Group 52 weeks ended 28 June 2020 £m	Group 52 weeks ended 30 June 2019 £m	Company 52 weeks ended 28 June 2020 £m	Company 52 weeks ended 30 June 2019 £m
Cash flows from operating activities					
Profit for the year		**113**	329	**2**	486
Depreciation and amortisation		**7**	3	**–**	–
Financial income		**(2)**	(3)	**(4)**	(1)
Financial costs		**10**	8	**3**	13
Income tax expense		**27**	77	**–**	(4)
Dividends from subsidiaries		**–**	–	**–**	(500)
Adjustment for non-cash items		**1**	(7)	**(3)**	(2)
Decrease/(increase) in trade and other receivables		**20**	(6)	**(184)**	285
Increase in inventories		**(181)**	(113)	**–**	–
(Decrease)/increase in trade and other payables		**(75)**	84	**(4)**	–
(Decrease) in provisions		**–**	(1)	**–**	–
Cash (outflow)/inflow generated from operations		**(80)**	371	**(190)**	277
Interest paid		**(5)**	(2)	**(3)**	(12)
Tax paid		**(64)**	(77)	**–**	–
Net cash (outflow)/inflow from operating activities		**(149)**	292	**(193)**	265
Cash flows from investing activities					
Acquisition of software, property, plant and equipment		**(7)**	(4)	**–**	–
Interest received		**–**	1	**4**	1
Payments to joint ventures		**(3)**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(10)**	(3)	**4**	1
Cash flows from financing activities					
Issue of bank borrowings		**170**	80	**170**	80
Repayment of bank borrowings		**(80)**	(5)	**(80)**	(5)
Payment of lease liabilities		**(3)**	–	**–**	–
Purchase of own shares		**(16)**	(10)	**–**	–
Dividend paid	5	**(72)**	(218)	**(72)**	(218)
Net cash (outflow)/inflow from financing activities		**(1)**	(153)	**18**	(143)
(Decrease)/increase in net cash and cash equivalents		**(160)**	136	**(171)**	123
Net cash and cash equivalents at the beginning of the year		**204**	68	**212**	89
Net cash and cash equivalents at the end of the year	20	**44**	204	**41**	212

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

Accounting Policies

BASIS OF PREPARATION

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective at 30 June 2019, and in accordance with IFRS Interpretations Committee interpretations and the Companies Act 2006 as it applies to companies reporting under IFRS and Article 4 of the IAS Regulation and in accordance with the historical cost convention as modified by the revaluation of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Whilst these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates (refer to note 1).

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons outlined below.

As a precaution against an extended lockdown, the Group increased its available banking facilities by £100m in April 2020. As a result, the Group has a £350m Revolving Credit Facility (RCF) (2019: £250m) provided by an established syndicate of six banks being Barclays Bank PLC, Lloyds Bank Plc, The Royal Bank of Scotland Plc, Santander UK PLC, HSBC UK Bank PLC and Svenska Handelsbanken AB (PUBL). This expires in December 2022 and is a committed unsecured facility. No change to the RCF covenants was made as a result of the increase to £350m. As at 15 September 2020, £260m of this facility was undrawn. It is likely that the RCF will be renewed prior to its expiry in December 2022.

In addition the Group has a further £13m of committed, unsecured facilities also expiring in December 2022 and £3m of unsecured, uncommitted facilities.

The Group also gained eligibility as an issuer for the Government's COVID Corporate Funding Facility (CCFF) with an issuer limit of £300m. Given the timely return to work and the effectiveness of measures to protect its cash flow, the Group has not used the CCFF and our forecasts do not assume the utilisation of this facility.

In the interests of cash conservation the Board took the decision not to pay the interim dividend due to be paid in April 2020 and no final dividend for financial year 2020 will be paid.

The Directors have prepared forecasts including cashflow forecasts for a period of 26 months from the date of approval of these financial statements to 30 December 2022. These forecasts indicate that the Group will have sufficient funds to meet its liabilities as they fall due, taking into account the following severe but plausible downside assumptions:

- A 20% price reduction on all unexchanged private legal completions for FY21 and a 10% price reduction on all unexchanged social legal completions for FY21;
- A 10% price reduction on all unexchanged private legal completions for FY22 and a 5% price reduction on all unexchanged social legal completions for FY22;
- FY23 legal completions at May 2020 budgeted prices; and
- A reduction in sales rate to 0.4 per budgeted active outlet per week from July 2020 to Sept 2021, representing a 43% reduction from average rates over the last three years.

These downside assumptions reflect the further potential impact of COVID 19 being increased economic uncertainty, further Government lockdown restrictions and increasing rates of unemployment and consumer confidence levels.

Allowing for the above downside scenario, the model shows the Group has adequate levels of liquidity from its committed facilities and complies with all its banking covenants throughout the forecast period. The Directors therefore consider that the Group has adequate resources in place for the forecast period and have therefore adopted the going concern basis of accounting in preparing these financial statements.

Redrow plc is a public listed company, listed on the London Stock Exchange and domiciled in the UK.

The principal accounting policies have been applied consistently other than for the effect of applying new standards and apart from a change in accounting policy in respect of Inventories. Inventories were previously stated net of cash on account (payments on account from social and private rented sector customers). These payments are now disclosed in Trade and Other payables and the 2019 comparatives have been restated.

The principal accounting policies are outlined below:

IMPACT OF NEW STANDARDS AND INTERPRETATIONS

a) New and amended standards adopted by the Group. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2019:

IFRS 16 'LEASES'

- IFRS 16 ' Leases' became effective for accounting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease 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 has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The right of use asset at the date of transition was equal to the lease liability of £8m.

b) The following standards have been issued but have not been applied by the Group in these financial statements. These amendments to standards and interpretations had no significant impact on the financial statements:

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 4 'Insurance Contracts'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'

c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2019 and have not been early adopted:

- Amendments to IFRS 3 'Definition of a Business'
- Amendments to IAS 1 and IAS 8 'Definition of Material'
- IFRS 17 'Insurance Contracts'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'
- Amendments to IFRS 9, IAS 39 and IFRS 17 'Interest Rate Benchmark Reform'
- Various standards Amendments to References to the Conceptual Framework in IFRS Standards

The amendments to standards and interpretations noted above are expected to have no significant impact on the financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Redrow plc and all its subsidiaries, together with the Group's share of the results and share of net assets of jointly controlled entities i.e. the financial statements of Redrow plc and entities controlled by Redrow plc (and its subsidiaries). Control is achieved where Redrow plc has the power to govern the financial and operating policies of an entity. Redrow plc's accounting reference date is 30 June. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is 28 June 2020 (2019: 30 June 2019).

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Redrow plc's Company income statement. The profit for the financial year is dealt with in the statement of changes in equity.

a. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets represents goodwill. Goodwill is subject to an annual impairment review, with any reduction in value being taken straight to the income statement. Adjustments are made as necessary to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

All inter-company transactions and balances between Group companies are eliminated on consolidation.

b. Interests in joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Redrow plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

FINANCIAL STATEMENTS

Accounting Policies continued

REVENUE AND PROFIT RECOGNITION

Revenue represents the fair value received and receivable in respect of the sale of residential housing and land and of commercial land and developments net of value added tax and cash and non-cash incentives. This is recognised on the transfer of control to the customer on legal completion.

In respect of social housing, the Group enters into contracts for the sale of social housing either at an agreed price or at a discount to open market value. Payment for these properties is made by the purchaser, either on legal completion of the unit or, in certain circumstances on a staged basis. Revenues in all cases are recognised on the transfer of control to the customer on legal completion of the built segment of homes.

Certain sales of social housing units comprise two separate contracts, one for the sale of land (once foundations are in place, otherwise known as 'Golden brick') and the other on completion of the buildings. There is a judgement as to whether a) the sale of land is a separate performance obligation for the purposes of revenue recognition and b) whether revenue should be recognised over time or on a point in time basis. The Group has determined that the land and building contracts comprise one performance obligation which is recognised at a point in time, being completion of the social housing units. In making this judgement the Directors note that this is a prudent basis of revenue recognition but mindful of evolving practice in the sector will keep this policy under review. If the land was identified as a separate performance obligation, the construction of the building on that land would meet the criteria for revenue recognition over time, accelerating revenue and related margin.

The impact of treating the land and buildings as separate performance obligations and/or recognising revenue on an over time basis would not be material in either the current or prior year.

Profit is recognised on legal completion.

PART EXCHANGE PROPERTIES

Part exchange is consistently a de minimis proportion of our business. It is incidental to our main operation and hence this is shown on a net expense basis within cost of sales.

SEGMENTAL REPORTING

The main operation of the Group is focused on housebuilding.

The Executive Management Team (who are the Chief Operating Decision Maker as defined in IFRS 8 'Operating Segments') regularly reviews the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the Executive Management Team evaluates performance and allocates resources at this level.

All the divisions have been aggregated into one reporting segment on the basis that they all operate entirely within the United Kingdom and share similar economic characteristics including:

- sales demand subject to the same macro economic factors eg. mortgage availability and Government policy;
- debt is raised centrally and the cost of capital is the same at each division; and
- national supply agreements for key inputs such as materials are negotiated centrally and in place across the Group

Within the Operating Review, the Group has provided information on land holdings (page 14) and homes revenue proportions (page 19) by geographical area being North, Central, South and Greater London. The Executive Management Team do not consider these to be separate reportable segments because, as stated above, they review the whole operations at a consolidated and divisional level when assessing performance and allocating resources.

EXCEPTIONAL ITEMS

Exceptional items are those which in the opinion of the Board, are material by size or nature, non-recurring and of such significance that they require separate disclosure.

NET FINANCING COSTS

Interest income is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Interest costs are recognised in the income statement on an accruals basis in the period in which they are incurred.

INCOME AND DEFERRED TAX

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profits for the year and any appropriate adjustment to tax payable in respect of prior years. Taxable profit differs from profit before tax as shown in the income statement as it excludes income or expenditure items which are never chargeable or allowable for tax or which are chargeable or deductible in other accounting periods.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit.

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. Deferred tax liabilities are recognised for all temporary differences. Deferred tax is calculated at the rates enacted at the balance sheet date.

Deferred tax is credited or charged in the income statement, consolidated statement of comprehensive income, or retained earnings as appropriate.

INTANGIBLE ASSETS – COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of costs incurred to bring to use the specific software and are amortised over their estimated useful lives of three years, charged to administrative expenses. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

PROPERTY, PLANT AND EQUIPMENT

Freehold property comprises offices or other buildings held for administrative purposes. Freehold property is shown at cost less the subsequent depreciation of buildings.

All other property, plant and equipment is stated at historic cost less depreciation. Historic cost includes any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to write off the cost of assets to their residual values over their estimated useful lives, on a straight line basis as follows:

Buildings within freehold property	50 years
Plant and machinery	5–10 years
Fixtures and fittings	3–5 years

The assets' useful lives are reviewed and adjusted if appropriate at each balance sheet date.

These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

The gain or loss arising on the disposal of an asset represents the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

INVESTMENT IN SUBSIDIARY COMPANIES

In the parent company books, the investment in its subsidiaries is held at cost less any impairment.

LEASES

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's weighted average 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. The lease liability is measured 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.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets separately as 'Lease right of use assets' and lease liabilities as 'Trade and other payables' in the statement of financial position.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost comprises land and associated acquisition costs, direct materials and subcontract work, other direct costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. These include infrastructure and development costs such as roads and sewers, including contributions to other community benefits such as schools, medical centres and community centres. Inventories (excluding land) are at standard cost. Abnormal costs are expensed to cost of sales as incurred.

Land includes refundable land contract exchange deposits.

Total land costs are allocated to the private housing on a development as, in the case of amenity land and social housing land, neither has sufficient contribution from sales of the precise area of the land to cover the land costs and are a planning requirement of the development.

Provisions are established to write down land where the estimated net sales proceeds less costs to complete exceed the current carrying value. Adjustments to the provisions will be required where selling prices or costs to complete change.

FINANCIAL STATEMENTS

Accounting Policies continued

Net realisable value for land was assessed by estimating selling prices and cost (including sales and marketing expenses), taking into account current market conditions.

This net realisable value provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. Any material change to the underlying provision will be reflected through cost of sales.

FORWARD LAND

The Group enters into a number of arrangements for the purchase of land. Where such arrangements are conditional on a future event the Group recognises option fees and other initial costs as they fall due, which are included initially in inventory and subject to regular impairment analysis, but does not recognise the full cost of the land until the option to purchase the land has been executed. Where the Group enters into an unconditional contract on deferred payment terms the land purchased is recognised at contract inception together with a related liability, discounted at an appropriate rate. The related land creditors are shown as due within or after one year in line with the contractual payment terms, as the Directors believe this information is important in assessing the Group's liquidity and timing of future cash flows and debt profile. In line with industry practice in the cash flow statement the settlement of land creditors is shown as an operating cash flow as the Directors believe the financing of land purchases is integral to the Group's management of working capital.

EMPLOYEE BENEFITS

a. Pension obligation

The Group operates two pension schemes for its staff. The Redrow Staff Pension Scheme (the 'Scheme') closed to the accrual of new benefits with effect from 1 March 2012, with new benefits now being provided via the Redrow Group Personal Pension Plan (the 'GPP'). The Scheme is externally invested and comprises two sections: a defined benefit section and a defined contribution section. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement. It is funded through payments to trustee administered funds, determined by actuarial valuations carried out on at least a triennial basis. A defined contribution plan is a pension plan under which the Group pays agreed contributions into a separate fund for each employee and any subsequent pension payable to a specific employee is determined by the amount accumulated in their individual fund. The GPP is also a type of defined contribution plan.

The asset/(liability) recognised in the balance sheet in respect of the defined benefit section of the scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is determined using the projected unit credit method on an annual basis by an independent scheme actuary.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity as they arise in full via the statement of comprehensive income.

Scheme service costs are charged to cost of sales and administrative expenses as appropriate and scheme finance costs are included in net financing costs. Past service costs are recognised immediately in income.

In respect of the defined contribution section of the Scheme and the GPP, contributions are recognised as an employee benefit expense when they are due. The Group has no further payment obligations in respect of the above once the contributions have been paid.

b. Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged.

c. Share-based payments

Equity settled share-based payments are measured at fair value on the date of grant and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, having reassessed any appropriate service and non-marked performance conditions.

FINANCIAL INSTRUMENTS

a. Land creditors

Deferred payments arising from land creditors are held at discounted present value using the effective interest method, in accordance with IFRS 9. The difference between the fair value and the nominal value is amortised over the deferment period via financing costs.

The interest rate applied is an equivalent loan rate available on the date of the land purchase.

Deferred payments arising from land creditors are considered as financing rather than operational in nature. However, in line with industry practice, the Group treats cash paid in respect of land, including land creditors, as operating rather than financing cashflows.

b. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recorded at fair value and the fair value is remeasured to fair value at each reporting date.

The Group's use of financial derivatives is governed by an interest rate risk management framework adopted by the Board which sets parameters to ensure an appropriate level of hedging is maintained to manage interest rate risk in respect of borrowings.

The policy prohibits any trading in derivative financial instruments or their use for speculative purposes.

The effective portion of changes in the fair value of derivative financial instruments which are designated and which qualify as cash flow hedges are recognised directly in equity in a hedge reserve. The gains or losses relating to the ineffective portion are recognised in the income statement immediately they arise.

c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, where considered to be receivable within the Group's normal operating cycle of c4 years after the balance sheet date; otherwise they are classified as non-current assets. Loans and receivables include 'trade receivables' and 'other receivables' in the balance sheet.

Trade receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via financing income.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand, forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

e. Borrowings and trade payables

Interest bearing borrowings and trade payables are recorded when the proceeds are received, net of transaction costs incurred and subsequently at amortised cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings.

f. Deposits and payments on account

New property deposits from private customers are held within Trade and Other payables until the legal completion of the related property when revenue is recognised or the rescission of the sale contract.

Payments on account from social and private rented sector (PRS) customers are held within Trade and Other payables until legal completion of the related properties when revenue is recognised.

Deposits received in advance are typically held for a period of up to 18 months before the associated performance obligations are satisfied and the revenue is recognised.

ONEROUS CONTRACTS

Onerous contracts are contracts in which the unavoidable costs in meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provision is made to reflect management's best current estimate of the least net cost of either fulfilling or exiting the contract.

SHARE CAPITAL

Ordinary shares are classed as equity.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements at the point at which there is a legal obligation to make a distribution to shareholders.

FINANCIAL STATEMENTS

Notes to the Financial Statements

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have not made any individual critical accounting judgements that are material to the Group other than the disclosure judgement outlined below.

As noted in the accounting policy, in line with industry practice, the Group treats cash paid in respect of land, including the settlement of land creditors, as operating rather than financing cashflows. This is a judgement as, whilst the repayment profile of land creditors is important in assessing the Group's liquidity and timing of future cash outflows, the Directors believe that settlement of the land creditors is an operating cashflow on the basis that land purchases are integral to the Group's working capital management.

Management considers the key sources of estimation uncertainty relate to:

Carrying value of inventories and cost of sales recognition

The Group carries inventories at the lower of cost and net realisable value less cash on account.

Due to the nature of development timescales, it is routinely necessary to estimate costs to complete and future revenues and to allocate non-unit specific development costs between units legally completing in the current financial year and thereby impacting current year cost of sales and in future periods. A full review of the net realisable value of inventories was undertaken by the Group as at 28 June 2020 and this requires Management to use its judgement and experience in assessing any impairment provisions that may be required.

If there are significant movements in UK house prices or development costs compared to Managements' expectations then further impairments or reversal of impairments already made may be needed.

Pensions

The Group has utilised assumptions including a rate of return on assets, mortality assumptions and a discount rate having been advised by its actuary. To the extent that such assumed rates are different from what actually transpires, the retirement benefit obligations of the Group would change. A sensitivity analysis in included on page 147.

The primary risks the Group is exposed to by the defined benefit pension scheme are the movement in corporate bond yields, the market's long-term expectations for inflation and movement in mortality rates. The scheme closed to future accrual with effect from 1 March 2012. See Note 7e.

2. REVENUE AND OPERATING PROFIT

a. Revenue

An analysis of the Group's revenue is as follows:

	2020 £m	2019 £m
Revenue from the sale of new housing	**1,332**	2,091
Revenue from the sale of land	**7**	21
	1,339	2,112

b. Operating profit

	Note	2020 £m	2019 £m
Operating profit is stated after charging:			
Inventories expensed in the year	14	**1,027**	1,526
Amortisation	8	**–**	–
Depreciation – Property, plant and equipment	9	**4**	3
Depreciation – Lease right of use assets		**3**	–
Research and development expenditure		**–**	1
Auditors' remuneration – fees payable to the Company's Auditors for audit services (i)		**–**	–
– fees payable to the Company's Auditors for other services (ii)		**–**	–

Fees payable to the Company's Auditors comprise:

(i) fees payable for the audit of parent company and consolidated financial statements £50,000 (2019: £30,000) and fees payable for the audit of the Company's subsidiaries pursuant to legislation £150,000 (2019: £147,750).

(ii) Auditors' remuneration for other services comprised £36,895 (2019: £20,000) in respect of an independent review of the half-yearly financial statements (Audit related assurance services), £nil (2019: £9,100) in respect of iXBRL tagging (Taxation compliance services) and £nil (2019: £1,130) in respect of 'PwC Inform', an on-line technical accounting guide (other services).

Amounts receivable by the Group's auditor in respect of pension services performed for the pension trustees is £40k (2019: £24k).

The 2020 ratio of non-audit fees to audit fees is 1:5.42 (2019: 1:5.88).

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FINANCIAL STATEMENTS

Notes to the Financial Statements continued

3. NET FINANCING COSTS

	2020 £m	2019 £m
Interest payable on bank loans	(5)	(2)
Imputed interest on deferred land creditors	(5)	(6)
Financial costs	(10)	(8)
Other interest receivable	2	3
Financial income	2	3
Net financing costs	(8)	(5)

4. INCOME TAX EXPENSE

	2020 £m	2019 £m
Current tax charge		
UK Corporation Tax in respect of current year	27	77
Adjustment in respect of prior years	(4)	–
Current tax charge	23	77
Deferred tax		
Origination and reversal of temporary differences	1	–
Adjustment in respect of prior years	3	–
Deferred tax charge	4	–
Total income tax charge income statement	27	77
Reconciliation of tax charge for the year		
Profit before tax	140	406
Tax calculated at UK Corporation Tax rate at 19.0% (2019: 19.0%)	27	77
Tax charge for the year	27	77
Deferred tax recognised directly in equity		
Relating to pension scheme	–	(1)
	–	(1)

Current income tax charge in the Company is £1m (2019: credit of £3m).

Information on the impact of future tax rate changes is included in note 12.

5. DIVIDENDS

The following dividends were paid by the Group:

	2020 £m	2019 £m
Prior year final dividend per share of 20.5p (2019: 19.0p); Current year interim dividend per share of nil pence (2019: 10.0p)	72	107
B share dividend nil pence (2019: 30.15p)	–	111
	72	218

6. EARNINGS PER ORDINARY SHARE

The basic earnings per share calculation for the 52 weeks ended 28 June 2020 is based on the weighted average number of shares in issue during the period of 343m (2019: 356m) excluding those held in trust under the Redrow Long Term Incentive Plan (9m shares (2019: 9m shares)), which are treated as cancelled.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares in issue for all potentially dilutive shares held under unexercised options.

For the 52 weeks ended 28 June 2020

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	113	343	32.9
Effect of share options and SAYE	–	2	(0.1)
Diluted earnings per share	113	345	32.8

For the 52 weeks ended 30 June 2019

	Earnings £m	Number of shares millions	Per share pence
Basic earnings per share	329	356	92.3
Effect of share options and SAYE	–	2	(0.3)
Diluted earnings per share	329	358	92.0

7. EMPLOYEES

a. Cost (including Directors)

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Wages and salaries	104	109	3	3
Social security costs	15	15	1	1
Other pension costs	10	10	–	–
Share-based payments	5	7	–	1
	134	141	4	5

b. Number

The monthly average number of persons employed by the Group was:

	Group		Company	
	2020 Number	2019 Number	2020 Number	2019 Number
Directors and administrative staff	946	896	8	8
Other personnel	1,418	1,408	–	–
	2,364	2,304	8	8

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

7. EMPLOYEES CONTINUED

c. Key management remuneration

Key management personnel, as defined under IAS 24 'Related party disclosures', are identified as the Executive Management Team and the Non-Executive Directors.

Summary key management remuneration is as follows:

	2020 £m	2019 £m
Salaries and short-term employee benefits	**4**	5
Share-based payments	**1**	2
	5	7

Detailed disclosure of Directors' emoluments and interests in shares are included in the Directors' Remuneration Report on pages 78 to 100, which form part of these financial statements.

d. Share-based payments

Save As You Earn Share Option scheme (SAYE)

The Redrow plc SAYE scheme is open to all employees and share options can be exercised either three or five years after the date of grant, depending on the length of the savings contract. The SAYE schemes are not subject to performance conditions.

The SAYE schemes have been valued using the Black-Scholes pricing model.

	2020	2019
Options granted during the year	**791,921**	712,217
Date of grant	**1 January 2020**	1 January 2019
Fair value at measurement date	**£2.17**	£2.03
Share price	**£6.18**	£5.78
Exercise price	**£4.94**	£4.62
Option life (contract length)	**3/5 years**	3/5 years
Expected dividend yield	**3.38%**	3.38%
Risk free interest rate	**1.5%**	1.5%

The expected volatility on SAYE schemes is based on the historic volatility of the Group's share price over periods equal to the length of the savings contract.

Long Term Incentive scheme (LTIP)

Except in specified circumstances, options granted under the scheme are exercisable between three and ten years after the date of grant.

Options granted under the LTIP on 11 September 2019 were granted to a limited number of Senior Executives. The scheme is discussed in greater detail within the Directors' Remuneration Report.

7. EMPLOYEES CONTINUED

d. Share-based payments continued

The LTIP has been valued using the Black-Scholes pricing model.

	2020	2019
Options granted during the year	**456,376**	335,604
Date of grant	**11 September 2019**	10 September 2018
Fair value at the measurement date	**£5.945**	£5.97
Share price	**£5.945**	£5.97
Exercise price	**£0.00**	£0.00
Expected volatility	**N/A†**	N/A†
Option life	**3 years**	3 years
Expected dividend yield	**N/A**	3.38%
Risk free interest rate	**N/A†**	N/A†

† For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

The fair value at the measurement date of the LTIP granted on 11 September 2019 comprises £5.945 in respect of non-market based performance conditions.

The fair value at the measurement date of the LTIP granted on 10 September 2018 comprises £5.97 in respect of non-market based performance conditions.

Deferred Bonus Incentive (DBI)

Grants under the DBI were limited to Senior Management. Except in specified circumstances options granted under the scheme are exercisable between one and ten years after the date of grant for Tranche 1 and between two and ten years after the date of grant for Tranche 2 and are not subject to performance conditions.

The DBI has been valued using the Black-Scholes pricing model.

	2020 Tranche 1	2020 Tranche 2	2019 Tranche 1	2019 Tranche 2
Options granted during the year	**488,481**	**488,611**	575,210	575,349
Date of grant	**11 September 2019**	**11 September 2019**	10 September 2018	10 September 2018
Fair value at the measurement date	**£5.945**	**£5.945**	£5.97	£5.97
Share price	**£5.945**	**£5.945**	£5.97	£5.97
Exercise price	**£0.00**	**£0.00**	£0.00	£0.00
Expected volatility	**N/A†**	**N/A†**	N/A†	N/A†
Option life	**1 year**	**2 years**	1 year	2 years
Expected dividend yield	**N/A**	**N/A**	N/A	N/A
Risk free interest rate	**N/A†**	**N/A†**	N/A†	N/A†

† For nil-cost awards not subject to a market based condition, volatility and risk free rate are not applicable.

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

7. EMPLOYEES CONTINUED

d. Share-based payments continued

Share options outstanding

The following share options were outstanding at 28 June 2020:

Type of scheme	Date of grant	Number of options 2020	Number of options 2019	Exercise price
Long Term Share Incentive 2016	12 September 2016	**–**	308,714	–
Long Term Share Incentive 2017	15 November 2017	**278,973**	321,012	–
Long Term Share Incentive 2018	10 September 2018	**291,354**	335,604	–
Long Term Share Incentive 2019	11 September 2019	**434,929**	–	–
Deferred Bonus Incentive 2012 – Tranche 1	23 October 2012	**4,656**	4,656	–
Deferred Bonus Incentive 2012 – Tranche 2	23 October 2012	**4,656**	4,656	–
Deferred Bonus Incentive 2013 – Tranche 1	24 September 2013	**4,642**	4,642	–
Deferred Bonus Incentive 2013 – Tranche 2	24 September 2013	**4,642**	4,642	–
Deferred Bonus Incentive 2014 – Tranche 1	8 September 2014	**3,615**	3,615	–
Deferred Bonus Incentive 2014 – Tranche 2	8 September 2014	**3,615**	10,133	–
Deferred Bonus Incentive 2015 – Tranche 1	14 September 2015	**3,089**	18,055	–
Deferred Bonus Incentive 2015 – Tranche 2	14 September 2015	**3,090**	18,059	–
Deferred Bonus Incentive 2016 – Tranche 1	12 September 2016	**16,780**	45,774	–
Deferred Bonus Incentive 2016 – Tranche 2	12 September 2016	**19,318**	59,868	–
Deferred Bonus Incentive 2017 – Tranche 1	11 September 2017	**18,553**	56,651	–
Deferred Bonus Incentive 2017 – Tranche 2	11 September 2017	**40,249**	378,972	–
Deferred Bonus Incentive 2018 – Tranche 1	10 September 2018	**61,991**	554,139	–
Deferred Bonus Incentive 2018 – Tranche 2	10 September 2018	**418,050**	554,270	–
Deferred Bonus Incentive 2019 – Tranche 1	11 September 2019	**419,794**	–	–
Deferred Bonus Incentive 2019 – Tranche 2	11 September 2019	**419,904**	–	–
Save As You Earn	1 January 2015	**–**	137,678	£2.21
Save As You Earn	1 January 2016	**55,899**	85,540	£3.70
Save As You Earn	1 January 2017	**93,139**	768,706	£3.20
Save As You Earn	1 January 2018	**533,938**	635,764	£4.90
Save As You Earn	1 January 2019	**510,860**	665,318	£4.62
Save As You Earn	1 January 2020	**688,326**	–	£4.94

The total share options outstanding at 28 June 2020 under the LTIP, Deferred Bonus Incentive Plan and the Save As You Earn schemes represent 1.2% of the issued share capital (2019: 1.4%).

7. EMPLOYEES CONTINUED

d. Share-based payments continued

Movements in the year

The number and weighted average exercise prices of share options is as follows:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Long Term Share Incentive scheme:				
Outstanding at the beginning of the year	**965,330**	**–**	805,536	–
Lapsed during the year	**(139,100)**	**–**	–	–
Exercised during the year	**(277,350)**	**–**	(175,810)	–
Granted during the year	**456,376**	**–**	335,604	–
Outstanding at the end of the year	**1,005,256**	**–**	965,330	–
Exercisable at the end of the year	**–**	**–**	–	–
Deferred Bonus Incentive scheme:				
Outstanding at the beginning of the year	**1,718,132**	**–**	1,847,474	–
Lapsed during the year	**(236,191)**	**–**	(285,500)	–
Exercised during the year	**(1,012,389)**	**–**	(994,401)	–
Granted during the year	**977,092**	**–**	1,150,559	–
Outstanding at the end of the year	**1,446,644**	**–**	1,718,132	–
Exercisable at the end of the year	**204,572**	**–**	230,751	–
Save As You Earn scheme:				
Outstanding at the beginning of the year	**2,293,006**	**£4.04**	2,334,500	£3.66
Lapsed during the year	**(442,661)**	**£4.51**	(295,938)	£4.08
Exercised during the year	**(760,104)**	**£3.02**	(457,773)	£2.98
Granted during the year	**791,921**	**£4.94**	712,217	£4.62
Outstanding at the end of the year	**1,882,162**	**£4.72**	2,293,006	£4.04
Exercisable at the end of the year	**16,927**	**£3.20**	12,604	£3.70

The weighted average share price at the date of exercise of share options exercised during the year was £6.67 (2019: £6.07).

The options outstanding at 28 June 2020 had a range of exercise prices of £nil to £4.94 (2019: £nil to £4.90) and a weighted average remaining contractual life of 5.6 years (2019: 5.3 years).

The expected life used in the models has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

The charge to income in relation to equity settled share-based payments in the year is £5m (2019: charge £7m).

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7. EMPLOYEES CONTINUED

e. Retirement benefit schemes

The Redrow Staff Pension Scheme comprises of a defined benefit scheme. The Company also offers a defined contribution scheme to employees. The defined benefit scheme was closed to new entrants from July 2006, having been closed to all but a limited number of agreed new entrants from October 2001. The defined benefit scheme was closed to future accrual with effect from 1 March 2012.

The Scheme operates within the frameworks of the applicable pension's legislation and is regulated by the Pensions Regulator. The Scheme is managed by a board of Trustees who act in line with legislation and the provisions set out within the Trust Deed and Rules which underpin the day-to-day operation of the Scheme. The Trustees' overarching aim is to ensure that there are sufficient monies available to pay members benefits when they fall due. The Trustees work in collaboration with the Company to manage the risks that this aim might not be met.

The total pension charge for the year was £9m (2019: charge of £16m). A credit of £1.0m related to the defined benefit section of the Scheme (2019: charge of £7m), with £nil being charged to the income statement (2019: charge of £nil) and a credit of £1m to the statement of comprehensive income (2019: charge of £7m). The charge arising from the defined contribution section was £10m (2019: £9m). There were no significant events during the year to report (i.e. plan amendments, curtailments or settlements).

Triennial valuation

A full independent triennial actuarial valuation of the defined benefit section of the Scheme was undertaken at 1 July 2017 using the Projected Unit Method. As at 1 July 2017, in the opinion of the Actuary, there was a deficit of £15m in the defined benefit section of the Scheme, based on the Trustees' technical provisions assumptions with the Scheme's assets representing 90% of the Scheme's technical provisions. As at 1 July 2017 the value of the defined benefit section of the Scheme's assets was £126m. The previous triennial valuation was undertaken as at 1 July 2014 and reported a deficit of £20m.

Defined benefit scheme – IAS 19R valuation

Redrow recognises all actuarial gains and losses for its defined benefit plan in the period in which they occur, outside the income statement, in the statement of comprehensive income.

This disclosure relates to the defined benefit section of the Scheme. The Scheme's assets are held separately from the assets of Redrow and are administered by the trustees and managed professionally.

The latest formal actuarial valuation of the defined benefit section was carried out at 1 July 2017. This valuation has been updated to 28 June 2020 by a qualified actuary for the purposes of these financial statements.

The Group agreed a recovery plan for the 1 July 2014 actuarial valuation: it agreed to contribute £1.1m per annum to the Scheme from 1 July 2014 to 30 June 2020 and £1.5m per annum from 1 July 2020 to 30 June 2026. During the 2017 financial year, the Group agreed to increase its contributions to £3.0m per annum from 1 January 2018. As a result, the Group expects to contribute £3.0m to the Scheme in the year ending 30 June 2021.

The major financial assumptions used in arriving at the IAS 19R valuation were:

	2020	2019
Long-term rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase of benefits in payment (lesser of 5% per annum and RPI)[1]	**2.9%**	3.1%
Rate of increase of benefits in payment (lesser of 2.5% per annum and RPI)[2]	**2.0%**	2.1%
Discount rate	**1.6%**	2.3%
Inflation assumption – RPI	**3.1%**	3.3%
– CPI	**2.3%**	2.3%

1 In respect of pensions in excess of the guaranteed minimum pension earned prior to 30 June 2006.

2 In respect of pensions in excess of the guaranteed minimum pension earned after 30 June 2006. Other pension increases are valued in a consistent manner.

On 11 March 2020, the Chancellor of the Exchequer and UK Statistics Authority jointly issued a consultation on changing the Retail Price Index (RPI) formula. They intend to amend the RPI index to reflect the Consumer Price Index including Housing (CPIH).

We have assessed the likely outcome of the Consultation, which we believe to be that the RPI formula will change to be the same as the CPIH formula, from 2030, and considered the inflation assumptions above in the light of this. As the CPI inflation assumption is only of relevance to deferred members of the scheme whose average term to retirement is c10 years, we consider it appropriate to maintain our current approach to deriving CPI.

7. EMPLOYEES CONTINUED

e. Retirement benefit schemes continued

The mortality tables used in the actuarial valuation were as follows (which make allowance for projected further improvements in mortality):

For male and female members: SAPS CMI_2019 1.50% Long Term Trend (2019: SAPS CMI_2018 1.5% Long Term Trend)

The life expectancies from age 65 implied by these tables for typical members are:

Pensioner currently aged 65:	Male 22.0 years (2019: Male 21.9 years)	Female 23.9 years (2019: Female 23.9 years)
Future pensioner currently aged 40:	Male 24.1 years (2019: Male 24.2 years)	Female 26.2 years (2019: Female 26.2 years)

It has been assumed that members take 80% of the maximum tax-free cash available to them at the point they retire via commutation of their pension; this is based on the current commutation factors in use for the defined benefit scheme.

The total assets, the split between the major asset classes in the Scheme, the present value of the Schemes' liabilities and the amounts recognised in the balance sheet are shown below:

	Group and Company					
	2020 £m Quoted market price in active market	2020 £m No quoted market price in active market	2020 £m Total	2019 £m Quoted market price in active market	2019 £m No quoted market price in active market	2019 £m Total
Equities	**62**	**–**	**62**	53	–	53
Debt instruments	**84**	**–**	**84**	67	–	67
Real estate	**2**	**–**	**2**	2	–	2
Investment funds	**4**	**–**	**4**	–	–	–
Other	**6**	**–**	**6**	13	–	13
Cash	**12**	**–**	**12**	11	–	11
Insurance policies	**–**	**3**	**3**	–	2	2
Total market value of assets	**170**	**3**	**173**	146	2	148
Present value of obligations			**(151)**			(130)
Surplus in the Scheme			**22**			18

The Scheme's assets are invested in such a way so as to ensure that the assets are sufficient and appropriate to meet the associated liabilities as they fall due. In selecting the assets, consideration is given to the nature of the liabilities and the investment strategy of the Scheme includes an allocation to liability driven investments to mitigate the impacts of changes in interest rates and inflation on both the assets and liabilities.

The defined benefit obligation can be approximately attributed to the scheme members as follows:

	2020 %	2019 %
Deferred members	**72**	71
Pensioner members	**28**	29
	100	100

All benefits are vested at 28 June 2020 (unchanged from 30 June 2019).

Following a High Court ruling on 26th October 2018, at the 2019 year-end the Company made an allowance within the defined benefit obligation for the estimated liabilities associated with the requirement to provide equalised benefits to male and female members in respect of Guaranteed Minimum Pensions (GMPs); otherwise known as 'GMP Equalisation'. GMP Equalisation is an issue that impacts all defined benefit schemes that were contracted out of the State additional second pension between 17 May 1990 and 5 April 1997. For the DB Scheme, the additional liability in respect of GMP Equalisation is broadly 0.5% of the defined benefit obligation and continues to be included in this figure.

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7. EMPLOYEES CONTINUED

e. Retirement benefit schemes continued

The total amounts credited/(charged) against income in the year were as follows:

	Group and Company 2020 £m	Group and Company 2019 £m
Amounts included within the income statement:		
Administrative expenses		
Past service cost	–	(1)
Net interest on defined benefit liability	–	1
	–	–
Amounts recognised in the statement of comprehensive income:		
Return on scheme assets excluding interest income	24	13
Actuarial movements arising from changes in demographic assumptions	(1)	–
Actuarial movements arising from changes in financial assumptions	(22)	(20)
	1	(7)
	1	(7)

The amount included in the balance sheet arising from the surplus in respect of the Group's defined benefit section is as follows:

	Group and Company 2020 £m	Group and Company 2019 £m
Balance sheet surplus		
At start of year	18	22
Amounts credited/(charged) against statement of comprehensive income	1	(7)
Employer contributions paid	3	3
At end of year	22	18
Changes in the present value of the defined benefit obligation:		
At start of year	130	111
Past service cost	–	1
Interest expense	3	3
Benefit payments	(5)	(5)
Actuarial movements arising from changes in demographic assumptions	1	–
Actuarial movements arising from changes in financial assumptions	22	20
At end of year	151	130
Changes in the fair value of the Scheme's assets:		
At start of year	148	133
Interest income	3	4
Return on scheme assets excluding interest income	24	13
Normal employer contributions	3	3
Benefit payments	(5)	(5)
At end of year	173	148

7. EMPLOYEES CONTINUED

e. Retirement benefit schemes continued

The Scheme rules permit the refund of any surplus to the Company with no restrictions. The surplus has therefore been recognised in full in the Group and Company balance sheets and there is no requirement to restrict the surplus nor to recognise any additional liability in respect of agreed deficit contributions.

Sensitivity of key assumptions

The table below gives a broad indication of the impact on the IAS 19R numbers to changes in assumptions and experience (away from the assumptions shown on page 144). All figures are before allowing for deferred tax.

Item	Approximate impact 2020	Approximate impact 2019
Present value of defined benefit obligation (£m)		
Discount rate -25 basis points	160.2	136.9
Discount rate +25 basis points	143.3	123.0
Price inflation rate -25 basis points	144.9	123.2
Price inflation rate +25 basis points	157.4	136.7
Post-retirement mortality assumption -1 year age adjustment	156.6	133.9
Weighted average duration of defined benefit obligation (in years)		
Discount rate -25 basis points	22.5	21.3
Discount rate +25 basis points	22.2	21.5

8. INTANGIBLE ASSETS

The Group

	Goodwill £m	Software £m	Total £m
Cost			
At 2 July 2018	1	3	4
Additions	–	–	–
At 30 June 2019	1	3	4
Additions	–	–	–
Disposals	–	(1)	(1)
At 28 June 2020	1	2	3
Accumulated amortisation			
At 2 July 2018	–	2	2
Charge	–	–	–
At 30 June 2019	–	2	2
Charge	–	–	–
Disposals	–	(1)	(1)
At 28 June 2020	–	1	1
Net book value			
At 28 June 2020	1	1	2
At 30 June 2019	1	1	2
At 1 July 2018	1	1	2

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9. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold property £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 2 July 2018	17	3	9	29
Additions	2	–	2	4
At 30 June 2019	19	3	11	33
Additions	5	–	2	7
Disposals	–	–	(2)	(2)
At 28 June 2020	**24**	**3**	**11**	**38**
Accumulated depreciation				
At 2 July 2018	4	3	7	14
Charge	1	–	2	3
At 30 June 2019	5	3	9	17
Charge	1	–	3	4
Disposals	–	–	(2)	(2)
At 28 June 2020	**6**	**3**	**10**	**19**
Net book value				
At 28 June 2020	**18**	**–**	**1**	**19**
At 30 June 2019	14	–	2	16
At 1 July 2018	13	–	2	15

10. LEASE RIGHT OF USE ASSETS

The Group

	Property £m	Photocopiers £m	Vehicles £m	Total £m
Cost				
Opening lease right of use asset recognised on adoption of IFRS 16	4	1	3	8
Additions	–	–	2	2
At 28 June 2020	**4**	**1**	**5**	**10**
Accumulated depreciation				
At 1 July 2019	–	–	–	–
Charge	1	–	2	3
At 28 June 2020	**1**	**–**	**2**	**3**
Net book value				
At 28 June 2020	**3**	**1**	**3**	**7**
At 30 June 2019	–	–	–	–

10. LEASE RIGHT OF USE ASSETS CONTINUED

The Group continued

	2020 £m
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	
Less than one year	**3**
One to five years	**4**
More than five years	**1**
Total undiscounted lease liabilities at 28 June	**8**

On implementation of IFRS 16 leases, lease payment commitments are reported within trade and other payables.

	2020 £m
Lease liabilities included in the statement of financial position at 28 June	
Current	**2**
Non-current	**4**
	6

	2020 £m
Amounts recognised in profit or loss	
Interest on lease liabilities	**–**

	2020 £m
Amounts recognised in the statement of cashflows	
Total cash outflow for leases	**3**

11. INVESTMENTS

a. Investments

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Joint ventures	**9**	6	**–**	–
	9	6	**–**	–

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

11. INVESTMENTS CONTINUED

b. Investments in joint ventures

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Share of joint venture net assets:				
Current assets	**8**	6	**–**	–
Current liabilities	**(3)**	(2)	**–**	–
Non-current liabilities	**(5)**	(2)	**–**	–
Net assets	**–**	2	**–**	–
Loans from Group companies (i)	**9**	4	**–**	–
	9	6	**–**	–
Share of post-tax profits from joint ventures:				
Revenue	**–**	1	**–**	–
Cost of sales	**–**	(1)	**–**	–
Gross profit	**–**	–	**–**	–
Administrative expenses	**–**	–	**–**	–
Operating profit	**–**	–	**–**	–
Finance costs	**–**	–	**–**	–
Profit before tax	**–**	–	**–**	–
Taxation	**–**	–	**–**	–
	–	–	**–**	–

(i) £9m of the loans to joint ventures are secured (2019: £4m).

The Group's joint venture investments are:

- its 50% shareholding in the ordinary share capital of Menta Redrow Limited and Menta Redrow (II) Limited, both companies incorporated in Great Britain with a 30 June year end. Menta Redrow Limited and Menta Redrow (II) Limited were formed to pursue redevelopment opportunities in Croydon.

c. Investments in subsidiary undertakings

	Company £m
At 1 July 2019 and 28 June 2020	**–**

The principal subsidiary company is Redrow Homes Limited. All subsidiary companies are incorporated in Great Britain except Redrow Homes (Park Heights) Limited which is incorporated in Jersey. A full list of subsidiary undertakings as at 28 June 2020 is shown on page 151. The capital of all the subsidiary companies, consisting of ordinary shares, is wholly owned by HB (HDG) Limited which in turn is wholly and directly owned by Redrow plc.

The principal activity of Redrow Homes Limited, Redrow Real Estate Limited, Redrow Regeneration plc, The Waterford Park Company Limited and The Waterford Park Company (Balmoral) Limited is residential development. The principal activity of Harrow Estates plc is land acquisition, development and resale. HB (HDG) Limited is an intermediate holding company. St David's Park Limited principal activity is business park maintenance services.

Those subsidiaries marked with † are dormant and exempt from audit.

All the subsidiaries registered office is Redrow House, St David's Park, Flintshire, CH5 3RX apart from those marked (i) and (ii) whose registered offices are as follows:

(i) c/o TLT LLP, 140 West George Street, Glasgow, G2 2HG

(ii) 13 Castle Street, St. Helier, Jersey, JE4 5UT

11. INVESTMENTS CONTINUED

c. Investments in subsidiary undertakings continued

Subsidiaries

Name	Company Number	Name	Company Number
HB (HDG) Limited	1990709	HB (1995) Limited (i) †	SC155021
Redrow Homes Limited	1990710	Redrow Homes (Wallyford) Limited (i) †	SC205159
Harrow Estates plc	6825371	St David's Park Limited	2479183
Redrow Real Estate Limited	3996541	PB0311 Limited †	7577839
Redrow Regeneration plc	5405272	Debut Freeholds Limited †	4638403
Redmira Limited †	7587765	Tay Homes (Western) Limited †	2806562
HB (NW) Limited †	1189328	Tay Homes (Northern) Limited †	2708575
HB (LCS) Limited (i) †	SC38052	Tay Homes (Midlands) Limited †	2183136
HB (MID) Limited †	2469449	Tay Homes (North West) Limited †	2189721
HB (SW) Limited †	3522335	Redrow Homes (Park Heights) Limited (ii) †	66240
HB (SWA) Limited †	2230870	Redrow Construction Limited †	1375826
HB (Y) Limited †	2293006	Poche Interior Design Limited †	2169473
HB (ESTN) Limited †	4017345	Redrow (Shareplan) Limited †	3520984
HB (WM) Limited †	3379746	Cadmoore Limited †	3977222
HB (SM) Limited †	3522321	Redrow (Sudbury) Limited †	4558070
HB (SN) Limited †	537405	The Waterford Park Company Limited	5429823
HB (WC) Limited †	4984069	The Waterford Park Company (Balmoral) Limited	6047122
HB (WX) Limited †	1940936	HB (Herne Bay No 1) Limited †	7743649
HB (EM) Limited †	2827161	HB (Herne Bay No 2) Limited †	9163243
HB (CD) Limited †	2034733	Redrow Homes East Midlands Limited †	4219459
HB (GRPS) Limited †	2898913	Radleigh Construction Limited †	4219460
HB (CPTS) Limited †	1079513	Radleigh Homes Limited †	4210633
HB (SE) Limited †	3988594	Radbourne Edge (Holdings) Limited †	8737345
HB (CSCT) Limited (i) †	SC231364	Redrow Langley Limited †	7306461
HB (SC) Limited (i) †	SC74732	Radleigh (Hackwood) Limited †	8131049

12. DEFERRED TAX ASSETS AND LIABILITIES

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Imputed interest £m	Short-term temporary differences £m	Total £m
Deferred tax assets			
At 2 July 2018	3	1	4
Charge to income	–	–	–
Charge to equity	–	–	–
At 30 June 2019	3	1	4
Charge to income	(3)	–	(3)
Charge to equity	–	–	–
At 28 June 2020	**–**	**1**	**1**

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12. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

	Employee benefits £m	Short-term temporary differences £m	Total £m
Deferred tax liabilities			
At 2 July 2018	(4)	(1)	(5)
Credit to income	–	–	–
Charge to equity	1	–	1
At 30 June 2019	(3)	(1)	(4)
Charge to income	(1)	–	(1)
Credit to equity	–	–	–
At 28 June 2020	**(4)**	**(1)**	**(5)**

The Group has no material unrecognised deferred tax assets.

Changes to reduce the Corporation Tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015. A further change to reduce the rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. In the Chancellor's Budget on 11 March 2020 it was confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. This measure (cancelling the enacted cut to 17%) will be made under a Budget resolution which has statutory effect under the Provisional Collection of Taxes Act 1968. As such, it is substantively enacted on the passing of the resolution. The rate will also stay at 19% for the following year. Deferred tax balances have been valued at 19% (2019: 17%).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Non-current assets				
Trade receivables (net)	–	9	–	–
Amounts due from subsidiary companies	–	–	774	–
	–	9	774	–
Current assets				
Trade receivables (net)	25	28	–	–
Amounts due from subsidiary companies	–	–	300	890
Other receivables	8	19	–	–
Prepayments	5	1	–	–
	38	48	300	890

Non-current trade receivables are stated after an allowance of £nil has been made (2019: £5m) in respect of expected credit losses. This allowance is based on an estimate of default rates. £nil provision was made during the year (2019: £1m). £nil was utilised (2019: £nil). £3m provision was released during the year (2019: £nil) and £2m provision was transferred to be held against current trade assets (2019: £3m). Current trade assets are therefore stated after an allowance of £4m (2019: £3m in respect of expected credit losses with £nil provision utilised (2019: £nil) and £1m provision released (2019: £nil).

Amounts due from subsidiary companies are unsecured, repayable on demand and carry interest at market rate on trading balances. The balance classified as current is anticipated to be repayable within the normal operating cycle of the subsidiary businesses.

14. INVENTORIES

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Land for development	1,538	1,547	–	–
Work in progress	972	790	–	–
Stock of show homes	75	67	–	–
	2,585	2,404	–	–

Inventories of £1,027m were expensed in the year (2019: £1,526m). Work in progress includes £1m (2019: £3m) in respect of part exchange properties. Land held for development in the sum of £160m is subject to a legal charge as security in respect of deferred consideration (2019: £312m).

The carrying value of undeveloped land where net realisable value has been determined on the basis of a sale of land in its current state is £33m (2019: £nil). £35m of impairment costs arising for the strategic decision to scale back our London operations were expensed in the year (2019: £nil).

The Directors consider all inventory to be current in nature as they are expected to be realised within the Group's normal operating cycle of c4 years.

15. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash and cash equivalents, bank loans and overdrafts, derivative financial instruments and various items included within trade receivables and trade payables which arise during the normal course of business.

The tables that follow provide a summary of financial assets and liabilities by category.

The accounting policies for financial instruments have been applied to the following items:

The Group's activities expose it to a variety of financial risks.

Financial risk management is conducted centrally using policies approved by the Board. Market risk is negligible due to the Group's limited exposure to equity securities (some limited exposure arises through the Redrow Staff Pension Scheme's investment portfolio) and the associated price risk. Its foreign exchange exposure is negligible given the nature of the Group's business and its exclusive UK activities.

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15. FINANCIAL RISK MANAGEMENT CONTINUED

a. Liquidity risk and interest rate risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. Liquidity risks are managed through the regular review of cash forecasts and by maintaining adequate committed banking facilities to ensure appropriate headroom.

At 28 June 2020, the Group had total unsecured bank borrowing facilities of £366m, representing £363m committed facilities and £3m uncommitted facilities.

The Group's cash surpluses arise from short-term timing differences. As a consequence the Group does not consider it bears significant risk of changes to income and cash flows as a result of movements on interest rates on its interest bearing assets.

The Group is exposed to interest rate risk as it borrows money at floating rates. The Group's interest rate risk arises primarily from long-term borrowings. In order to manage its interest rate risk, the Group from time to time enters into simple risk management products, almost exclusively interest rate swaps. All interest rate swaps are sterling denominated. The swaps are arranged so as to match with those of the underlying borrowings to which they relate. There were no interest rate swaps in place in 2020 or 2019.

The following table shows the profile of interest bearing debt together with its effective interest rates.

	2020					2019				
	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m	Effective interest rate %	Total £m	Zero to one year £m	One to two years £m	Two to five years £m
Bank loans – floating rate	**2.1**	**170**	**–**	**–**	**170**	2.3	80	–	–	80
		170	**–**	**–**	**170**		80	–	–	80

For the 52 weeks ended 28 June 2020, it is estimated that for any incremental general increase of 1% in interest rates applying for the full year the decrease in the Group's profit before tax would be c £1m (2019: less than £1m).

b. Maturity of bank loans and borrowings

The maturity of bank loans and borrowings is as below:

The Group

	2020		2019	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due between two and five years	**–**	**177**	–	85
	–	**177**	–	85

Maturities above include estimated interest payable to the maturity of the facilities.

15. FINANCIAL RISK MANAGEMENT CONTINUED

b. Maturity of bank loans and borrowings continued

The Company

	2020		2019	
	Bank overdraft £m	Bank loans £m	Bank overdraft £m	Bank loans £m
Due between two and five years	**–**	**177**	–	85
	–	**177**	–	85

Maturities above include estimated interest payable to the maturity of the facilities.

The Company was fully compliant with its banking covenants as at 28 June 2020.

At the year end, the Group and Company had £193m (2019: £170m) of undrawn committed bank facilities available.

There is no material difference between the fair value of the bank overdrafts and bank loans and their carrying values as shown in the balance sheet.

c. Amounts due in respect of development land

The Group's policy permits land purchases to be made on deferred payment terms. In accordance with IFRS 9, the deferred creditor is recorded at fair value and nominal value is amortised over the deferment period via financing costs, increasing the land creditor to its full cash settlement value on the payment date.

The interest rate used for each deferred payment is an equivalent loan rate available on the date of land purchase, as applicable to a loan lasting for a comparable period of time to that deferment.

The maturity profile of the total contracted cash payments in respect of amounts due in respect of land creditors at the balance sheet date is as follows:

	Balance at June £m	Total contracted cash payment £m	Due less than one year £m	Due between one and two years £m	Due between two and five years £m
28 June 2020	**302**	**306**	**186**	**51**	**69**
30 June 2019	438	446	271	137	38

d. Maturity of trade and other payables

The maturity profile of the total contracted payments in respect of financial liabilities (excluding amounts due on land creditors shown separately in note 15c) at the balance sheet date is as follows:

	Balance at June £m	Total contracted cash payment £m	Due less than one year £m	Due between one and two years £m	Due between two and five years £m
Trade and other payables (excluding lease liabilities)	527	527	527	–	–
Lease liabilities	6	8	3	2	3
28 June 2020	**533**	**535**	**530**	**2**	**3**
Trade and other payables	494	494	494	–	–
30 June 2019	494	494	494	–	–

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

15. FINANCIAL RISK MANAGEMENT CONTINUED

e. Credit risk

Credit risk arises from cash and cash equivalents, including call deposits with banks and financial institutions, derivative financial instruments and trade receivables. It represents the risk of financial loss where counterparties are unable to meet their obligations.

Credit risk is managed centrally in respect of cash and cash equivalents and derivative financial instruments. In respect of placing deposits with banks and financial institutions and funds, individual risk limits are approved by the Board. The table below shows the cash and cash equivalents as at the balance sheet date:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Held at Banks with at least an A credit rating per Standard & Poor	**44**	204	**41**	212
	44	204	**41**	212

No credit limits were exceeded during the reporting year or subsequently and the Group does not anticipate any losses from non-performance by these counterparties.

There is no specific concentration of credit risk in respect of home sales as the exposure is spread over a number of customers. In respect of trade receivables, the amounts presented in the balance sheet are stated after adjusting for any doubtful receivables, based on the judgement of the Group's management through using both previous experience and knowledge of the current position of any more substantial receivables.

f. Capital management

The Group defines total capital as equity plus net debt where net debt is calculated as total borrowings less cash and cash equivalents.

The Group monitors capital on the basis of the level of returns achieved on its capital base and, with respect to its financing structure, the gearing ratio. This is defined as net debt divided by equity.

The Group's objective in managing capital is to safeguard its ability to continue as a going concern in order to deliver value to its Shareholders and other stakeholders. The Group operates within policies outlined by the Board in order to maintain an appropriate funding structure. The Board keeps the Group's capital structure under review.

The total capital levels and gearing ratios as at 28 June 2020 and 30 June 2019 are as follows:

	2020 £m	2019 £m
Total borrowings	**170**	80
Less cash and cash equivalents	**(44)**	(204)
Net debt/(cash)	**126**	(124)
Equity	**1,626**	1,585
Total capital	**1,752**	1,461
Operating profit adjusted for joint ventures	**148**	411
ROCE (Operating profit as above as a percentage of opening and closing total capital)	**9.2%**	28.5%
Gearing ratio	**7.7%**	N/A

15. FINANCIAL RISK MANAGEMENT CONTINUED

g. Fair values

The fair value of financial assets and liabilities is as follows:

The Group

	2020 Loans and receivables Fair value £m	2020 Loans and receivables Carrying value £m	2019 Loans and receivables Fair value £m	2019 Loans and receivables Carrying value £m
Assets per the balance sheet				
Non-current trade and other receivables	**–**	**–**	9	9
Current trade and other receivables *	**33**	**33**	47	47
Cash and cash equivalents	**44**	**44**	204	204
	77	**77**	260	260

* includes £6m in respect of shared equity debtors (2019: £7m).

	2020 Other financial liabilities Fair value £m	2020 Other financial liabilities Carrying value £m	2019 Other financial liabilities Fair value £m	2019 Other financial liabilities Carrying value £m
Liabilities per the balance sheet				
Bank loans and overdrafts	**170**	**170**	80	80
Trade payables and other payables including customer deposits	**527**	**527**	494	494
Land creditors	**302**	**302**	438	438
Lease liabilities	**6**	**6**	–	–
	1,005	**1,005**	1,012	1,012

Other financial liabilities are at amortised cost.

The Company

	2020 Loans and receivables Fair value £m	2020 Loans and receivables Carrying value £m	2019 Loans and receivables Fair value £m	2019 Loans and receivables Carrying value £m
Assets per the balance sheet				
Cash and cash equivalents	**41**	**41**	212	212
Amounts due from subsidiary companies (current and non-current)	**1,074**	**1,074**	890	890
	1,115	**1,115**	1,102	1,102

	2020 Other financial liabilities Fair value £m	2020 Other financial liabilities Carrying value £m	2019 Other financial liabilities Fair value £m	2019 Other financial liabilities Carrying value £m
Liabilities per the balance sheet				
Bank loans and overdrafts	**170**	**170**	80	80
Amounts owed to subsidiary companies	**14**	**14**	14	14
	184	**184**	94	94

Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS13 as level 3 are shared equity loans included within Trade and Other receivables at £6m (2019: £7m).

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

16. TRADE AND OTHER PAYABLES

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Non-current liabilities				
Amounts due in respect of development land	**116**	167	**–**	–
Lease liabilities	**4**	–	**–**	–
	120	167	**–**	–
Current liabilities				
Trade payables	**311**	347	**–**	–
Amounts due in respect of development land	**186**	271	**–**	–
Private customer deposits	**38**	27	**–**	–
Social customer payments on account	**165**	107	**–**	–
Amounts owed to subsidiary companies	**–**	–	**14**	14
Lease liabilities	**2**	–	**–**	–
Other payables	**10**	7	**–**	–
Other taxation and social security	**3**	6	**–**	–
Accruals	**90**	68	**12**	16
	805	833	**26**	30

Amounts due to subsidiary companies are unsecured, repayable on demand and bear interest at market rate on trading balances.

17. LONG-TERM PROVISIONS

The Group

	Onerous contracts £m	Other £m	Total £m
At 1 July 2019	1	7	8
Provisions created during the year	–	–	–
Provisions released during the year	–	–	–
Provisions utilised during the year	–	–	–
At 28 June 2020	**1**	**7**	**8**

Provisions relate to onerous contracts (in place at June 2009 and viewed as onerous) and maintenance and sundry remedial costs in respect of development activities, which it is assessed will be utilised within four years.

18. SHARE CAPITAL

	Number of ordinary shares
As at 1 July 2019 and 28 June 2020 (ordinary shares of 10.5p each)	**352,190,420**

19. SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND RESERVES

The Group

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 2 July 2018	37	59	8	1,379
Total comprehensive income	–	–	–	323
Dividends paid	–	–	–	(218)
Movement in respect of LTIP/SAYE	–	–	–	(3)
At 30 June 2019	37	59	8	1,481
Total comprehensive income	–	–	–	114
Dividends paid	–	–	–	(72)
Movement in respect of LTIP/SAYE	–	–	–	(1)
At 28 June 2020	**37**	**59**	**8**	**1,522**

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2019: £7m) and a £1m Consolidation reserve (2019: £1m).

Undistributable reserves

Other reserves are not available for distribution.

The Company

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m
At 2 July 2018	37	59	7	646
Total comprehensive income†	–	–	–	480
Dividends paid	–	–	–	(218)
At 30 June 2019	37	59	7	908
Total comprehensive income	–	–	–	3
Dividends paid	–	–	–	(72)
At 28 June 2020	**37**	**59**	**7**	**839**

† Includes dividends received from subsidiary companies.

Other reserves

Other reserves consists of a £7m Capital redemption reserve (2019: £7m).

Undistributable reserves

Other reserves are not available for distribution.

FINANCIAL STATEMENTS

Notes to the Financial Statements continued

20. MOVEMENT IN NET (DEBT)/CASH

The Group

	At 1 July 2019 £m	Non-cash movement £m	Cash flow £m	At 28 June 2020 £m
Cash and cash equivalents	204	1	(161)	**44**
Bank loans	(80)	–	(90)	**(170)**
Net (debt)/cash	124	1	(251)	**(126)**

The Company

	At 1 July 2019 £m	Non-cash movement £m	Cash flow £m	At 28 June 2020 £m
Cash and cash equivalents	212	(3)	(168)	**41**
Bank loans	(80)	–	(90)	**(170)**
Net (debt)/cash	132	(3)	(258)	**(129)**

21. CONTINGENT LIABILITIES

The Company has guaranteed the bank borrowings of its subsidiaries. Performance bonds and other building or performance guarantees have been entered into in the normal course of business. Management estimate that the bonds and guarantees amount to £170m (2019: £136m) at the year end and consider the possibility of a cash outflow in settlement to be remote.

22. RELATED PARTY TRANSACTIONS

Within the definition of IAS 24 'Related party disclosures', the Board and key management personnel are related parties. Detailed disclosure of the remuneration of the Board is given in the Directors' Remuneration Report on pages 78 to 100. A summary of remuneration provided to key management personnel is provided in note 7c.

There have been no material transactions with key management personnel. There is no other difference between transactions with key management personnel of the Company and the Group.

The Company funds the operating companies through both equity investment and loans at commercial rates of interest. In addition, the Company provides its subsidiaries with the services of Senior Management, for which a recharge is made to those subsidiary companies based upon utilisation of services.

The amount outstanding from subsidiary undertakings at 28 June 2020 was £1,074m (30 June 2019: £890m). The amount owed to subsidiary undertakings at 28 June 2020 was £14m (30 June 2019: £14m).

The Company provided the Group's defined benefit pension scheme, as detailed in note 7e. Expected service costs were charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the charge. Experience and actuarial gains are recognised in the Company, via the statement of comprehensive income.

During the year, the Group made £4m loan payments to its joint ventures, Menta Redrow Limited and Menta Redrow (II) Limited. It also received a £1m dividend from Menta Redrow Limited. The Group's loans to its joint ventures are disclosed in note 11.

23. ALTERNATIVE PERFORMANCE MEASURES

Redrow uses a variety of Alternative Performance Measures (APMs) which are not defined or specified by IFRSs but which the Directors believe are pertinent to reviewing the performance of the Group, in conjunction with IFRS defined measures.

Accident incident rate by site

No. of notifiable accidents in financial year divided by average no. of sites.

Earnings per share (EPS)

Profit attributable to ordinary equity shareholders (excluding exceptional items and deferred tax rate changes) divided by the weighted average no. of ordinary shares in issue during the financial year. See note 6.

HBF customer satisfaction rating

Independent HBF customer satisfaction rating score.

Land holding years

No. of plots in owned land holdings at June divided by no. of legal completions in financial year.

	2020	2019
Owned land holdings at 28 June 2020/30 June 2019	25,130	25,993
Legal completions	4,032	6,443
Land holding years	6.2	4.0

Monies committed to fund improvements in local communities

These reflect committed Section 106 contributions and affordable housing provided in the year.

Net asset value per ordinary share

Total net assets at June divided by the number of ordinary shares in issue at June.

Number of trainees

No. of trainees at June as a percentage of employees at June.

Order book

The value of reserved and exchanged sales which had not legally completed at the year end.

Private reservation rate

No. of private reservations per week in financial year divided by average no. of sales outlets.

Return on capital employed (ROCE)

Operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed. See note 15f.

Return on equity (ROE)

Profit before tax before exceptional items adjusted for joint ventures as a percentage of opening and closing net assets.

	2020 £m	2019 £m
Net assets at 28 June 2020/30 June 2019	1,626	1,585
Net assets at 30 June 2019/1 July 2018	1,585	1,483
Average net assets	1,606	1,534
Profit before taxation	140	406
Return on equity %	8.7%	26.5%

Revenue

Revenue per consolidated income statement.

Revenue value of private reservations secured in the year

The fair value receivable in the future of private house sales reserved by customers during the year, net of cancellations.

Sales outlets

Average no. of sales outlets open in the year.

SHAREHOLDER INFORMATION

Corporate and Shareholder Information

SHAREHOLDER DISCOUNTS

The Company offers a discount of 1% to Shareholders off the purchase price of a new Redrow home. In order to qualify for the discount a purchaser must hold a minimum of 2,500 ordinary shares in Redrow plc for a minimum of 12 months prior to the date of reservation, subject to a cap of £5,000.

Details of our current developments are available on our website: redrow.co.uk

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SHAREHOLDER INFORMATION

Five Year Summary

12 months ended June

	2016† £m	2017 £m	2018 £m	2019 £m	2020 £m
Revenue	1,382	1,660	1,920	2,112	**1,339**
Operating profit	261	322	382	411	**148**
Operating profit as a percentage of turnover	18.9%	19.4%	19.9%	19.5%	**11.1%**
Profit before tax	250	315	380	406	**140**
Net assets	1,041	1,235	1,483	1,585	**1,626**
Net (debt)/cash	(139)	(73)	63	124	**(126)**
Gearing – net debt as a percentage of capital and reserves	13.3%	5.9%	N/A	N/A	**7.7%**
Return on capital employed – operating profit before exceptional items adjusted for joint ventures as a percentage of opening and closing capital employed	23.7%	26.0%	28.5%	28.5%	**9.2%**
Return on equity	26.1%	27.7%	28.0%	26.5%	**8.7%**
Number of legal completions	4,716	5,319	5,718	6,443	**4,032**
Earnings per ordinary share	55.4p	70.2p	85.3p	92.3p	**32.9p**
Dividends paid per ordinary share inc cash return	8.0p	12.0p	20.0p	59.0p	**–**
Net asset value per ordinary share	281.5p	334.0p	401.0p	450.0p	**461.7p**

† Restated to reflect change in accounting policy.

ISO 14001

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