Annual Report 2021

PLACING CUSTOMERS AT THE HEART OF OUR BUSINESS

Persimmon Plc

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THE Persimmon Way

Our mission

To build homes with quality our customers can rely on at a price they can afford.

“We have recently launched our Mission, Vision and Values. They build on Persimmon’s many strengths and our recent progress to strive even higher, to be Britain’s leading homebuilder, with core values that demonstrate how we will achieve it. I am delighted that our values have been warmly embraced across the business and look forward to delivering on the ambition they set out.”

DEAN FINCH
Group Chief Executive

Read more on our mission, vision and values on pages 4 & 5

Highlights

Number of homes sold
14,551
2020: 13,575

Average selling price
£237,078
2020: £230,534

Construction and supply chain jobs supported[1]
c.92,000
2020: c.86,000

Investment in local communities[2]
c.£2.6bn
over the last six years

Owned land holdings (plots)
67,089
2020: 67,205

Current customer satisfaction score[3]
92.0%
2020: 89.7%

Build quality[3]
87.9%
2020: 84.7%

Environment: our homes in use by 2030 will be
NET ZERO

1. Estimated using an economic toolkit.
2. The value of homes delivered to housing associations, the value of Discounted Open Market Value Housing plus the value of planning contributions we have made.
3. We participate in a National New Homes Survey run by the Home Builders Federation (HBF). The Survey year covers the period from 1 October to 30 September. The customer satisfaction rating system is based on the number of customers who would recommend their builder to a friend. The build quality score is based on how satisfied customers are with the quality of their new home.

At a glance

BUILDING SUSTAINABLE AND INCLUSIVE COMMUNITIES ACROSS THE UK

We are a leading national homebuilder. We have three brands, three off-site manufacturing facilities, and an ultrafast full fibre broadband service, delivering high quality homes to serve local communities.

Persimmon Together, we make a home.

Persimmon Homes is our core brand which delivers a range of traditional family housing throughout the UK in places where customers wish to live and work. With a focus on delivering value and quality for our customers, we sell most of our homes under this brand.

Average selling price 2021

£249,498

2020: £239,318

Persimmon Homes, see page 30

CHARLES CHURCH

The Charles Church brand complements and differentiates itself from Persimmon by delivering larger, higher specification homes in premium locations across the UK. We build homes under this brand tailored to local markets where our research and experience has identified a strong demand for a premium product.

Average selling price 2021

£360,575

2020: £361,147

Charles Church, see page 30

Westbury partnerships

Westbury Partnerships is our brand with a focus on affordable social housing. We sell these homes to housing associations across the UK. This brand plays a key part in the delivery of sustainable homes for the benefit of lower income occupiers, offering solutions to some of the country's affordable housing needs.

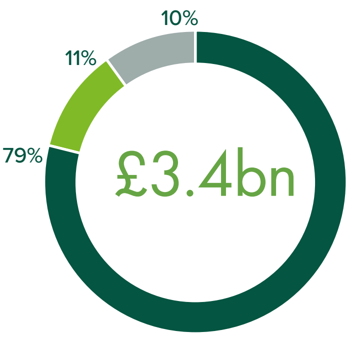
Average selling price 2021

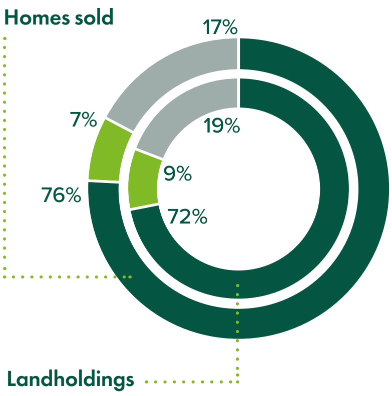
£131,976

2020: £125,930

Westbury Partnerships, see page 31

Contribution to Group housing revenue



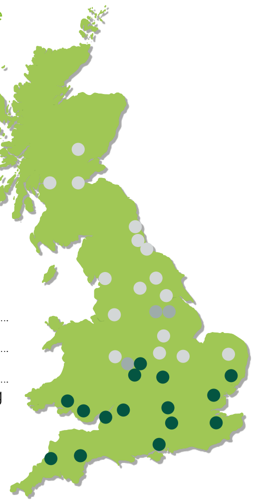


- Persimmon Homes
- Charles Church
- Westbury Partnerships

National coverage, local presence

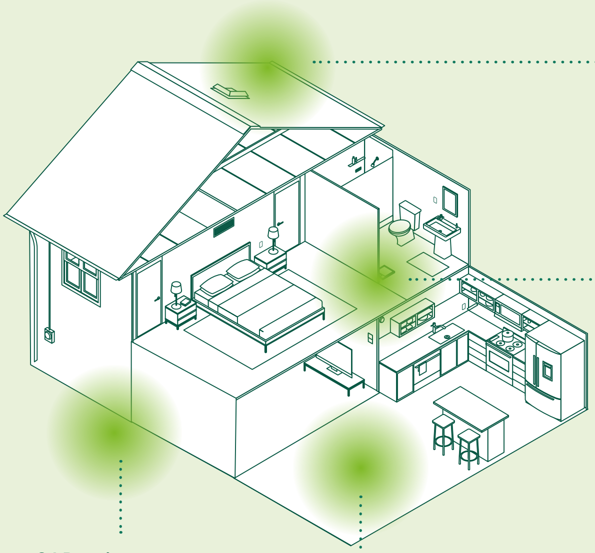
We have 31 operating businesses across the UK

Read more on our office locations on our website



- Northern offices
- Southern offices
- Off-site manufacturing

INVESTING IN INNOVATION AND TECHNOLOGY



Tileworks

Tileworks, the Group's own concrete roof tile manufacturing facility, produces tiles solely for the Group. During the year, Tileworks supplied c.9m tiles to 227 sites across the Group.

Tiles supplied to the Group in 2021

c.9m

Brickworks

Brickworks produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. During 2021, the brickworks supplied c.45m bricks to the Group. The factory has the capacity to produce c.80m bricks a year, which approximates to two thirds of the Group's brick requirements.

Bricks supplied to the Group in 2021

c.45m

Our average SAP rating

87%

Space4

Our Space4 manufacturing business produces timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. Space4's modern method of construction system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied 4,315 timber frame kits and roof systems to the Group in 2021.

Homes built using timber frames

33%

FibreNest

FibreNest is the Group's own ultrafast, nationwide full fibre broadband service to the home, which aims to ensure all our customers are connected to the internet from moving in day. FibreNest provides ultrafast speeds coupled with excellent levels of service.

OUR INVESTMENT CASE

Persimmon is one of the UK's leading homebuilders, with high quality land holdings, a strong balance sheet and a highly experienced management team. We are well positioned in our market, providing high quality homes at attractive prices for our customers.

Read more at www.persimmonhomes.com/corporate/investors/investment-case/

High quality land holdings.

UK wide outlet network.

Highly experienced management team.

Vertical integration providing security of supply over certain key material components.

Investing in our people, resources and capabilities to drive superior performance.

Strong focus on sustainability with clear targets.

Drive industry leading performance through entrepreneurship, innovation and cost-efficiency.

Our integrated approach

DELIVERING ON OUR MISSION

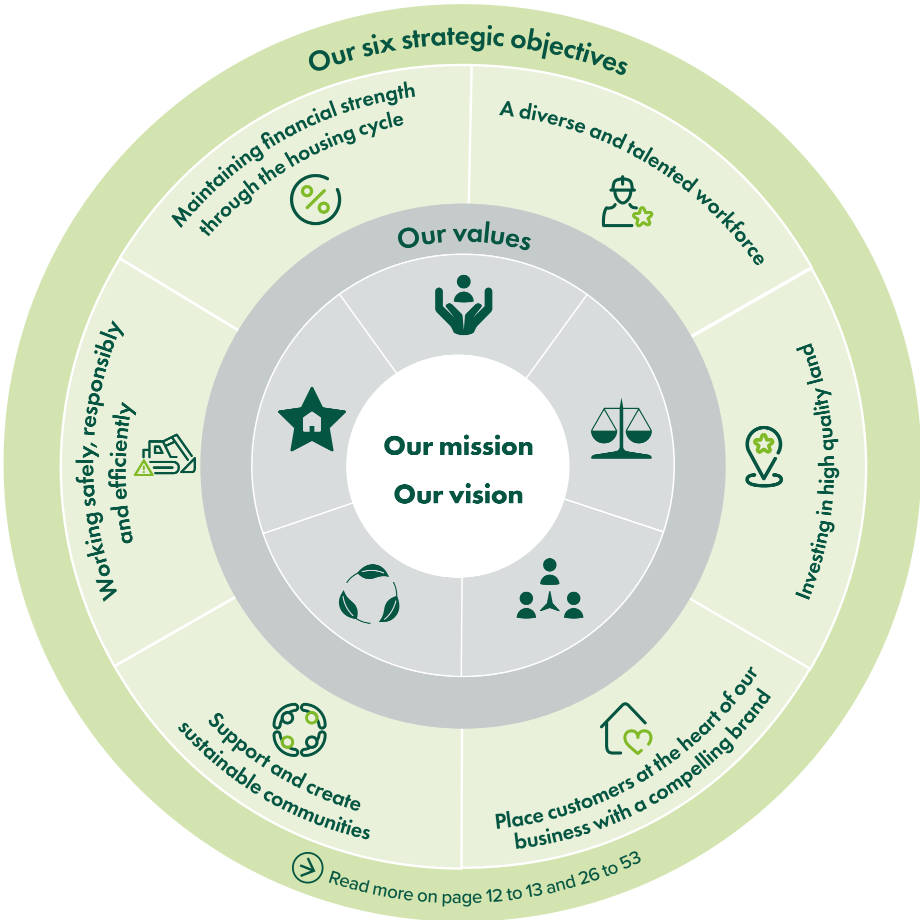
WE DELIVER OUR MISSION THROUGH OUR SIX STRATEGIC OBJECTIVES. OUR VALUES UNDERPIN OUR BEHAVIOUR AND CULTURE.

Our mission

To build homes with quality our customers can rely on at a price they can afford.

Our vision

To be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build.



UNDERPINNED BY OUR SUSTAINABILITY PILLARS

Building for tomorrow

We will achieve net zero carbon homes in use and in our operations, supported by carbon reduction commitments, aligned to climate science.

Our unique expertise, relationships, vertical integration and culture make us a driving force in the housebuilding industry.

Our values

Customer focused
They are our priority and we aim to build consistently high quality homes in communities people love to live. We will earn customers' trust by treating them fairly and with integrity.

Value driven
We will deliver the best value, high quality homes to our customers by encouraging entrepreneurship, innovation and cost-efficiency to drive industry-leading performance and competitive and sustainable returns for shareholders.

Team work
We are one team, working in an open and collaborative manner to deliver for customers and communities. We embrace diversity and new ideas and will develop the careers and reward the talents of colleagues.

Social impact
We build homes for the future in sustainable communities. We uphold the highest safety standards and leave a legacy that delivers economic, social and environmental value to the communities we build.

Excellence always
We strive to be excellent in all that we do. We relentlessly focus on providing the dream of homeownership to thousands of families by building the best value, high quality homes in the most cost-efficient manner, delivering for customers, communities and stakeholders alike.

CREATING VALUE FOR ALL OUR STAKEHOLDERS

Customers

Read more on page 26

Colleagues

Read more on page 32

Communities

Read more on page 46

Suppliers and contractors

Read more on pages 42 to 45

Government regulators

Read more on page 38

Shareholders

Read more on page 48

Transforming communities

We will positively transform communities directly connected to Persimmon's activities.

Safe and inclusive

We will create a safe and inclusive culture focused on the wellbeing of our customers, communities and workforce.

Chairman's statement

AN INDUSTRY LEADING PERFORMANCE WITH A WELL-EXECUTED STRATEGY

I am pleased to report that Persimmon has had a strong year. The Group has sold more homes and built them to a consistently higher standard, while improving both profit and underlying operating margin.

Revenue
£3.61bn
2020: £3.33bn

Dividend paid in the year
235p
2020: 110p

Underlying new housing operating margin[1]
28.0%
2020: 27.6%

Forward sales*
£2.21bn
2020: £2.27bn

Affordable homes[2]
2,759
2020: 2,433

1. Stated on new housing revenue of £3,449.7m (2020: £3,129.5m) and underlying profit from operations of £966.7m (2020: £862.8m) stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment of £6.2m (2020: £4.3m). The Group's operating margin is 26.6% (2020: 23.5%) based on revenue of £3,610.5m (2020: £3,328.2m) and profit from operations of £960.5m (2020: £783.5m).
2. Homes provided to our housing association partners and Discounted Open Market Value homes.

* As at 1 March 2022 (2020 figure as at 2 March 2021).

Introduction

I am pleased to report that Persimmon has had a strong year. The Group has sold more homes and built them to a consistently higher standard, while improving both profit and underlying operating margin. In combining improvements in quality, customer service and financial performance we are making the broader progress we set as our objective.

Since I joined as Chairman I have been clear that there were areas for improvement in customer care and build quality especially. Dean Finch's appointment around 18 months ago recognised the need to drive both our industry-leading financial performance and enhance our capabilities in key areas to sustain our success. I am therefore delighted to note that throughout the year we have been consistently trending above five-star on the Home Builders Federation (HBF) customer satisfaction score[1] and anticipate our first ever annual five-star award will be confirmed in the coming weeks.

This is a tangible demonstration of our progress but there is of course further to go to sustain and improve on it. This remains the clear focus of the Board and the senior management team.

Trading

The UK housing market remains supportive, with strong customer demand, good mortgage availability and low interest rates. The Group saw an increase in legal completions of nearly 1,000 homes to 14,551 last year (2020: 13,575). Average private sales rates per site were around 9% ahead of 2020 and around 22% ahead of 2019. Group total revenue increased by 8% to £3.61bn (2020: £3.33bn). Our continued disciplined cost control, combined with a positive pricing environment, drove underlying operating margin[2] up to 28.0% (2020: 27.6%) and our underlying pre-tax profit[3] increased to £973.0m (2020: £863.1m). Cash generation remains strong at £762.1m (pre-capital return).

This is a pleasing performance and a credit to our highly experienced and agile teams right across our business. They have expertly managed the challenges presented by the pandemic, material and labour shortages, and cost inflation, to achieve it.

We have increased our land investment, bringing in over 20,750 plots into the business, whilst maintaining our industry-leading margins. This strengthens our platform for future growth.

Over a year ago, in February 2021 we announced our industry-leading commitment to protect leaseholders from having to pay towards cladding removal or fire related safety issues on any building we constructed and set aside £75m to fund this. Whilst accounting for less than one percent of high rise buildings constructed we wanted to protect our customers and remove uncertainty for them. With 33 developments identified, including four where successful EWS1 forms have now been secured, we are already showing leadership and protecting leaseholders and will continue to engage positively with government.

Persimmon was also the first major developer to agree voluntary undertakings with the Competition and Markets Authority ("CMA") in respect of leaseholds, extending our existing schemes to offer leaseholders an even greater discount on the purchase of their freeholds. We were also delighted to become a Living Wage Foundation accredited employer and have our carbon targets accredited by the blue ribbon Science Based Target initiative during the year.

"The Group has sold more homes and built them to a consistently higher standard, while improving both profit and underlying operating margin. In combining improvements in quality, customer service and financial performance we are making the broader progress we set as our objective."

ROGER DEVLIN
Chairman

Long term strategy and Capital Return Programme

Persimmon has delivered an industry-leading performance over many years with a well-executed strategy which recognises the cyclical nature of the housing market. Over the last 20 years, the Group's average return on capital has been c. 23% reflecting the Group's long-term performance. With an experienced management team, the Group's strong positioning in its markets, reflected in robust forward sales of £2.21bn, and our high quality land holdings, we are determined to sustain this for many years to come by delivering on the five key priorities Dean Finch, our Group Chief Executive, sets out in his statement. We are investing in our platform for future growth, whilst maintaining our disciplined strategy around land investment, improving the Group's operational efficiencies and placing our customers at the heart of our business.

The Board continues to consider that, under normal circumstances, cash holdings of c. £700m are appropriate for the business, providing the right balance between ensuring appropriate liquidity levels are maintained to cover the Group's annual working capital requirements and providing sufficient funds to take advantage of attractive investment opportunities. This cash retention policy demonstrates that we intend to continue to exercise caution through the cycle.

The Board remains committed to its well-established strategy of returning capital that is surplus to the needs of the business to its shareholders. Having assessed and concluded on the availability of surplus capital for 2021, the Board is pleased to re-iterate its intention to return 235p per share in 2022. The first payment of 125p per share will be made on 1 April 2022 (rather than July 2022 as was originally indicated) to shareholders on the register on 11 March 2022 as an interim dividend. The second payment of 110p per share will be made in July 2022 (rather than March 2022 as was originally indicated), subject to continuous assessment in line with our strategy.

Board changes

Mike Killoran retired as Group Finance Director in January 2022 after more than 25 years with Persimmon. Mike has played a key part in Persimmon's success and he leaves with our thanks and best wishes. I am delighted that we have appointed Jason Windsor as Chief Financial Officer and we expect him to join us in the summer.

The Board also welcomed Shirine Khoury-Haq who joined as a Non-Executive Director during the year. Rachel Kentleton decided to stand down from the Board during the year given other commitments and the Board thanks her for her contribution.

In what was again a very difficult year operationally, the Board would like to thank our colleagues, sub-contractors and suppliers for their hard work and determination to deliver for our customers.

Roger Devlin
Chairman
1 March 2022

1. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
2. Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
3. Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2020: £783.8m).

The UK housing market

OUR MARKETPLACE

The housing market has performed well throughout the year, with strong demand for our high quality homes across each of our regions around the UK.

Private weekly sales rate

+9%

year on year

New homes per year

300,000

The Government's target to tackle the long-term housing crisis

Mortgage approvals

c.952,600

approved in 2021

Through 2021, the UK housing market has performed well. Strong demand throughout the year has been supported by: low interest rates, good levels of mortgage availability, government support measures and changing customer preferences brought about by flexible working and the 'search for space'. Early indications are that 2022 will continue to benefit from this supportive market backdrop. The Zoopla Price Index for January, for example, showed a c.50% rise in demand for homes in the first few weeks of 2022.

The Group has experienced strong sales rates and enquiry levels throughout the year, the Group's average private weekly sales rate was c.9% higher year on year and c.22% ahead of 2019. 2021 saw a number of challenges including rising cost inflation and supply chain restrictions. The Group's experienced management team, high quality land holdings and vertical integration through its Brickworks, Tileworks and Space4 manufacturing facilities provided a strong financial and strategic platform to continue to deliver high quality homes at affordable prices. This together with increasing average selling prices lead to the Group continuing to deliver industry-leading margins.

Market backdrop

HOUSING SUPPLY

A substantial shortage of homes is still evident in the UK, with an estimated shortfall of 1.26 million homes in England since 2010. The Government's ambition to deliver 300,000 new homes per year in order to tackle the long-term housing crisis in the UK remains. The Group has continued to play its part in addressing this need, delivering 14,551 homes in 2021 (including 2,533 homes to our housing association partners) and 141,156 homes over the last 10 years. Due to its strong liquidity, high quality land holdings in desirable areas and strong network of sites across the UK, the Group remains in a healthy position to continuously deliver a high number of quality homes throughout the UK at a range of competitive prices.

Group average private selling price

£259,231

2020: £250,897

MORTGAGE AVAILABILITY AND AFFORDABILITY

Mortgage availability strengthened throughout 2021, with gross overall lending reaching record levels of £316bn. Strong demand for homes and record low interest rates led to increased affordability and availability within the mortgage market. The number of high percentage loan to value ratio mortgages also increased in 2021. The full stamp duty holiday remained in place until June, with an additional extension on properties bought up to £250,000 until September. The Bank of England recorded c.952,600 mortgage approvals in 2021, an increase of 16.4% from c.818,500 in 2020.

The Group occupies a strong position within the UK housing market, providing a range of house types at attractive prices, enabling its customers to benefit from the security of owning their own home. The Group provides quality homes for all, with an average private selling price of £259,231, which is over 20% below the UK national average[1]. In addition, c.50% of private sales went to first time buyers.

The current Help to Buy: Equity Loan scheme, whereby the government lends first time homebuyers up to 20% (40% in London) of the cost of a newly-built home, is available until 31 March 2023. Deposit Unlock, a scheme devised in collaboration with lenders and the housebuilding industry, enables buyers to purchase a new-build home with just a 5% deposit. Given the demand for home ownership within the UK, Persimmon is well placed to continue to provide homes for its customers given its range of house types and price points.

1. Rolling 12 month national average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.

SKILLED LABOUR

Rising material prices and a shrinking skilled labour force continue to impact the construction industry. The Group continues its investment in new talent, with over 650 trainees and apprentices across the business. Space4, the Group's timber frame manufacturing facility, supports increased site production and efficiencies by reducing the time to build the 'superstructure' of a new home by almost two thirds whilst easing the reliance on site of some of the traditional construction skills (e.g. bricklaying).

Trainees and apprentices

over 650

2020: c.680

Low Carbon Homes Steering Group
(See page 42 for more details)

PLANNING AND REGULATION

The Government remains committed to its target of supplying 300,000 new homes per year across the UK and continues to support the industry with reforms aimed at streamlining the planning process. In July 2021, the National Planning Policy Framework was revised with major updates aimed at providing sustainable developments, improving biodiversity and improving design quality. The Environmental Act published in November 2021, states that biodiversity gain is to be a condition of planning permission in England. The Group is supportive of all these objectives and well placed to continue delivering sustainable and attractive developments through our Group master-planning team. The time taken to achieve planning consents is increasing as Local Authority planning teams are experiencing resourcing issues. We welcome initiatives aimed at increasing the efficiency of this system.

Amendments to Part L of the Buildings Regulations require a c.30% improvement in the efficiency of a new home. As a result of this change in regulation, new homes will have improved insulation, ventilation, more efficient boilers and some may have solar panels. The Future Homes Standard, which is likely to be implemented in 2025, requires a c.80% improvement in the efficiency of a new home, for example new homes will no longer have gas fired boilers. In addition, the Government released its 'Net Zero Strategy: Build Back Greener' policy in October 2021, outlining its strategy for greener construction methods with the aim of becoming Net Carbon Zero by 2050, including an increase in timber frame construction. The Group strongly supports these initiatives and is already heavily involved in the research and implementation of greener building methods through our Low Carbon Homes steering group.

Our business model

HOW WE CREATE SUSTAINABLE VALUE FOR ALL OF OUR STAKEHOLDERS

The Group's established strategy, which recognises the cyclical nature of the housing market by maintaining financial flexibility and deploying capital at the appropriate time in the cycle, provides a high quality foundation to secure superior, sustainable returns for all stakeholders.

THE RESOURCES WE NEED

High quality land holdings

Read more on pages 38 to 39

A diverse and talented workforce

Read more on pages 32 to 37

Good relationships with our local communities

Read more on pages 46 to 47

Well-established relationships with our supply chain and wider workforce

Read more on pages 42 to 45

Good relationships with local government

Read more on page 39

Financial strength

Read more on pages 48 to 49

WHAT WE DO

Identify areas of housing need

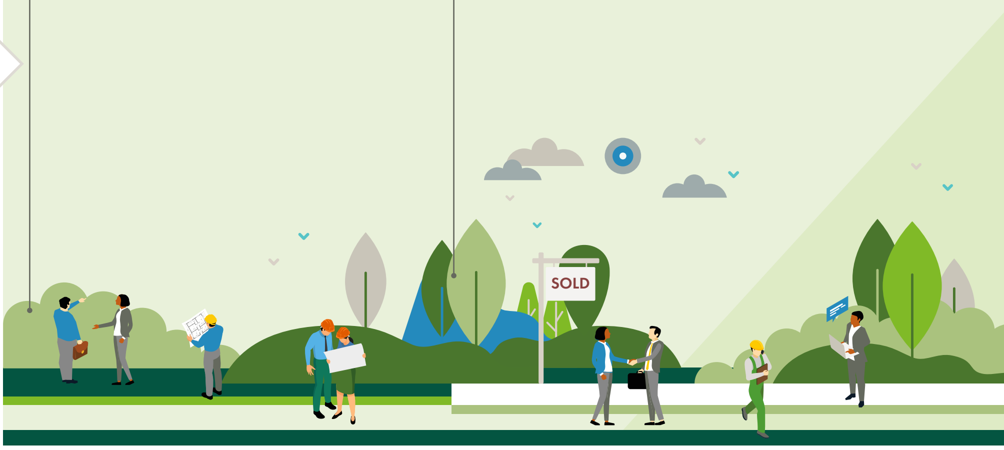
We have skilled land, planning and design teams who have a good knowledge of their local communities' needs. Our teams work closely with local government, landowners and their communities to identify and plan developments in areas where people want to live and work.

Link to strategy

Execute disciplined land investment

The Group has high quality land holdings providing it with continuity of supply, a geographically diverse network of upcoming and current developments and the flexibility to invest only when it is the right time in the cycle and when the investment meets the Group's strict criteria. The Group prioritises strategic land investment to secure options on areas of land which will give a stronger return on investment in the future.

Link to strategy



THE SUSTAINABLE VALUE WE CREATE

New homes delivered

14,551

2,533 delivered to housing associations

'Homes for all'

over 20%

our private average selling price is over 20% lower than the UK national average*

Employment

5,121

people directly employed on average in 2021

Financial strength

£3.63bn

balance sheet net assets at 31 December 2021

* National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.

Our business model facilitates this strategy and creates long-term returns for all of our stakeholders. The Group's financial resilience has been generated by its ability to invest in land opportunities, work in progress and operations at the right time in the cycle and only when the relevant investment meets the Group's stringent criteria. This well judged investment provides the business with the solid foundations required to navigate through uncertain times for the benefit of all of our stakeholders.

Build quality and material supplies

The Group owns Space4 (a timber frame, wall panel and roof cassette manufacturing facility) and has built its own Brickworks and Tileworks facilities. This vertical integration provides security of supply and quality of key materials. This is supported by Group and local buying teams who secure the best deals on other material requirements. The Persimmon Way is also making a real difference to improving build quality across the Group.

Link to strategy

Create sustainable communities

The Group's highly experienced planning and design teams aim to design developments with open space and the right balance of house types to meet local communities' needs. The Group has well designed core house types which provide a range of affordably priced homes meeting the lifestyle needs of our customers from first time buyers to larger family homes.

Link to strategy

Deliver high levels of customer service

The Group has dedicated sales advisers and customer care teams to look after our customers throughout their home buying journey. We have invested significantly in increased training and improved communication for our customers and have seen continued progress in our HBF 8 week customer survey score.

Link to strategy

Investing in communities

c.2.6bn

over the last six years

HBF score

92.0%

HBF survey – percentage of customers who would recommend Persimmon to a friend

Surplus capital returned to shareholders

£749.6m

in the year to 31 December 2021

Jobs supported**

c.92,000

construction and supply chain jobs

** Estimated using an economic toolkit.

Our strategic objectives and five key priorities

PLACING CUSTOMERS AT THE HEART OF OUR BUSINESS

Our strategic objectives

Place customers at the heart of our business with a compelling brand

- Build right, first time, every time – consistently deliver high quality homes to our customers in places where they wish to live and work
- Continue to put our customers and quality before volume
- Invest in new technologies to enhance customer service
- Provide affordable new homes to our housing association partners

A diverse and talented workforce

- Continue to invest in the development and training of our workforce and ensure talent is recognised, nurtured and supported
- Provide exceptional career opportunities to all colleagues
- Encourage our workforce to live our values through training and reward schemes
- Increase the diversity of our workforce, enriching our culture and enhancing our skills base
- Address the labour skills shortage across the industry through investment in training and apprenticeships

Investing in high quality land

- Identify and fulfil the needs of local communities and Local Planning Authorities through our on market and strategic planning and land acquisition processes
- Deliver sustainable high quality land holdings with industry-leading embedded margins, providing a robust platform for disciplined growth
- Deliver our strategic land holdings for development

How we measure

Place customers at the heart of our business with a compelling brand

- 92.0%[1] of customers that have moved into their new home say they would recommend Persimmon to a friend
- The Persimmon Way is fully operational across the business
- The number of Independent Quality Controllers (IQCs) across the Group has almost doubled since the start of the year

A diverse and talented workforce

- Over 650 trainees and apprentices across the business
- c.13,200 training days delivered
- 28% females on our senior executive management team and direct reports
- c.90% of our Site Managers now hold a relevant NVQ qualification

Investing in high quality land

- Owned and controlled land holdings of 88,043 as at 31 December 2021
- Brought over 20,750 plots into the business across 101 sites, representing 143% of current consumption levels
- Underlying new housing gross margin of 31.4%[2] delivered during 2021 reflecting the quality of the Group's land holdings

How these support our five key priorities

Read more on our Group Chief Executive's review on page 20

Place customers at the heart of our business with a compelling brand

1 BUILD QUALITY
2 REINFORCE TRUST IN THE BRAND
3 GROWTH

A diverse and talented workforce

1 BUILD QUALITY
2 REINFORCE TRUST IN THE BRAND
3 GROWTH

Investing in high quality land

3 GROWTH
4 SUSTAINABLE COMMUNITIES
5 INDUSTRY-LEADING FINANCIAL PERFORMANCE

1. The Group participates in a National New Homes Survey, run by the HBF. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.
2. Based on new housing revenue (2021: £3,449.7m).

Our strategic objectives

Working safely, responsibly and efficiently

Maintain excellent health and safety standards across each of our sites and in our off-site manufacturing facilities

Minimise our environmental impact

Strengthen and invest in our off-site manufacturing facilities, improving efficiencies, increasing security of supply and improving the sustainability of our new homes

Continue to embed sustainability considerations into our core operations

Support and create sustainable communities

Create attractive neighbourhoods with high amenity value in places where people wish to live and work

Provide a range of house types, widening the opportunity of home ownership whilst creating attractive neighbourhoods for people to enjoy

Play an active role in supporting our local communities

Deliver FibreNest, the Group's ultrafast, full fibre broadband service to our customers, providing an increasingly important service which families rely on to support their efforts to work from home and to access essential services online

Maintaining financial strength through the housing cycle

Maintain a resilient balance sheet and financial flexibility through the cycle sustaining continued investment and future returns

Invest in appropriate levels of working capital and land replacement opportunities

Maintain discipline over the appropriate level of capital employed within the business through the housing cycle

Identify capital that is surplus to the operational needs of the business and distribute to shareholders

How we measure

Working safely, responsibly and efficiently

Annual injury incidence rate of 2.5 per 1,000 workers

5,865 pro-active site inspections

GHG emissions of 1.80 tonnes CO_2e per home sold (market based)

Support and create sustainable communities

Our average private selling price of £259,231 is over 20%[1] below the UK national average

Approximately 50% of our private home completions for the year have been to first time buyers

£490m[2] invested in our local communities in 2021

c.92,000[3] construction and supply chain jobs supported

FibreNest currently supports c.21,000 customers over 270 sites

Maintaining financial strength through the housing cycle

High quality land holdings with industry-leading embedded margins

Strong levels of liquidity with a cash balance of £1,246.6m at 31 December 2021 and deferred land creditors of £407.6m

Total dividend payment of 235p per share paid during 2021 in respect of the 2020 financial year

Return on average capital employed of 35.8%[4]

How these support our five key priorities

Read more on our Group Chief Executive's review on page 20

Working safely, responsibly and efficiently

1 BUILD QUALITY

4 SUSTAINABLE COMMUNITIES

Support and create sustainable communities

4 SUSTAINABLE COMMUNITIES

Maintaining financial strength through the housing cycle

5 INDUSTRY-LEADING FINANCIAL PERFORMANCE

1. Rolling 12 month national average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
2. The value of homes delivered to our housing association partners, the value of Discounted Open Market Value Housing plus the value of planning contributions we have made.
3. Estimated using an economic toolkit.
4. 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before goodwill impairment of £6.2m.

Our Key Performance Indicators (KPIs)

HOW WE PERFORMED

Financial KPIs

Revenue measures

Strength of housing revenue is an important measure of the success of our strategy. Our range of house types and emphasis on traditional housing puts us in a strong position in our markets.

New housing revenue (£m)

+10%

2021	3,449.7
2020	3,129.5
2019	3,420.1
2018	3,545.8
2017	3,422.3

Link to strategy

Forward sales at 31 December (£m)

-4%

2021	1,623.8
2020	1,689.2
2019	1,356.5
2018	1,397.2
2017	1,356.1

Link to strategy

Profit measures

We have a strong track record of delivering industry-leading returns. Our disciplined land replacement processes, cost management and efficiency programmes aim to generate superior returns which provides a platform for further investment in the Group's resources to support our future growth.

Underlying new housing operating margin (%)[1]

+1%

2021	28.0
2020	27.6
2019	30.3
2018	30.8
2017	28.2

Link to strategy

Underlying profit before tax (£m)[2]

+13%

2021	973.0
2020	863.1
2019	1,048.1
2018	1,100.0
2017	977.1

Link to strategy

1. Stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). After legacy buildings provision and goodwill impairment the figures are as follows: Housing operating margin: 27.8% (2020: 25.0%; 2019: 30.1%; 2018: 30.5%; 2017: 27.9%).
2. Stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). After legacy buildings provision and goodwill impairment the figures are as follows: Profit before tax: £966.8m (2020: £783.8m; 2019: £1,040.8m; 2018: £1,090.8m; 2017: £966.1m).

Financial KPIs

Cash and cash flow measures

Cash and free cash generation are used to measure balance sheet strength and liquidity. Ensuring we have an appropriate capital structure to support our business through the cycle is key to our success.

Free cash generation (£m)[1]

+2%

2021	766.6
2020	748.8
2019	608.0
2018	686.0
2017	806.3

Link to strategy

Cash (£m)

+1%

2021	1,246.6
2020	1,234.1
2019	843.9
2018	1,048.1
2017	1,302.7

Link to strategy

Return measures

A combination of higher operating profitability and capital discipline will deliver higher levels of return on invested capital. We will continue our disciplined approach to working capital management to meet market demand.

Return on average capital employed (%)[2]

+22%

2021	35.8
2020	29.4
2019	37.0
2018	41.3
2017	40.3

Link to strategy

Net assets per share (pence)

+3%

2021	1,135.7
2020	1,102.7
2019	1,021.7
2018	1,006.0
2017	1,036.6

Link to strategy

1. Free cash generation is defined as net cash flow before financing activities and before £nil of employers' National Insurance contribution payments in respect of share-based payments (2020: £0.7m; 2019: £13.9m; 2018: £46.7m; 2017: £nil).
2. 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Capital employed is the Group's net assets less cash and cash equivalents plus land payables. After legacy buildings provision and goodwill impairment the figures are as follows: Return on average capital employed: 35.6% (2020: 26.7%; 2019: 36.7%; 2018: 41.0%; 2017: 39.8%).

Our Key Performance Indicators (KPIs)

How we performed continued

Non-financial KPIs

Linkage to remuneration on pages 108 to 128

Place customers at the heart of our business with a compelling brand

Customer Survey

The Group participates in a National New Homes Survey, run by the Home Builders Federation. The customer satisfaction rating system is based on the number of customers who would recommend their builder to a friend. The build quality score is based on how satisfied customers are with the quality of their new home.

Customer satisfaction score

2021	92.0
2020	89.7
2019	83.7
2018	78.9
2017	79.1

Quality

2021	87.9
2020	84.7
2019	79.2
2018	77.6
2017	78.3

Invest in high quality land

Land holdings

The Group's high quality land holdings with industry-leading embedded margins are a key strength of the business.

Plots

2021	88,043
2020	84,174
2019	93,246
2018	99,088
2017	98,445

Working safely, responsibly and efficiently

Construction work related incidents

Our priority is the health and safety of our workforce, visitors and home owners on our sites. We regularly monitor and review our performance based on our accident rate of RIDDORs reported per 1,000 workers in our house building operations (including, where relevant, those reported by our contractors).

Number

2021	4.0
2020	3.4
2019	3.8
2018	3.2
2017	3.6

Percentage of waste recycled

To monitor and improve our operational and environmental efficiency, we collect data on the amount of waste we generate and recycle for each home we sell.

Percentage recycled

2021	94%
2020	96%
2019	97%
2018	96%
2017	92%

OUR SUSTAINABILITY PILLARS

Sustainability pillars and targets

Building for tomorrow

We will achieve net zero carbon homes in use and in our operations, supported by carbon reduction commitments, aligned to climate science.

Transforming communities

We will positively transform communities directly connected to Persimmon's activities.

Safe and inclusive

We have a safe and inclusive culture focused on the wellbeing of our customers, communities and workforce.

Link to strategy

Key targets and achievements

Building for tomorrow

We have set science-based carbon reduction targets for our operations and our indirect emissions (i.e. our homes in use and our supply chain, see page 42 for more detail).

Our targets have been accredited by the Science Based Target initiative.

We aim to be net zero for our homes in use by 2030 and in our operations by 2040 (see page 42).

We aim to have 50% of our homes built using timber frames from our off-site manufacturing facilities by 2025.

Transforming communities

Our current customer satisfaction score is 92.0%. We believe we will achieve a five-star rating when the HBF's annual results are published in March 2022.

From 2022, we will be proactive to ensure compliance with 10% Biodiversity Net Gain when it is expected to be introduced during 2023.

In 2021 we reduced our NHBC Reportable Incidents by 17%.

In 2022 we are targeting to further improve our NHBC Reportable Incidents by 18%.

Safe and inclusive

We will report our Annual Injury Incidence Rate and will aim to improve it year on year.

Aim to have females composing: 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025.

The Group became a Living Wage Foundation accredited employer during 2021.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES

The Group has chosen to continue to report in line with the HOME BUILDERS Sustainability Accounting Standard, where possible, to aid comparability and transparency.

SASB was founded in 2011 as a not-for-profit, independent standards setting organisation to assist companies in disclosing financially material, decision-useful sustainability information to investors. It is a US standard, therefore where possible, the UK equivalent has been provided as an alternative measure. In addition, we have provided additional metrics where we believe they will provide further information regarding a specific sustainability topic.

Sustainability Disclosure Topics and Accounting Metrics

Activity metric	Code	Category	Unit of measure	Data
Number of owned and controlled plots	IF-HB-000.A	Quantitative	Number	88,043
Number of homes delivered	IF-HB-000.B	Quantitative	Number	14,551
Number of active selling communities	IF-HB-000.C	Quantitative	Number	c.290

Topic	Accounting metric	2021 data	SASB code
Land use and ecological impacts	Number of (1) plots and (2) homes delivered on redevelopment sites	(1) 21,070 plots (2020: 21,979 plots) (2) 3,504 homes (2020: 3,414 homes)	IF-HB-160a.1
	Number of (1) plots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress.	(1) 2,058 plots (2020: 2,842 plots) (2) 633 homes (2020: 598 homes)	IF-HB-160a.2
	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations.	There have been no material instances of monetary losses as a result of legal proceedings associated with the environment.	IF-HB-160a.4
	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	The Group performs a 'Planning and Environmental Risk Assessment' for each potential site identified covering matters including contaminated land, water contamination and biodiversity impacts. This assessment is used to plan and design the site and put in place appropriate measures to mitigate adverse environmental impacts. The Group's technical and construction teams are involved in site planning and development from an early stage in the planning process through 'land technical team meetings' and 'pre-start meetings' to discuss progressing the scheme and ensure the environmental conditions are effectively implemented on site.	
	Public open spaces and gardens provided for families*	662 acres (2020: 635 acres)	
Workforce Health and Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	(1) (a) Annual Injury Incidence Rate of 2.5 per 1,000 workers (2020: 1.7 per 1,000 workers) (reported in line with UK Health and Safety Executive (HSE) methodology). (2) (a) 0, (b) 0	IF-HB-320a.1
	Construction work related incidents per 1,000 workers	4 (2020: 3.4)	
	Health and safety training days delivered	915 days (2020: 1,028 days)	

Topic	Accounting metric	2021 data	SASB code
Design for resource efficiency	Average energy efficiency score of our new homes (SAP rating)**	87 (2020: 86)	IF-HB-410a.1
	Percentage of installed water fixtures certified to WaterSense® specifications	This is a program sponsored by the US Environmental Protection Agency and as such, not specifically relevant to Persimmon. For information on the efficiency of our homes, please see page 42.	IF-HB-410a.2
	Number of homes delivered certified to a third party multi-attribute green building standard	Note that there are no equivalent multi attribute green building standards in the UK.	IF-HB-410a.3
	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	All of our homes are designed to achieve high levels of energy efficiency, see page 42 for more details.	IF-HB-410a.4
Climate change adaptation	Description of how proximity and access to infrastructure, services, and economic centres affect site selection and development decisions	When selecting sites for development, Persimmon's objective is to develop natural extensions to existing communities that have the least environmental impact. As such, proximity to existing infrastructure and local amenities such as schools, shops and towns is a key consideration for the Group's land, planning and design teams when identifying potential sites.	IF-HB-410b.1
	Number of (1) plots and (2) homes delivered on infill sites	(1) 60,108 plots (2020: 60,205 plots) (2) 11,140 homes (2020: 9,819 homes)	IF-HB-410b.2
	(1) Number of homes delivered in compact developments and (2) average density	(1) 7,621 homes (2020: 6,644 homes) (2) 18 plots per net developable acre (2020: 17)	IF-HB-410b.3
	First occupation expenditure – customers' expenditure on furnishing and decorating their new home**	£80m (2020: £74m)	Additional information
	Residential expenditure – spending within local shops and services by residents of new homes delivered**	£433m (2020: £402m)	Additional information
	Number of plots located in 100-year flood zones	The Group does not build directly on 100-year flood zones. If any area within our sites fall into this category, it is not developed, in line with the planning requirements, which will have been agreed before land investment.	IF-HB-420a.1
	Percentage of sites with sustainable urban drainage systems	82% (2020: 78%)	Additional information
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Please see the Group's Task Force on Climate related Risk Disclosures (TCFD) on page 62.	IF-HB-420a.2

* Estimated using an economic toolkit.

** SASB requirement refers to a US regulation/standard. The UK equivalent has been provided as an alternative measure where possible.

Group Chief Executive's statement

BUILDING ON PERSIMMON'S STRENGTHS

Persimmon has performed very strongly in 2021. I am delighted that we have delivered nearly 1,000 more legal completions and generated a 40 basis point increase in the Group's underlying operating margin[1] year on year (2021: 28.0%, 2020: 27.6%) while further improving our five-star HBF 8 week customer satisfaction score to 92.0%[2].

We are preserving Persimmon's great strengths and continuing to deliver an industry-leading performance whilst making good progress in enhancing our build quality and customer service on a consistent basis.

Trading

The Group delivered 14,551 new homes in 2021 (2020: 13,575) underpinned by a supportive housing market. Total Group revenues were £3.61bn, an 8% increase year on year (2020: £3.33bn). Our new housing revenues increased to £3.45bn in 2021 from £3.13bn in the prior year.

Demand was strong throughout 2021: the Group's average private sales rate per site was c.9% ahead of 2020 and c.22% ahead of 2019 reflecting Persimmon's positive positioning within a healthy housing market. This backdrop has supported positive pricing conditions with increased average selling prices for private sales seen across each of our regions. Our average selling price increased by 2.8% to £237,078 (2020: £230,534) reflecting a combination of the mix of homes sold in the year and the increased proportion of homes sold to our housing association partners. The Group's private average selling price increased by 3.3% to £259,231 (2020: £250,897) reflecting the mix of developments and house types sold in the year.

Our build rates were maintained at pre-Covid levels throughout 2021 as our highly experienced and responsive management teams navigated through the challenges posed by the pandemic and the supply chain restrictions experienced.

Our vertical integration, through our own Brickworks, Tileworks and Space4 timber frame manufacturing facilities were key in providing the business with security of supply of essential materials. In addition, using timber frames in our build improves on-site efficiencies and reduces our reliance on constrained skills.

The Group continues to deliver industry-leading margins, a key strength I am determined to build on. Our rigorous cost control helped mitigate material and labour cost inflation, while a disciplined approach to pricing helped more than offset its impact. Underlying operating margin[1] increased to 28.0% (2020: 27.6%), reflecting a benefit from the mix of legal completions achieved in the second half of the year.

Underlying profit before tax[3] grew to £973.0m (2020: £863.1m) and our cash generation to £762.1m (pre-capital return) (2020: £740.9m). The Group's profit before tax increased to £966.8m (2020: £783.8m).

Our increased investment in land opportunities is strengthening our platform for disciplined future growth, with over 20,750 plots brought into the business during the year, at a replacement rate of 143% of current consumption levels. Further, these opportunities were secured with attractive embedded margins, enabling Persimmon to continue to deliver leading financial performance. With this strong pipeline we will increase our UK-wide outlet position providing an excellent platform for the Group's future disciplined growth.

"We are preserving Persimmon's great strengths and continuing to deliver an industry-leading performance whilst making good progress in enhancing our build quality and customer service on a consistent basis."

DEAN FINCH
Group Chief Executive

This strong performance was delivered whilst continuing to make good progress in bringing our customers into the heart of our business, putting them before volume, and taking important steps in recognising our role as a responsible developer. We were one of the first developers to give leaseholders a commitment they would not have to pay to remove cladding; led the industry in agreeing voluntary undertakings with the CMA on leaseholders purchasing their freeholds; and, became a Living Wage Foundation accredited employer. A new Mission, Vision and Values has been launched clearly setting out our ambitions and ways of working as a business.

Persimmon has a unique balance of strengths and skill-sets:

- Our market positioning, with an average private selling price that is over 20%[4] lower than the UK national average together with our role in developing communities in places where people wish to live and work, uniquely positions us to widen the opportunity of home ownership to our customers;
- Our high quality land holdings with industry-leading embedded margins – the Group increased its owned and under control land holdings to 88,043 plots at 31 December 2021 supporting our UK-wide outlet network and providing a strong platform for disciplined growth;
- Our strong and experienced management teams, a large number of whom have been with the business for many years;
- Our focus on all aspects of operational efficiency and relentless pursuit of build cost efficiencies, including our disciplined approach to land buying, our carefully designed standardised house type range, rigorous master planning and market mix analysis;
- Our innovation and entrepreneurship resulting in us establishing, for example, our own vertical integration capabilities, with our Brickworks and Tileworks manufacturing facilities that provide us with security of supply and our Space4 timber frame manufacturing facility that reduces our reliance on constrained skills and increases on-site efficiencies. In addition, FibreNest, our ultrafast full fibre to the home broadband service, provides our customers with connection from the point they move into their new home.

At every stage of the process we have teams diligently focused on maximising value for customers and our business alike.

Placing customers at the heart of our business and our continuing pursuit of improvements in build quality and customer service is further strengthening our position. Our high quality land holdings, effective operational management and diverse network of sites across the UK provide an excellent platform to help deliver the homes that the country needs. Our focus on our five key priorities for the business will further enhance Persimmon's strengths and continue to drive real improvements across the Group, sustaining our industry-leading financial performance.

Delivery against our five key priorities

In short, during the year we delivered more homes, built better and strengthened our platform for future growth. As our results demonstrate, the five key priorities I set out last year are driving important progress, building on Persimmon's great strengths and enhancing our focus in certain key areas. These five key priorities will underpin and sustain our future success:

- **Build quality:** our ambition is to build right, first time, every time;
- **Reinforce trust in the brand:** we will be consistently trusted to deliver a home to be proud of and a builder customers would readily recommend to others;
- **Disciplined growth:** through our improvements in build quality and increased focus on customer care we will be strengthening our capability to deliver more five-star homes to meet the strong demand;
- **Maintaining an industry-leading financial performance:** sustaining our strong margins and returns and driving healthy profit and cash generation;
- **Sustainable communities:** we will play a full and active role in the imperative of achieving a net zero carbon economy, as well as setting new biodiversity and sustainable community targets.

1. Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
2. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
3. Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2020: £783.8m).
4. National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £259,231.

Group Chief Executive's statement
Building on persimmon's strengths continued

HBF 8 week survey[6] build quality score improved by

11%

over the last two survey years

Independent Quality Controllers

60

2020: 29

Quality
Our focus on build quality is summed up by our determination to build right, first time, every time – the mantra of our Persimmon Way construction excellence programme. As a responsible developer, we recognise the importance of delivering high quality homes to our customers and are aligned with government's aims of enhancing quality across the industry. We welcome the introduction of the New Homes Quality Board and our ambition to be an industry leader is demonstrated by the fact we are an early signatory to the New Homes Quality Code. The code is designed to drive build quality and customer service improvements across the industry, in line with Persimmon's renewed ambition.

Last year, I made build quality my first priority, as I want Persimmon to be known for outstanding service as well as outstanding value, further securing our strong market positioning and increasing the value of the homes we build. Improving build quality will also deliver further improvements in our build costs as we increase on-site efficiencies and reduce the cost of remediation.

We have made good progress. All warranty provider scores have significantly improved over the last two years, with NHBC Reportable Incidents[5] down over 33%. Our build quality score on the HBF 8 week survey[6] has improved by 11% over the last two survey years.

We have achieved this progress by strengthening our standards, training, oversight and reward structures. To take each in turn. A new build standards guide and more exacting build tolerances which are set above prevailing industry norms have been published under our Persimmon Way programme. These are being augmented by construction excellence seminars, led by the Group Construction Director and senior local leaders, to disseminate best practice. They are already proving very popular.

Our sub-contract tendering process has been revised to emphasise quality and customer service performance alongside cost efficiency considerations. We are also seeking to become one of the first Building a Safer Future Charter Champions, recognising our renewed level of ambition for build quality and safety.

We have strengthened oversight to enhance the assurance of consistent delivery. In the last year, we have more than doubled our team of Independent Quality Controllers (IQCs) from 29 to 60. We believe this is the largest independent team of inspectors in the industry. Each key stage of development must be independently verified as complete and at the required standard before further work can continue. Our commitment to independent oversight is also demonstrated by undertaking our first external audits of the Persimmon Way's implementation both across our sites and within each of our 31 operating businesses by a leading national quality inspection consultancy. Alongside this, we are investing further in digitised site inspection, including a site manager app that provides a clear record of quality sign off and accountability as well as prompting tasking and completion of any necessary work.

To reinforce this renewed focus, our senior management bonus scheme was restructured last year to incorporate build quality and customer service targets. In the current year, this approach is being extended across the organisation, including to our site management teams. We will shortly announce the first national winner of our Construction Excellence Awards, with 31 local and five divisional winners already recognised for their build quality standards. I was also delighted to see our first NHBC Pride in the Job Awards winners in two years, recognising excellent site management practice. I look forward to many more awards in the years to come.

Reinforcing trust
Focusing on consistently delivering quality is the foundation of our renewed approach. As I said last year, Persimmon is known for outstanding value; I want us to equally be known for outstanding quality and service. Our recent progress on our HBF 8 week customer satisfaction score is therefore welcome and encouraging. From closing the 2019/2020 survey year at 89.7%, we are reporting a score of 92.0%[2] for the 2020/2021 survey year. We believe, for the first time in Persimmon's history, we will achieve a five-star rating when the results are published shortly.

I am determined to build even further on this progress. To reinforce trust we will continue to seek further improvement to both our 8 week and 9 month scores. We continue to invest in training to embed the new priorities further. For example, we have rolled out a Persimmon Site Manager Essentials course and c.90% of our site managers have now gained an NVQ, up from 21% last January.

5. A Reportable Incident is an area of non-compliance with NHBC standards. The item is rectified fully before completion of the house.
6. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The build quality score is based on how satisfied customers are with the quality of their home.

"Acting as a responsible developer, over a year ago, we led the industry in making a commitment to leaseholders that they would not have to pay to remove any cladding or correct fire related safety issues on any buildings we constructed."

DEAN FINCH
Group Chief Executive

Our Persimmon Pathway provides tailored programmes for staff and in the last year over 21,000 hours of training was delivered by our in-house team alone. We were also the first homebuilder to offer sales advisors a route to professional accreditation through a partnership with the Institute of Sales Professionals.

FibreNest continues to be a real strength for the Group, with over 21,000 customers across more than 270 developments now connected to our national ultrafast broadband network. Created to address persistent customer frustration that established internet providers were not connecting their homes from the day they moved in, FibreNest has seen a sustained improvement in day one connection rates, so they averaged over 85% during 2021, with the start of 2022 showing a further notable improvement. Customers increasingly view broadband as a key utility and FibreNest's gigabit ready, ultrafast network is therefore an important part of our service. Indeed, last year FibreNest launched a new Wholesale Services division to encourage other retail service providers to use our network and meet our ambition of expanding customer choice.

Acting as a responsible developer, over a year ago, we led the industry in making a commitment to leaseholders that they would not have to pay to remove any cladding or correct fire related safety issues on any buildings we constructed. We created a £75m fund to pay for this work and set up a Special Projects Team to complete the programme as quickly as possible. This team wrote proactively to the Management Companies and owners of all potentially affected buildings going back 22 years and identified 33 developments where work is required. Of the 33 developments identified, 3 are below 11 metres, 16 are between 11m and 18m and 10 are taller than 18m. The remaining four developments have already secured successful EWS1 forms. We are working with Management Companies and building owners to help expedite their programmes to provide reassurance to leaseholders as soon as possible.

In response to the Government's request we have extended the search back to 30 years but do not expect the number to change materially. We will not claim from the Government's Building Safety Fund to complete the works on these buildings and will reimburse any funding already claimed by the Management Companies involved. We hope these actions will lead to us becoming a member of the government's new Building Industry Scheme and continue to engage in positive discussions with officials.

Disciplined growth

Alongside the focus on consistent delivery of quality and service, we are determined to drive disciplined growth in the business and sustain our industry-leading performance. We have highly experienced land and planning teams in our operating businesses with in depth knowledge of their local communities' needs. In combining this with expert design and place making skills we create communities that meet our customers' needs.

In the second half of 2021 we operated from an average of 285 outlets reflecting the high sales rates achieved and some planning delays experienced. We have clear visibility on our pipeline of new outlets and, subject to planning consents, are forecasting to open around 75 new outlets in the first half of 2022. We have had some success in gaining planning consents in the early part of this year, however, the process continues to move at a slow pace. We aim to continue to grow our UK-wide outlet network to c.320 building on this momentum through 2023 and beyond providing an excellent platform for disciplined growth.

In 2021 we invested £460m in land payments (including around £180m of deferred land creditor payments). We brought in over 20,750 plots across 101 sites into the business. This represents a land replacement rate of 143% compared to our current output level. I am delighted that we have achieved this while maintaining our industry-leading embedded margins. This investment is strengthening our platform for growth.

Group Chief Executive's statement

Building on persimmon's strengths continued

Industry-leading financial performance

We seek to combine our very strong platform of experienced and skilled teams and high quality land holdings with a focus on quality and re-enforcing trust in our brand to further enhance our industry-leading financial performance. I have set out above how the quality and build right, first time, every time focus helps here.

Our Space4, Brickworks and Tileworks factories have also proven crucial tools in both maintaining security and consistency of supply and securing build efficiencies, especially in a period of material and labour cost inflation. Through the bulk buying of raw materials and stable labour costs within our factories, we have been able to maintain a price advantage compared to the open market. Further, our use of Space4 timber frames in 33% of our homes built in the year, reduces our reliance on bricklayers, where labour shortages have been most pronounced.

These factories will play an increasingly crucial role in our security of supply, quality control and drive to secure cost-efficiencies. We are already looking to expand production – through increased shifts and product lines – across our Brickwork and Tilework factories. We anticipate increasing output at Brickworks by 25% and at Tileworks by over 50% this year. We also plan to start building a new Space4 factory in 2022, updating the technology and techniques to drive enhanced quality and further efficiency gains. We anticipate – for example – that the new factory's product will improve our speed of build by up to five days per house.

This focus on cost efficiency is demonstrated in our underlying operating margin[1], which grew to 28.0% (2020: 27.6%) and further progress on the Group's underlying return on average capital employed[7], increasing to 35.8% (2020: 29.4%).

The Group has generated net cash of £1,209.8m (2020: £1,066.8m) before capital returns of £749.6m and net land spend of £447.7m supporting investment in the future disciplined growth of the business and the sustainable delivery of our Capital Return Programme. The Board is pleased to re-iterate its intention to return 235p per share in 2022.

Sustainable communities

Persimmon is proud of the important role it plays in communities across the country. With our average selling price over 20%[4] lower than the industry average and the recent addition of smaller house types to our core product range, we are opening up the opportunity of homeownership to thousands of families who otherwise might not be able to achieve it. We provide well-paid, skilled employment across the country and have been reviewing our apprenticeship programmes to enhance our routes into employment for those who might otherwise either not consider or struggle to access construction jobs. A new innovative partnership with Bridgend College, where we have installed classroom facilities on one of our sites so the college can deliver courses to students directly, is a good example of our work in this area.

Our Community Champions and Building Futures programmes donated over £1.8m to local communities and good causes in 2021. Through our planning contributions we have paid £127m for new educational, medical and community facilities that benefit all local residents near our developments.

We recognise our important role in helping the UK achieve its climate change targets and ambitions. That is why we set stretching targets, accredited by the blue-ribbon Science Based Targets initiative. As part of a broader suite of commitments we have made pledges to have net zero carbon homes in use from 2030 and net zero operations from 2040. We have already taken action, switching all our offices and manufacturing facilities to 100% renewable energy last year. We have also introduced electric vehicle options into our car fleet and are investigating options to reduce our diesel use, including through alternative fuels trials for our construction plant and equipment.

Our new homes are already 30% more energy efficient than the second hand housing stock. We are determined to meet the demanding targets set for new build homes through the building regulations and Future Homes Standard in a cost efficient way and are running technology trials to assess options for innovation. On our Germany Beck site in York, our zero carbon home will shortly be welcoming its tenants who will live in the house as part of a joint project with the University of Salford to assess the effectiveness of its zero carbon technologies and build techniques and to discover what it is like to live in a zero carbon home.

Renewed focus and further opportunity

We have made important headway but I am determined to drive even further progress and have taken steps to achieve it.

We have recently launched our Mission, Vision and Values. They build on Persimmon's many strengths and our recent progress to strive even higher, to be Britain's leading homebuilder, with core values that demonstrate how we will achieve it. The new Mission, Vision and Values further embeds the five key priorities into how we operate as a business.

Our Mission is simple: to build homes with quality our customers can rely on at a price they can afford.

Our Vision is to be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build.

To achieve this we will live by our five core values: customer focused, value driven, team work, social impact and excellence always.

I am delighted that these values have been warmly embraced across the business and look forward to delivering on the ambition they set out.

7. 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).

Our experienced management teams

We have highly experienced management teams and are proud to provide our colleagues with rewarding career opportunities. We continue to build on our track record of promoting from within, with 177 colleagues promoted during the year.

A new senior management structure has been established to combine an even greater focus on consistent build quality and customer service with an even sharper commercial approach. These changes draw on internal experience and expertise to provide a structure that supports and challenges local teams to meet their targets and explore new opportunities for growth.

Paul Hurst (UK Managing Director), John Eynon (Deputy UK Managing Director) and Andy Fuller (Group Construction Director) together provide an operational senior management team with over 100 years of industry experience. Our regional teams will report into Paul and John, with Andy working closely alongside them, to ensure we deliver the improved consistency of standards the Persimmon Way demands throughout the business, while meeting our growth ambitions. Both Paul (Space4) and John (Brickworks and Tileworks) are also chairmen of our own factories leading our drive to deliver both enhanced products and greater efficiency.

Martyn Clark has become our Chief Commercial Officer, leading on all commercial aspects, including new business development and enhancing our relationships with key external partners. With a number of Group functions reporting to him, Martyn will ensure we co-ordinate our approach, so that the operational teams have the best possible opportunity to meet our targets. A key aspect of the role is to ensure that we maintain the recent progress in land buying, bringing in assets to the business at industry-leading margins, while also seeking to work with local authorities to secure faster planning permissions. Martyn will also lead our further innovation and value creation opportunities.

With this highly experienced team in place, we will continue to enhance our capability to deliver five-star performance consistently and maintain our industry-leading financial performance. Persimmon has many opportunities ahead of it and I look forward to securing the growth, quality and efficiency opportunities necessary to drive our continued industry-leading performance.

Outlook

The UK housing market remains supportive with demand continuing to exceed supply, favourable interest rates and good levels of mortgage availability. The business is in a strong position. We are leading the industry as a responsible developer; we were one of the first developers to agree voluntary undertakings with the CMA on leaseholders purchasing their freeholds and to give leaseholders a commitment they would not have to pay to remove cladding. We identified 33 developments where work is required, have already contacted relevant Management Companies and building owners to help expedite their programmes and have successfully secured EWS1 forms on four of the 33 developments.

With a new senior management structure, comprising colleagues from within the business, supporting an experienced and agile team, a growing outlet network and high quality land holdings, I expect to deliver further growth this year and through the medium term. For 2022, we are targeting 4-7% volume growth whilst maintaining our industry-leading margins. We currently anticipate increases in selling prices will mitigate build cost inflation.

We have already made a strong start to the year with £2.21bn of forward sales. Our private average weekly sales rate per site for the first eight weeks of 2022 is c.2% ahead of the prior year. We anticipate a greater proportion of completions in our second half relative to our first reflecting more typical trading patterns and the growth profile of our outlet network. Group margin is expected to reflect the increased proportion of homes sold to our housing association partners. Our build rates, which were at pre-Covid levels throughout 2021, have improved in the early weeks of this year.

Some short term uncertainties remain, particularly regarding cost inflation, potentially rising interest rates and the impact of the current geo-political environment on the UK economy. The speed of achieving planning consents remains an issue and the withdrawal of the Government's Help to Buy scheme is still planned for March 2023. In addition, the recent Building Safety Bill amendments include the potential significant widening of those developments brought within the Building Safety Levy's scope.

Given our unique market positioning with attractively priced homes, our high quality land holdings and strong cash position, focus on customers and quality, building on our existing strengths and driving further operational efficiencies (including the investment in a new Space4 factory and our Brickworks and Tileworks facilities securing build programme and cost efficiencies) the Board is confident of the Group's future success.

Dean Finch
Group Chief Executive
1 March 2022

Our strategic objectives

PLACE CUSTOMERS AT THE HEART OF OUR BUSINESS WITH A COMPELLING BRAND

"From the moment a customer starts their research into buying a home, through the sales journey and then post legal completion, our goal is to be a trusted partner who reliably delivers outstanding quality and service."

SONIA DA COSTA
Chief Customer Experience Officer

Current customer satisfaction score[1]

92.0%

NHBC RI score improvement[2]

17%

Delivering on our five key priorities

1 BUILD QUALITY

2 REINFORCE TRUST IN THE BRAND

3 GROWTH

Read more on page 21

Our vision is to build homes with quality our customers can rely on at a price they can afford.

To deliver on this vision we have placed our customers at the heart of our business. Being customer focused is one of our values – our customers are our priority and we aim to build consistently high quality homes in communities people love to live. We will earn customers' trust by treating them fairly and with integrity.

We recognise the significant financial and emotional investment they make when buying their home with us. We strive to deliver high quality homes to all of our customers and to provide them with excellent service from the point they choose their new home to their moving in day and beyond.

Build Quality – Build right, first time, every time

One of the Group's five key priorities is build quality: our ambition is to build right, first time, every time, driving improvements in consistently building high quality homes and in on-site efficiencies. The Group continued to make improvements to build quality and customer service throughout 2021 through the Persimmon Way, our consolidated approach to new home construction. The Persimmon Way provides a stable, consistent operational framework that is scalable – it enhances the Group's capabilities in delivering high levels of build quality across growing legal completion volumes. This has already been demonstrated in our 2021 results, where we delivered c.1,000 more new homes to our customers than in the prior year whilst providing five-star levels of customer satisfaction.

We are pleased that the progress we have made is being recognised by our customers – our customer satisfaction score is 92.0%[1] for the Survey year ended 30 September 2021, which is over the threshold required to achieve the HBF five-star rating. We believe we will still achieve a five-star rating when HBF's annual results are published in March 2022 for the first time in the company's history.

The Persimmon Way

The Persimmon Way is a comprehensive programme covering all aspects of our build process. Since its initial roll out during 2020, the business sought to go further and faster in implementing the programme, having seen the on-site and customer service improvements that were being made. The Persimmon Way became fully operational across the business in summer 2021.

The training programmes for on-site teams were enhanced with the Group seeking accreditations where relevant. We have also continued to invest in technology to track and record quality checks through the build process.

Improving quality; delivering value

Build Quality

- We have standardised new home design and construction detail across the business to support the drive for improved consistency and efficiency of high quality build right first time, every time delivery.
- We are introducing more exacting building tolerances than current industry standards driving improved quality and efficiency across the Group.
- We are developing a 'Good Practice Guide', which will be rolled out in 2022 to share areas of best practice and assist in the further development of the Group's construction disciplines.
- In 2021, we launched the Group's first internal 'Construction Excellence Awards' to recognise and reward site teams that demonstrate innovations and outstanding management skill to achieve excellence on their development (see page 22 for further detail).
- Management incentive programmes have been revised so that successful achievement of improvement in build quality and customer care standards are appropriately rewarded.
- In 2022, a proportion of all colleagues' bonus schemes will be dependent upon achieving high standards of build quality across the Group, aligning all employees with this key priority for the business.

1. The Group participates in a National New Homes Survey, run by the HBF. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.
2. Our % improvement in the number of Reportable Incidents on the NHBC's inspection of our homes.

Our strategic objectives
Place customers at the heart of our business with a compelling brand continued

Training
- A complementary training programme is crucial to the successful application and delivery of the Persimmon Way, consistently across the business.
- A three day 'Site Managers Essentials' programme, mandatory online modules and on-site Toolbox Talks targeting build quality support the implementation of the Persimmon Way.
- The 'Persimmon Pathway' provides a comprehensive internal training programme for our Site and Assistant Site Managers driving up build quality and increasing on-site efficiency.
- Persimmon is an accredited National Vocational Qualification assessment centre, a first for a UK housebuilder. As at 31 December 2021 c.90% of our site management team held a relevant NVQ, an increase from 21% at the start of the year.

Quality Assurance
- Our expanding team of IQCs report directly to the Group Construction Director. The team, which has more than doubled since the start of the year, undertake quality assurance inspections on each of our developments, monitoring construction build quality across 21 key stages of new home construction. Expanding our resource enables the Inspectors to perform on-site coaching where needed. This enhanced assurance process is improving build efficiencies on our sites and customer satisfaction as we 'get it right first time'.

IT support
- The Group has invested significantly in its digital systems which provide support with regard to our inspection and training processes. We are increasing on-site digitisation, including through the Site Manager Application, currently being trialled across our Southern region, which tracks and records pre-completion assurance processes.

Third Party Audit
- External audits of our processes have commenced with the aim of covering all operating companies by summer 2022. These processes provide additional assurance over the Group's build quality as well as identify areas of best practice and assist in the further development of the Group's construction processes.

NHBC Pride in the Job Awards

We are delighted that two of our site managers have won the prestigious NHBC Pride in the Job Awards.

The NHBC Pride in the Job Awards, first launched more than 40 years ago, is considered the most highly regarded competition in the housebuilding industry.

Judging for the Awards is rigorous, with each of the site managers across a field of more than 10,000 assessed across six key areas: consistency, attention to detail, leadership, interpretation of drawings and specifications, technical expertise, and health and safety.

Tom Smith, won the award for his management at our Whittington Walk development in Spetchley. Tom Smith, who started work with Persimmon as a labourer six years ago has been managing Whittington Park for eighteen months.

Dave Richards, who manages Charles Church's Regency Park development at Llanilltern Village in Creigiau, also scooped this prestigious award.

"Our focus is firmly on customer service and quality and this is a recognition of that."

DAVE RICHARDS
Site manager, Charles Church's Regency Park development

Our homes

The Group's IQCs monitor build quality across 21 key stage processes. The expansion of the team during 2021 has provided further opportunity for on-site coaching of our site teams.

We continue to actively engage with our subcontractors to drive through further build quality improvements. For example, we are encouraging our roofing contractors to obtain third party accreditation providing additional assurance over the quality of their work.

The Group's training programme, delivered through the 'Persimmon Pathway' complements Persimmon's ambition of building right, first time, every time, see page 35 for more details.

We remain focused on increasing investment in our construction work in progress throughout 2022 to ensure we provide our customers with a good range of house types across our sites. This also alleviates pressure on our build programmes and enables effective quality assurance processes to occur. The Group's level of work in progress of c.4,100 units of new home construction at 31 December 2021 continues to reflect the disruption caused by Covid-19 in the first half of 2020, the reduced number of outlets across the business and the strong demand experienced.

We perform a seven-stage pre-completion inspection process on each of our homes before we hand them over to our customers. During this quality assurance process each of our homes are inspected by senior employees from the relevant regional company.

Each customer receives a 'New Home Demonstration', performed by the site manager and sales adviser before they move into their home. To allow these processes to occur effectively and demonstrate our commitment to put "customers before volume", the construction of all of our homes must be build complete 21 days prior to handing over the finished home to our customers.

All of our homes are sold with a 10-year warranty backed by either the National House Building Council (NHBC) or Premier Guarantee. Each warranty provider conducts their own independent checks at key build stages.

Alongside the continued development of the Persimmon Way, we are also working across the industry to help drive up standards in important areas. We have, for example, signed the 'Building a Safer Future Charter' as an inaugural member, demonstrating our determination to drive safety improvements within our company and across the industry.

Our customer service

We have an established comprehensive approach to customer service including focused and clear communication supporting each customer throughout their home-buying journey from the date of reservation of their new home to the bi-annual anniversary of moving-in day.

Through the 'Persimmon Pathway' (see page 35 for more detail), the Group has developed structured professional qualification pathways for its sales teams in partnership with the Institute of Sales Professionals (ISP). This is an industry first partnership that has resulted in over 60 of our Sales Advisors being accredited by the Association with a further 100 on the programme. Through the Sales Pathway, Sales Advisors undertake a structured curriculum that integrates Persimmon's Sales Excellence programme with the ISP's Continued Professional Development, culminating in an ethics examination prior to accreditation. In addition, the Group has registered with the Institute of Customer Service, which will provide an accredited route to training of our customer service teams.

The Group's customer portal will be rolled out in the next few months. The portal, which will inform all new customers of the build progress of their new home and provide them with an accurate and timely anticipated 'move in' date, is undergoing final testing and we are looking forward to providing this tool to our customers. This new portal will provide them with the ability to personalise their home to suit their needs through the on-line selection of "Finishing Touches", the Group's range of additional home specifications and will also provide customers useful information about their home as well as enable them to raise any issues directly from the portal.

New Homes Quality Code

Persimmon has completed the New Homes Quality Board's initial developer registration process and we are working through the steps required in order to activate our membership to this body in the second half of this year. We welcome the introduction of the New Homes Quality Code, which aims to drive up quality and customer service standards across the industry together with the appointment of a New Homes Ombudsman Service. Persimmon complies with the Consumer Code.

Our customer care

One of our five key priorities is to build right, first time, every time improving customer satisfaction and mitigating the need for customer care visits and appointments. However, if problems do occur, we want to rectify them as quickly and efficiently as possible.

We have continued to invest in our customer care resource, in digital technology and in training. The Group Training Departments has developed structured training modules for our customer care teams driving improvements in the service we provide and enhancing customer satisfaction.

During the year, the Group has completed scheduled works where devolved Government regulations allow. To reduce the need for visits, where possible, the customer care team have recorded a number of videos to assist customers in their understanding of their new home systems and appliances. Our customer care teams have worked tremendously hard to ensure they are available to support new home owners safely through these challenging times.

FibreNest

FibreNest provides ultrafast, full fibre to the home broadband from moving-in day. It was developed in response to feedback from customers and aligns with current government strategy to deliver modern technology to new homes. Our aim is to ensure that FibreNest provides ultrafast speeds coupled with excellent levels of service. FibreNest currently serves c.21,000 customers across over 270 sites with further rollouts continuing. The service, which is becoming increasingly important as families rely on it to support their efforts to work from home and to access essential services online, is highly ranked compared to other internet service providers in the UK.

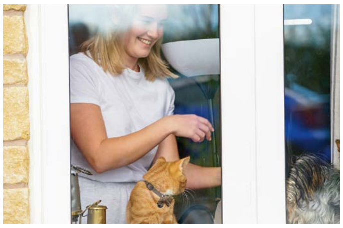
During the year, FibreNest set up a wholesale offering, enabling other network providers access to the service should they choose, in order to provide choice for our customers. We look forward to providing this service and delivering choice for our customers.

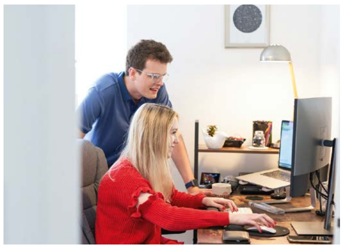
FibreNest™

HBF score[1]

92.0%

2020: 89.7%





"I started as a general labourer after quitting a factory job. From the time I started on site I took a keen interest in the management and the opportunities for progression. I was made assistant site manager after three and a half years and then I was promoted to site manager here on January 2, 2020. I would never have predicted that after 18 months I would be winning an NHBC Pride in the Job Award. I love this job and I am very happy."

TOM SMITH
won the award for his management at our Whittington Walk development in Spetchley

1. We participate in a National New Homes Survey run by the HBF. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.

Our strategic objectives
Place customers at the heart of our business with a compelling brand continued

Delivering homes with quality our customers can rely on at a price they can afford.

Our vision is to build homes with quality our customers can rely on at a price they can afford. We aim to deliver housing that meets each of our customers' needs by providing a range of house types in areas where they wish to live and work.

The Group has a UK-wide network of active sites served by its 31 operating businesses delivering homes to communities with the most housing need. Our wide range of house types, together with the Group's three distinctive house building brands; Persimmon, Charles Church and Westbury Partnerships, enable us to provide desirable homes at a range of price points for our customers.

We are proud to deliver a range of house types which make owning a home accessible for all. Our private average selling price of £259,231 for the year to 31 December 2021 (2020: £250,897) is over 20%[1] below the UK national average and approximately c.50% of our private home completions for the year have been to first time buyers.

Our brands' performance

Persimmon

The Persimmon brand delivers traditional family housing at affordable prices to the private owner occupier market. The brand completed 10,965 new homes (2020: 10,283) at an average selling price of £249,498 (2020: £239,318), which is over 20% lower than the industry average, affirming the Group's commitment to delivering affordability to a wide range of customers.

The brand's new home legal completion volumes have increased 7% (682 homes) compared to 2020, (2020 impacted by the Covid-19 pandemic on the Group's build programmes in the second quarter). Persimmon's average selling price of £249,498 (2020: £239,318) has increased by 4% compared to 2020 largely reflecting year on year changes in the regional mix of homes sold. The Group's Northern businesses delivered 6,112 Persimmon homes (2020: 5,584), with 4,853 homes completed in the Southern regions (2020: 4,699).

Revenue
£2,735.7m

Completions
10,965

Charles Church

The Charles Church brand offers our customers executive housing in premium locations across the UK, with larger house types and increased specification. Charles Church generated revenues of £379.7m in 2021 (2020: £390.0m) from 1,053 new home legal completions (2020: 1,080).

In addition to developing single branded sites, the Group also benefits from providing multiple brands on some of our larger sites. This creates the opportunity for the Group to secure the benefits of more efficient site and office operations, resulting in performance improvements captured across the business from group wide controls, continuity of build programmes, site resourcing and customer care performance, through to health and safety compliance.

Revenue
£379.7m

Completions
1,053

1. National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.

Westbury partnerships

Westbury Partnerships

Westbury Partnerships plays a key part in the delivery of new homes for the benefit of lower income occupiers, offering solutions to some of the country's housing pressures. The brand typically provides new homes to our housing association partners across the UK.

In total, Westbury Partnerships new home legal completion volumes of 2,533 represented 17% of the Group's legal completions during 2021 (2020: 16%). The average selling price for these homes increased by 5% to £131,976 (2020: £125,930). We look forward to delivering further growth in sales to our housing association partners as the Group brings through its new outlets planned for 2022 and beyond.

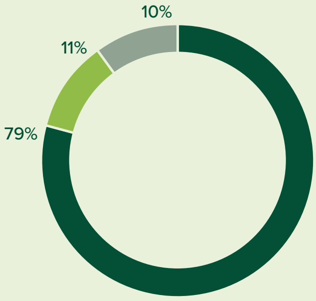
Revenue

£334.3m

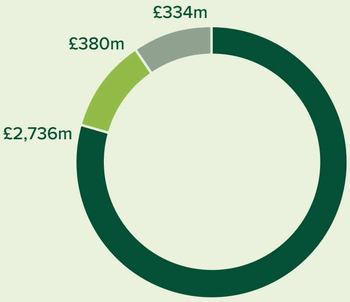
Completions

2,533

Contribution to Group housing revenue



Revenue generated in 2021



Persimmon
Charles Church
Westbury Partnerships

Homes sold to first time buyer

c.50%

2020: c.50%

Private homes sold for less than £200,000

25%

Our strategic objectives

A DIVERSE AND TALENTED WORKFORCE

"During my first six months in the business I have gained invaluable experiences. In depth training courses and working with incredibly driven and knowledgeable colleagues have provided great insights. I look forward to continuing to grow my skills with Persimmon."

CONNOR STEEL
Graduate Management Trainee

Trainees and apprentices

over 650

2020: c.680

Belief in the Persimmon Way

80%

of our colleagues believe in the Persimmon Way to help improve the quality of our homes

Delivering on our five key priorities

1 BUILD QUALITY

2 REINFORCE TRUST IN THE BRAND

3 GROWTH

Read more on page 21

The Group's HR strategy is underpinned by a vision to provide a consistent employment experience in an organisation offering industry-leading training and development and exceptional career opportunities to all colleagues, enabling them to support the delivery of our strategic objectives.

Covid-19

Through each phase of the pandemic, we have continued to follow government and industry guidance and ensured that the health, safety and welfare of our colleagues has remained paramount.

Our safe operating procedures are now an established part of our normal operations across all of our sites, offices and manufacturing facilities and we have kept our colleagues fully informed of all updates to these procedures as the pandemic has evolved.

As the various lockdown restrictions were eased, we still imposed our own limits on the number of colleagues whom we allowed to work in our offices. To assist this we also introduced our hybrid working policy to allow colleagues to vary their normal work location between office and home, which was welcomed and has proven to be very popular amongst our office-based employees.

We continued to recognise that some people who have had to work remotely have sometimes found this change difficult and we delivered training to all our managers on 'managing remote workers' and we continued to deliver regular mental health awareness courses. We also trained more mental health first aiders, bringing the total across the Group to 193. In addition we have ensured that all colleagues are aware of the additional support available to them from the Group's Employee Assistance Programmes, which offer a range of help from online advice to telephone or face-to-face counselling.

Group HR Department

During 2021 the Group invested significantly in the Group HR Department including the recruitment of some key specialists to provide sustained focus in priority areas. These new appointments included a Director of Talent & Diversity, a Group Head of Reward and an Information Systems Manager, who, together with additional field-based HR Advisors, have resulted in the HR function becoming a key strategic partner that will play an important role in enabling the Group to achieve its objectives.

Focusing on diversity

At 31 December 2021 the number of people we employed was broadly in line with the prior year at 5,196 (2020: 5,221), of which 27% were female and 73% were male (2020: 1,453 (28%) female, 3,768 (72%) male). At 31 December 2021, there were three female Directors out of a total of nine on the Company's Board (33.3%) and there was one Director from an ethnic minority background. There were 20 females (28%) and 51 males (72%) in the Executive Committee and their Direct Reports.

The median Gender Pay Gap in 2021 for the Group was 18.1% (2020: 12.7%). Consistent with our industry our median Gender Pay Gap is driven by the composition of our workforce with a higher proportion of men in skilled construction roles (such as bricklaying and site management), the market for which is competitive.

We recognise that there is an under-representation of women and ethnic minority groups, not only in Persimmon, but throughout the industry as a whole. However, the Group is focused on attracting a more diverse workforce across every facet of our operations, which will be driven by our new Director of Talent & Diversity. In March 2021, the Group set challenging diversity targets aiming to have females comprising 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. To assist with this initiative and to prioritise our D&I Policy, we commissioned a Diversity & Inclusion Review, which commenced in October. Undertaken by an external consultancy, the review analysed a range of information including employee data and people policies, supplemented by interviews with a broad cross-section of colleagues from the Chief Executive and senior team to site-based employees, together with office and site visits. It also canvassed the perception of Persimmon from outside the organisation, provided by a representative sample of sub-contractors, suppliers and job-seekers.

Our strategic objectives
A diverse and talented workforce continued

The outcome of the Review will enable the Group to establish a robust and impactful D&I Policy that will be relevant to today's workforce, providing a kick-start to improving diversity and inclusion across the organisation. To assist this process, our Gender Diversity Panel has been re-named the Diversity & Inclusion Council and with an increased and more diverse membership of a wide cross-section of senior leaders, it will be responsible for overseeing the implementation of our D&I Policy and monitoring progress. To feed directly into the Council and following the launch of our Policy, a Diversity & Inclusion Employee Panel will be established in 2022. Comprising of a varied cross-section of volunteer members from across the workforce, it will provide a source of feedback and employee opinion that will help the Council to ensure the D&I Policy is deployed effectively.

Engaging with our employees

During the year, in-line with the UK Corporate Governance Code, the Board appointed Joanna Place as the Non-Executive Director with responsibility for employee engagement. Joanna now attends all the meetings of the Employee Engagement Panel and her presence has added extra impetus to its value and effectiveness. The Panel meets quarterly and comprises a broad cross-section of employees from all areas of the Group's operations and has become an established route for employees' ideas and input to be discussed. All matters raised are considered and feedback is provided and in many cases this has led to revisions to policy or procedure. Some of the changes introduced as a direct result of comments raised by the Panel during 2021 include changes to the provision of IT hardware to improve the speed of supply, changes to procurement policies and an amendment to holiday entitlement for salaried colleagues that became effective on 1 January 2022.

The results of the YourSay employee engagement survey confirmed that the Group has a healthy engagement with a score of 78%. The survey was conducted early in the year when the Covid-related challenges of lockdown and furlough from the previous year were still fresh in people's minds, but despite this there was only a slight reduction of two points against the 2020 score. Highlights from the survey included 85% of colleagues feeling motivated to do their best at work and 90% being committed to the Group and our aims and objectives.

There was also recognition through the survey of the improvements we have made to our build quality and the service we provide to customers. The percentage of our employees who believe we provide a good service to our customers before the handover of their home has increased by 15% on the previous year. The scores for service provided to customers after the handover of their home and for the quality of the houses we build, also saw double-digit increases of 11% and 10% respectively. This is an indication of the successful implementation and acceptance within the Group of the Persimmon Way, about which 80% of employees believe it has improved the quality of our homes.

Areas where we still have work to do include improving our internal communications and ensuring all colleagues are aware of the support available to them to help manage and improve their welfare. Our communication processes have improved during the year with the appointment of an Internal Communications Manager and we have increased our activity to ensure colleagues are aware of their mental health first aiders and the support available to them through our Employee Assistance Programmes.

YourSay employee engagement survey score

78%

YourSay employee engagement survey confirmed that the Group has a healthy engagement score

Colleagues are committed to the Group and our aims and objectives

90%

The Group Training Team delivered c.13,200 training days in 2021 (2020: c.12,600) with c.3,500 of these days delivered remotely (2020: 1,700). Following the popularity of remote delivery with our employees, we will maintain this blended approach to learning in the future.

Fair pay

Coinciding with Living Wage Week in November, the Group announced that it had been accredited by the Living Wage Foundation as a Living Wage Employer. Although the Group has voluntarily paid its own employees in accordance with the Living Wage criteria since 2019, achieving accreditation will mean that everyone who works at a Group location, regardless of whether they are directly employed by us or engaged via a third party, will be assured of a fair reward for the job they undertake.

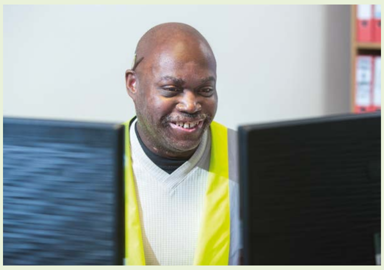
This investment in our wider workforce recognises the skill, hard work and commitment demonstrated by everyone who works for the Group, but particularly that displayed by our lower paid colleagues who have benefitted significantly from our accreditation. To help ensure we maintain a fair approach to the remuneration of all our employees, we have appointed a Group Head of Reward, who will review the pay regimes across the business to make sure our pay and benefits are commensurate with the jobs people undertake and that our approach to rewarding our colleagues is competitive and drives the appropriate behaviours.

Developing our colleagues and our talent pipeline

The strategic focus of the Group HR Department resulted in the delivery of training initiatives throughout the year that supported our drive to improve build quality and customer service. At the forefront of this was an initiative to upskill our site management teams. In addition to our well-established Site Manager Essentials Programme, Persimmon became an accredited National Vocational Qualification assessment centre, a first for a UK housebuilder, to increase the provision of structured training to our on-site teams. This led to 312 colleagues, from Trainees and Assistant Site Managers to Site and Contracts Managers, achieving an NVQ/SNVQ during the year ranging from Level 3 to Level 7, resulting in c.90% of our Site Managers now holding a vocational qualification (2020: 21%).

Recognising success

This year the Group once more invited nominations for its Achiever Awards, which recognise colleagues who have made a special contribution or excelled in their role. The Awards include recognition for our best Apprentices and Trainees, plus The Duncan Davidson Award for the employee who has demonstrated exceptional entrepreneurial spirit, and the Unsung Hero Award that offers the opportunity to recognise the efforts of an employee who regularly goes beyond the call of duty to help their colleagues.



"We are confident that our ongoing partnership with VIY will result in further opportunities for us to mentor young people and engage with schools, which we hope will lead to young people becoming interested in joining us for placement opportunities or even as apprentices."

PAUL CURRY
Group Training Manager

In addition, The Persimmon Pathways, which are tailored development programmes for our colleagues, have become firmly established in our training portfolio and are available to colleagues in Construction, Sales and Customer Service, with further Pathways programmes in development for Land, Commercial and Technical functions. The Pathways ensure the development and upskilling of colleagues is focused on the particular needs of their role and provides a consistent learning experience across the organisation for each function.

To emphasise the importance of the service we provide to our customers, our partnership with the Institute of Sales Professionals (ISP) has seen over 60 of our Sales Advisors being accredited by the Association with a further 100 on the programme. Through the Sales Pathway, Sales Advisors undertake a structured curriculum that integrates Persimmon's Sales Excellence programme with the ISP's Continued Professional Development, culminating in an ethics examination prior to accreditation. This independent verification of sales training is unique in the home building sector and provides added reassurance for our customers that they will be treated professionally throughout the sales process.

The Group has continued its investment in new talent and despite the difficulties imposed by the pandemic, we still have c.350 apprentices across the organisation, from those learning site skills such as bricklaying and joinery, to colleagues on higher and degree apprenticeships in the regional and head offices. Including our apprentices, the Group has over 650 colleagues in a trainee role of some description, which is amongst the highest number in our sector.

This year we re-launched our centrally coordinated graduate-level Management Development Programme, which will see an annual intake of graduates who will gain experience across all aspects of our business during their initial two-years with the Group, before embarking on their chosen career path. Three of the eight graduates recruited in 2021 are female.

Our strategic objectives
A diverse and talented workforce continued

During the year we began a comprehensive Leadership Development Programme for the Managing Directors of our 31 operating businesses, which was the first time the business had focused on this group in its entirety. This programme will continue into 2022, but it has already led to MD's requesting similar development for their individual teams and this will form part of our talent management and succession programmes, where we will support our managers to do their current job better, but also provide them with the support to enable them to progress through the organisation.

Building on the Company's established track record of promoting from within (177 colleagues were promoted during the year) we have commenced a formal talent review that will lead to a robust Group-wide succession plan, which will ensure we are able to identify and nurture our talent and provide the appropriate support, whatever an individual's aspirations may be.

Training delivery

Due to the ongoing Covid-19 restrictions during the year, the Group Training Team continued a blended delivery of training interventions with a mix of remote and online learning and when in line with regulation, a return to face to face activity. Following the popularity of remote delivery with our employees and the clear advantage it offers in increasing the Scope and reach of our training, the blended approach to learning will remain a feature of most of our programmes in the future.

During 2021 the department delivered c.13,200 training days (2020: c.12,600), excluding apprenticeships and sponsored higher or further education courses. The combined total of courses delivered remotely accounted for c.3,500 of these days (2020: c.1,700). Our NVQ assessment centre, which came online this year has registered our first candidates and our first in-house NVQs will be awarded in March 2022.

Promoting from within

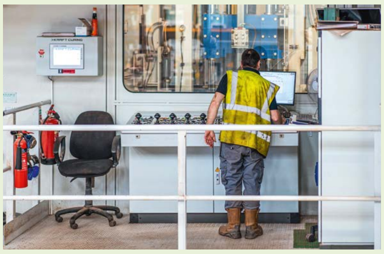
Persimmon is proud to be able to offer the opportunity for people to develop long term careers within the Group.

We have recently promoted three of our Regional Chairs, to senior Group-wide roles within the business, providing a structure that supports and challenges local teams to meet their targets and explore new opportunities for growth.

Paul Hurst (UK Managing Director) (promoted from his position as Regional Chair for the Central region), John Eynon (Deputy UK Managing Director) (promoted from his position as Regional Chair for the Northern region) and Andy Fuller (Group Construction Director) together provide an operational senior management team with over 100 years of industry experience. This new senior management structure provides an even greater focus on consistent build quality and customer service alongside an established commercial approach.

Both Paul (Space4) and John (BrickWorks and TileWorks) are also chairmen of our own manufacturing facilities leading our drive to deliver both enhanced products and greater efficiency. These factories will play an increasingly crucial role in our security of supply, quality control and drive to secure cost-efficiencies.

Martyn Clark has become our Chief Commercial Officer (promoted from Regional Chair of our Southern region), leading on all commercial aspects, including new business development and enhancing our relationships with key external partners.



Community engagement and social mobility

Since signing the Social Mobility Pledge, the Company has continued to engage with its aims and objectives, particularly in the areas of social mobility and sustainability and we are pleased to be recognised as the lead for the home building sector in "The Purpose Coalition", working with other like-minded organisations to share best practice and contribute to the communities in which we build our homes.

2021 also saw the start of a partnership with Volunteer It Yourself (VIY), an organisation that engages with young people aged 14 to 24 to learn trade and employability skills whilst providing them with work experience on local community projects. The majority of young people who take part and benefit from this activity are disengaged or excluded from mainstream education and training and at risk of unemployment. They are mentored by professional tradespeople and can gain vocational accreditations as well as access to further training, work placement and apprenticeship opportunities. In addition to this, in the wider communities where their projects are located, VIY delivers 'early intervention' construction sector employability skills and careers training for 10-14 year olds in schools.

This year, the Group was a key sponsor of a VIY refurbishment project at Flo Skatepark in Nottingham, where professional tradespeople, including from our Nottingham business, led by VIY's lead mentors, supported 30 young volunteers (many of whom were not in education, employment or training) to take an active role in the renovation of the park's indoor ramp area. The project has helped them to develop new employability skills and work towards Entry Level 3 City & Guilds accreditations in practical trades such as joinery.

"It was a pleasure to give my time and guidance to the enthusiastic team of volunteers. It was a fulfilling project to be part of and we hope it has inspired more young people to pursue a career in construction, in particular joinery."

ZENON POINTON
Contracts Manager for Persimmon Homes Nottingham, volunteered as a mentor on the VIY refurbishment project at Flo Skatepark project

Human rights

The Group values its reputation for ethical behaviour, integrity and reliability, and expects high standards of conduct from all employees and stakeholders involved within our operations. The Group's Code of Ethics, Human Rights and Anti-Bribery and Corruption policies, are central to the Group's operational activities. This policy suite, together with a range of operational controls and management supervision, support our Modern Slavery Statement, which is available on our website at www.persimmonhomes.com/corporate.

As a housebuilder operating solely within the UK, with the vast majority of our supply chain and subcontractors also being UK based, we do not consider that human rights abuses, modern slavery and bribery represent a significant risk to our business. Nonetheless, the Group has established robust controls and procedures to reduce the risks further and to provide assurance that our employees and suppliers continue to work to the high standards we demand.

We have identified the most significant potential human rights impact areas in our operations to be; the labour and employment rights of our employees, subcontractors and those working within our supply chain; the health and safety of our workforce; and the rights of communities where we operate. As a responsible employer, we are committed to compliance with all UK labour, health and safety, planning and environmental legislation. The Group continues to take its role in combatting modern slavery and human trafficking seriously, and has implemented a number of initiatives within the year to build on existing controls in this area. Membership with the Gangmaster and Labour Abuse Authority (GLAA) 'Construction Protocol' has been continued, ensuring ongoing access to industry good practice in combating modern slavery. Our modern slavery training provision, delivered through a module within the 'Site Manager Essentials' course and a GLAA developed 'Toolbox Talk' for site-based staff, has been supplemented with a general online training module made available to all staff. Our Group Internal Audit department also conducts regular audits on supply chain awareness and adherence to our policies. Further details on these measures are set out within our 2020 Modern Slavery Statement, available on our website at www.persimmonhomes.com/corporate.

The Group has comprehensive health and safety management systems to safeguard the workforce and all those present within the areas it operates in. These are subject to regular internal inspections, with further assurance through the Safety and Environment Concerns reporting telephone line and email address, details of which are displayed in all Group offices and at all Group construction sites.

All employees are bound by the Group's Anti-Bribery and Corruption policy, which is supported by anti-bribery and corruption training modules for key members of staff. This policy and its associated controls was subject of an audit by the Group Internal Audit department within 2021, including a benchmarking to external standards to ensure ongoing appropriateness of the Group's controls.

As a further safeguard, the Group maintains a comprehensive whistleblowing provision to ensure employees and others can raise concerns confidentially. Whistleblowing reports can be made anonymously, and are investigated independently by our Group Internal Audit department, with summary reporting provided to the Audit and Risk Committees. Within 2021, the whistleblowing provision has been enhanced with the facility to report concerns online. Periodic campaigns are run to ensure ongoing awareness of the whistleblowing provision.

Our strategic objectives

INVESTING IN HIGH QUALITY LAND

Delivering on our five key priorities

3 **GROWTH**

4 **SUSTAINABLE COMMUNITIES**

5 **INDUSTRY-LEADING FINANCIAL PERFORMANCE**

Read more on page 21

"We have a well-established land investment strategy which has delivered high quality land holdings, providing security of supply and ensuring we invest appropriately during the cycle and can maintain our industry-leading embedded margins a key strength of our business."

SIMON USHER
Group Director of Transformation and Land Strategy

Owned and controlled land holdings (plots)

88,043

2020: 84,174 plots

The Group's high quality land holdings, with industry-leading embedded margins, are a key driver of value for the business and one of the Group's core strengths.

We consider the needs of local government and the local communities we serve when considering each land replacement opportunity. This is at the heart of our land investment and management strategy ensuring that we develop sustainable locations in areas of greatest housing need where our customers love to live and work across the UK.

We aim to develop natural extensions to existing communities that have the lowest environmental impact. Our 31 operating businesses each have highly experienced in house land, planning and design teams with excellent knowledge of the local areas that they serve. They are supported by our Group Planning Department combining the strength of local knowledge with shared best practice across the business.

Experienced teams

Our experienced land, planning and design teams bring a wealth of cumulative knowledge to the Group's land replacement strategy, which is applied consistently across the business.

Our teams work closely with relevant stakeholders, including local planning authorities, land owners and the local community to identify areas which have the most pressing housing need together with good access to existing infrastructure and local amenities such as schools, shops and towns.

Climate change and environmental risk management

A 'Planning and Environmental Risk Assessment' is performed for each potential site identified. This assessment considers a number of risk factors, including local housing needs, flood risk, issues of existing land contamination, water pollution, and biodiversity impacts.

Throughout the planning process, we assess the significant environmental risks for each of our potential sites and conduct full environmental impact assessments for each development we acquire. This ensures that we respect the natural environment, mitigating adverse environmental impacts and enhancing biodiversity where possible.

Governance

Each land opportunity is considered by the Group's Land Committee. In approving each opportunity the Committee, which comprises members of the Group's senior executive team, assesses the existing land portfolio of each of the Group's operating businesses together with the needs of the relevant local community. The Committee meets regularly and reviews each significant land investment decision on a consistent basis, taking into account local needs, environmental issues and the planned and projected levels of profitability and return. Only opportunities that meet relevant criteria will proceed.

The Group's well-established strategy of minimising financial risk and investing in capital at the right time in the cycle has delivered robust high quality land holdings that will generate value for all stakeholders over the longer term and ensures that Persimmon can maintain its strict criteria in its land replacement activities moving forward.

Continuously driving value

Once land opportunities have been identified, the Group focuses on delivering optimal value for all stakeholders by creating sustainable attractive communities for our customers. This is achieved through innovative design, the use of our core house types, which meet customers' needs, and modern methods of construction which introduces simplicity and economies of scale. Throughout the life of a development, the Group regularly reviews and assesses the site design and balance of house types, performing re-plans as necessary to ensure that we continue to meet our customers' needs and drive value for the Group.

Our land holdings

At 31 December 2021, the Group owned 67,089 plots of land, with industry-leading embedded returns. The business has c.4.6 years of forward land supply at 2021 output levels.

39,079 of the Group's owned plots of land are on sites with detailed planning consent, which are all under development. The Group has also entered into conditional contracts for an additional 20,954 plots on land which we are actively promoting through the planning system.

The Group's land recovery rates (i.e. land cost relative to revenue generated) were 13.2% in 2021 reflecting our differentiated, well balanced land holdings (2020: 14.2%) benefiting our stakeholders for the longer term.

Over the last ten years, the Group has invested £5.1bn in new land and has delivered 141,156 homes during this time, at excellent levels of return.

The Group has continued to pursue exciting land replacement opportunities. In 2021, Persimmon invested around £460m in land payments (including around £180m of deferred land creditor payments). We brought over 20,750 new plots into the business representing 143% of current consumption levels. This strong pipeline provides excellent momentum for the Group's future growth.

Our brands' investment in land

Our strategic land

Investment in new strategic land and its conversion through the planning system as effectively and efficiently as possible continues to be a key feature of the Group's strategy and business model. Successfully promoting our strategic land portfolio through the planning system in partnership with local planning authorities and the communities we serve delivers land with detailed residential consent allowing the Group to deliver the much needed new homes to our local communities.

Interests in a further c.480 acres of strategic land were acquired during the year, providing a total of c.13,700 acres at 31 December 2021. We are confident that this will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will continue to support planning authorities and local communities to bring these sites through the planning system as quickly as possible.

During the year, the Group successfully converted 10,220 plots from its strategic land portfolio into its owned and under control land holdings, representing 70% of plots legally completed in the year.

Our strategic objectives

WORKING SAFELY, RESPONSIBLY AND EFFICIENTLY

"The health and safety of our customers, workforce and all those visiting our sites is paramount. We have maintained the two metre distancing rule on our sites throughout the year and have been able to respond effectively to evolving Government and Industry Guidance."

ABIGAIL BAINBRIDGE
Group Health, Safety and Environment Director

pro-active site inspections undertaken

5,865

Delivering on our five key priorities

1 BUILD QUALITY

4 SUSTAINABLE COMMUNITIES

Read more on our Chief Executive's review on page 21

Working safely

The wellbeing of our customers, our workforce and our communities remains paramount. We take a proactive and progressive approach to our health and safety strategy and objectives.

Covid-19

As we continued to respond to the restrictions imposed as a result of the pandemic during the year, our overarching principle to ensure the wellbeing of our customers, workforce and local communities remained. We continually updated our robust and comprehensive Covid-19 policies and procedures to ensure compliance with all relevant government and industry guidance, which covered all of our sites, offices and manufacturing facilities. The Group maintained its 'Covid-19 Passport to Work' system, issuing them to our sub-contractors only once their own operating procedures had been verified.

The Group's health, safety and environment advisors and operational management teams perform regular independent site inspections to ensure work is consistently performed in a Covid-secure manner.

Throughout the year Covid-secure procedures were in place for customers visiting our sites and for our customer care teams when attending a customer's home. The Group has continued to deliver mandatory training in respect of our own Covid-19 safe operating procedures to all relevant members of our workforce.

Our health, safety and environment (HS&E) approach

Following a comprehensive review of its health, safety and environment strategy the HS&E Department are currently rolling out a set of fully digitalised HS&E standards, making them more accessible and interactive for our workforce. These standards, which will be implemented consistently across the Group, include specific guidelines for our relevant work streams and regional offices together with guidelines for the Group's FibreNest business and manufacturing facilities.

During the year, the Group has recruited a Group Environment Manager as a dedicated internal resource for all environmental matters, to assist us in further enhancing our environmental management systems and to deliver appropriate training to relevant colleagues.

Once our new systems have been fully embedded across the business, our processes will be externally verified in line with the relevant International Organisation for Standardisations (ISO).

Training

Investment in training is a key element of mitigating the Group's health and safety risk. All members of our workforce, including our subcontractors, undergo extensive training to safeguard the wellbeing of everyone that comes onto our sites, into our manufacturing facilities or into our offices.

Training modules comprising 'Toolbox Talks' are regularly delivered to our site personnel and our supply chain workforce. These training modules are delivered at a regional level using Group wide training material developed by our HS&E Department. The results of ongoing performance monitoring undertaken by the Department determines which topics are covered.

Since the onset of the pandemic, all non-essential on-site training has been delivered remotely wherever possible to limit the number of people on our sites, this method of training has proved extremely popular with our teams.

Inspections

Under the direction of our senior management team, the HS&E Department perform regular inspections of the Group's operating activities. The results of these inspections are provided to relevant management and have been used to identify both areas for improvement and areas of best practice that can be shared across the business.

In 2021, the HS&E Department undertook 5,865 pro-active site inspections. They have considerable experience in providing both a pro-active advisory and reactive incident led approach to identify and mitigate health and safety risk.

Work related injuries

During 2021, the number of construction work related injuries in our housebuilding operations we reported to the Health and Safety Executive (HSE) under the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations (RIDDOR) was 32 (2020:20, 2019:39). Injuries per one thousand workers, which includes injuries sustained by our contract workforce, has increased to 4 per one thousand workers (2020:3.4; 2019:3.8). The increase from 2019 (this being a more relevant comparable given the pandemic-related disruption to the industry in 2020) reflects the reduced number of workers on our sites during the year, rather than an absolute increase in the number of injuries. The level of build per injury, including contractor injuries, was 296 legal completions per injury which was broadly in line with 2019 (2020:339, 2019:299). Our Group Annual Incidence Injury Rate (AIIR) for 2021 was 2.5 per 1,000 workers (2020:1.7; 2019:2.8), slightly lower than the 'Home Builder' average AIIR (2.6). In our manufacturing operations, we reported 2 RIDDORs in 2021 (2020: 3; 2019:2).

Our strategic objectives
Working safely, responsibly and efficiently continued

Working responsibly

We recognise the important role that we play in the UK's ambition to achieve a net zero carbon economy. In 2021, we set ambitious carbon reduction targets, which have been fully accredited by the Science Based Target initiative.

We are focused on minimising our environmental impact through our operations, our supply chain and the homes and communities we build, ultimately helping our customers to live more sustainably.

Our pathway to net zero

As previously reported, Persimmon has set ambitious targets to be net zero in our homes in use by 2030 and net zero carbon[1] in our operations by 2040.

This commitment is supported by interim science-based carbon reduction targets, aligned to the Paris Agreement, to reduce carbon emissions from our own operations by 46.2% (2019 baseline) and our indirect operations (i.e. those from our homes in use and our supply chain) by at least 22% per m^2 completed floor area by 2030 (2019 baseline). These are very challenging targets requiring product innovation, supply chain engagement and changes to current operational processes.

For the first time this year, we have reported our Scope 3 emissions, i.e. the emissions from the homes that we build and our supply chain (see table on page 43). As a home builder, the majority (c.99%) of the emissions that we generate come from our Scope 3 emissions. We address our homes in use and our supply chain in turn.

Net zero homes in use by:

2030

We aim to be net zero homes in use by 2030

Net zero in our operations by:

2040

We aim to be net zero in our operations by 2040

See our carbon reporting methodology statement for further information at www.persimmonhomes.com/corporate

1. Reaching net zero carbon emissions for a company is achieved by reducing value chain greenhouse gas emissions in line with 1.5°C pathways, and by balancing the impact of any remaining greenhouse gas emissions with an appropriate amount of carbon removals.

Net zero homes in use by 2030

The Group has a number of projects underway to assist in the transition to the Future Homes Standard and to deliver net zero homes in use by 2030. Our Low Carbon Home Steering Group, established in 2020, has met regularly throughout the year. Chaired by the Group Technical Director, the group, which comprises members of the Persimmon senior management team, has monitored, reviewed and assessed a number of pilot and research projects aimed at identifying the most effective method of designing and building a net zero home, which is scalable.

Our most advanced project is the Group's Regional Demonstration Project at our site in York, Germany Beck. The home has been completed with new tenants occupying the property in March 2022. Working with the University of Salford, we will monitor the true in-use carbon savings of the home, impacts to the occupant as well as potential additional processes and costs to the build process.

In addition, the Group has a number of other projects underway in order to trial new technologies in our homes as we strive to increase their efficiency for our customers. The Group is also investigating the most effective low carbon solution to provide heating across larger community developments.

We are also engaging with our industry and our supply chain. We actively participate in the HBF's Future Homes Hub and Dean Finch, the Group Chief Executive, is a member of the government's Net Zero Buildings Council.

"We have a number of exciting projects underway across the business as we seek to identify the most effective method of delivering net zero homes. We want to ensure that the homes we build are comfortable and efficient for our customers and enable them to live more sustainably."

DUNCAN SHAW
Group Technical Director

Our supply chain

As part of our commitment to reduce our Scope 3 indirect emissions, we have recently engaged an external consultant to calculate the embodied carbon of our homes. This will enable us to understand the carbon impacts of different house types, and prioritise those materials which have the greatest carbon impact.

We are partners to the Supply Chain Sustainability School to assist in the delivery of a consistent approach to sustainability and responsible sourcing.

Launched in 2012, the School provides a learning and engagement platform to upskill people working within the built environment sector. Free online learning materials, seminars, workshops and other services are available to help assess and improve environmental, social and economic sustainability awareness on issues including waste reduction, resource use and human rights.

Our homes

The homes we build are designed to achieve high levels of energy efficiency. We harness the benefits of good design and improvements in materials and building techniques, to construct homes to high sustainability standards. The average Standard Assessment Procedure (SAP) rating of our new homes is 87, which equates to a 'B' EPC rating. Our homes are, on average, approximately 30% more energy efficient than the existing national housing stock, which has an average SAP rating of c.66, or an EPC rating of C.

Our homes also contain a range of energy efficient features to promote sustainable living for our customers.

Reducing our operational impact

We continue to focus on reducing operational emissions across the Group. During the year, the Group's market based Scope 1 and 2 greenhouse gas emissions per home sold was 1.82 tonnes CO_2e (2020: 2.02 tonnes CO_2e).

A number of energy efficiency actions have been undertaken during 2021. Greenhouse gas emissions from our diesel consumption on our sites make up 62% of our operational greenhouse gas emissions. A study has been performed to reduce on site diesel usage, to include a forklift replacement cycle, trials of alternative low carbon fuels, and driver training to reduce machinery idling times.

The Group's Site Manager essentials training course includes energy awareness training modules to improve on-site energy efficiency such as, providing electric and gas power to our developments as soon as possible to reduce the use of generator power, restricting machine idling time and using appropriate travel speeds when travelling around the development.

In addition, the Group is now purchasing 100% renewable energy for its offices and manufacturing facilities and has introduced electric vehicle options into its fleet. In addition, all purchased electricity for our newly built homes, while under our ownership, is now backed by Renewable Energy Guarantee of Origins certificates.

The Group participates in the CDP climate survey, receiving a score of C (Awareness).

Greenhouse gas emissions per home sold

1.82 tonnes CO_2e

2020: 2.02 tonnes CO_2e

The average Standard Assessment Procedure (SAP) rating of our new homes

87

equating to a 'B' EPC rating

Greenhouse Gas Emissions and Energy Consumption Reporting (Scope 1, 2 and 3)

The Group has reported on greenhouse gas emissions in line with the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (dated March 2019). The GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) has been used as the methodology to quantify and report greenhouse gas emissions. The Group operates in England, Wales & Scotland, and emissions are reported in line with the financial control of the Group.

Greenhouse gas emissions			**2021**	2020
Scope 1 emissions from gas, travel and construction site fuel use		tCO_2e	25,298	25,887
Scope 2 emissions from electricity use	Location based	tCO_2e	2,380	3,480
	Market based	tCO_2e	1,149	1,656
Total Scope 1 & 2 greenhouse gas emissions	Location based	tCO_2e	27,678	29,367
	Market based	tCO_2e	26,447	27,543
Scope 1 energy consumption		MWh	96,508	95,110
Scope 2 energy consumption		MWh	11,208	14,925
Carbon intensity Scope 1 & 2 emissions (per home sold)	Location based	tCO_2e/per home sold	1.90	2.16
	Market based	tCO_2e/per home sold	1.82	2.02
Scope 3 emissions: Category 1: Purchased Services & Goods		tCO_2e	1,254,243	N/A
Scope 3 emissions: Category 11: Use of Sold Products		tCO_2e	1,193,835	N/A
Scope 3 emissions: Employee commuting		tCO_2e	14,537	N/A
Total Scope 3 emissions		tCO_2e	2,462,615	N/A

The Scope 1, 2, 3 (category 1 & 11) greenhouse gas emissions data for 2021 has been externally verified to a limited level of assurance by Bureau Veritas (see www.persimmonhomes.com/corporate/sustainability). The Group's full GHG Reporting Methodology can be found at www.persimmonhomes.com/corporate/sustainability.

Continued improvements have been made to data capture and reporting methodologies during 2021; the majority of diesel fuel usage on sites has been recorded directly in litres, which has improved accuracy and a high proportion of our regional offices are now on smart meters. As part of the Group's sustainability commitments, from August 2021all purchased electricity is now backed by Renewable Energy Guarantee of Origins (REGOs) certificates, which are provided to the Group, and gas for the offices is backed by Renewable Gas Guarantees of Origin (RGGOs) or Biomethane Certificates (BMCs).

This year the Group is reporting its material Scope 3 emissions, these are the emissions from indirect activities; to include category 1 purchased goods and services (obtained from spend data and will be improved over time as carbon data becomes available from suppliers); category 11, homes in use (obtained from SAP information), and employee commuting (obtained from employee data).

Our strategic objectives
Working safely, responsibly and efficiently continued

Reducing our operational waste

Within our site operations we aim to recycle and reprocess waste where possible. In 2021, 94% of waste was recycled or reprocessed from our sites and off-site manufacturing facilities (2020: 96%), with 8.6 tonnes of waste generated per home sold (2020: 8.4 tonnes). The small reduction in the Group's recycling percentage is due, in the main, to the increased production within our Brickworks and Tileworks manufacturing facilities. We will review our waste management systems and processes within these facilities to identify opportunities to improve the amount of waste we recycle.

We have a number of processes on site to monitor and control our waste management in our operating businesses. We continue to recycle brick and block waste on our sites. These materials are typically crushed for reuse in other areas on site such as piling platforms and scaffold bases. This not only reduces the amount of waste we send to landfill, but also reduces our requirement for third party aggregates.

Responsible sourcing of timber

We are committed to responsible sourcing and look to use supply chain systems, which minimise the environmental impact associated with the production of key commodities such as timber. All buyers, surveyors, suppliers and subcontractors to Persimmon via group deals are required to purchase Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified timber and timber derived materials for use in all of our operations.

If FSC or PEFC certified timber and timber derived materials cannot be purchased, evidence must be provided that alternative materials are sourced from reputable and sustainable sources.

As a minimum, all buyers, surveyors, suppliers and subcontractors must ensure compliance to any applicable laws and regulation in relation to the sourcing of timber and timber derived materials.

Working efficiently

Off-site manufacturing

Having been through a year where security of supply of key products and materials has been constrained, access to our off-site manufacturing facilities, consisting of Space4, a timber frame manufacturing facility, and Brickworks and Tileworks has allowed the business to deliver the new homes the country needs in the areas where people want to live. We believe that this vertical integration is a key differentiator for the Group and we are committed to continuing to invest in our off-site manufacturing facilities.

Units delivered in 2021

4,315

Bricks delivered across 203 sites

c.45million

Suppliers

5,155

The Group works with over 5,155 suppliers and supports c.52,000* jobs in its supply chain

"The Group's Space4 facility provides a 'fabric first' solution to the construction process delivering sustainable and thermally efficient new homes."

GARETH WICKS
Managing Director, Space4

Space4

'Modern Methods of Construction' (MMC) is a wide term covering a range of off-site manufacturing and on-site housebuilding techniques. When compared to traditional housebuilding, MMC can provide a range of benefits that include operational efficiency gains and a reduced environmental impact of housebuilding.

We are highly committed to this method of construction, we also plan to invest in a new Space4 facility this year, updating the technology and techniques to drive enhanced quality and further efficiency gains. In 2021, 33% of the homes we built used timber frames. As part of our ongoing commitment to MMC we have committed to build 50% of our homes using Space4 by 2025.

From one of the UK's largest off-site timber frame factories, our Space4 business produces a 'fabric first' solution to the construction process to manufacture, using PEFC certified timber, timber frames, highly insulated wall panels and roof cassettes based on our standard house types. This MMC, using semi-automatic and manual processes, supports increased site production and efficiencies by reducing the time to build the 'superstructure' of a new home by almost two thirds whilst easing the requirements and reliance on site for some traditional skills.

The 'fabric first' solution delivers high levels of thermal efficiency for the new homes built. The benefits of this will support the Group in the delivery of the Government's proposed Future Homes Standard which will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency.

Space4 employed 68 people as at 31 December 2021 at its factory in Castle Bromwich near Birmingham and currently has the capacity to supply up to c.9,500 units per year, consisting of c.7,750 timber frames and c.1,750 'room in the roof' systems.

During 2021 Space4 delivered 4,315 timber frame house kits and insulated roof systems to the Group's housebuilding businesses, contributing to the delivery of c.30% of the new homes delivered in the year.

Brickworks

The Group's Brickwork factory, based at Harworth near Doncaster, has the capacity to produce c.80m bricks annually (approximately two thirds of the Group's brick requirements). During the year, the facility provided c.45m bricks to 203 sites across the Group. We anticipate increasing output this year at Brickworks by 25%.

Tileworks

The Group's roof tile manufacturing plant, also based at Harworth, has supplied approximately 9m tiles to 227 sites across the Group. We anticipate increasing output this year by over 50%.

The Harworth facility is well situated for both inbound raw materials and outbound supplies, providing good access to the motorway network supporting efficient logistics for delivery of bricks and roof tiles to sites across the Group.

Engaging with our supply chain

To enable us to deliver on our core focus areas we recognise the importance of maintaining an effective and engaged supply chain. We achieve this through regular engagement with all our suppliers and subcontractors with focus on their wellbeing and operational matters.

The health, safety and mental wellbeing of our subcontractors has always been important to us and as noted on page 41, they take part in regular 'Toolbox Talks' covering the health and safety aspects of our sites. As with the prior year, subcontractors have had to comply with the Group's strict Covid-secure operating procedures.

As noted on page 37, the Group continues to take its role in combatting modern slavery and human trafficking seriously, and has further developed its training provision, ensuring greater awareness of the risks in this area for staff in key functions that interact with the supply chain.

Throughout 2021, the Group continued to support its suppliers in a number of ways. This includes our partnership with RoofCERT, a scheme that encourages our roof-tiling operatives to gain independent accreditation and provide greater assurance within the industry.

The Group is also a signatory to the Prompt Payment Code (PPC). The Code sets standards for payment practices and best practice and is administered by the Office of the Small Business Commissioner (OSBC) on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

The Group has a centralised procurement department that has been strengthened during the year with the appointment of a new Group Commercial Director, in late 2020, a Group Procurement Director and the formation of a centralised Group procurement team. This enlarged department will continue to manage the strong, long standing relationships we have previously held with our main suppliers and will seek to secure Group wide deals covering all major elements of our construction process. These relationships and agreements will allow the Group to establish consistent standards of quality, security of cost and supply of materials whilst providing our suppliers with certainty over volumes, revenues and cash flows. In addition, our operating businesses work closely with a large number of regional suppliers to secure locally sourced materials. Such close working relationships will provide these small suppliers with consistent order volumes, helping to sustain their businesses and support the local communities we work within. The Group works with 5,155 suppliers and is proud to support c.52,000* jobs within its supply chain.

Our regional housebuilding operations engage with a large number of local subcontractors in the construction of our homes. This ensures that the Group secures good availability of the skilled trades that we require locally and provides our subcontractors with continuity and consistency of work. The Group supports over 40,000* jobs on its sites.

In total, the Group supports c.92,000* jobs across its wider supply chain (2020: c.86,000*). The 7% increase is in line with the year on year increase in legal completion levels achieved in the year.

* Estimated using an economic toolkit

Tiles supplied by Tileworks

c.9m

to 227 sites across the Group

Percentage of the homes we built using timber frames

33%

Space4 contributing to the delivery of

30%

of the new homes delivered in the year

Our strategic objectives

Delivering on our five key priorities

4 SUSTAINABLE COMMUNITIES

Read more on our Chief Executive's review on page 21

SUPPORT AND CREATE SUSTAINABLE COMMUNITIES

"Persimmon Homes' donation is wonderful news for the school and pupils. The wooden pod will be called the Rainbow Retreat. We are aiming to create a peaceful space away from the hustle and bustle of school, providing a comfortable place for the pupils to express their concerns and needs to enable us to effectively support their development."

TERESA HORDEN
Holy Cross Primary Catholic Voluntary Academy, Hucknall

Investment in local communities

c.£2.6bn

over the last 6 years

Charitable Foundation donations

over £1.8m

Support and create sustainable communities

Social impact is one of our values – we build homes for the future in sustainable communities. We uphold the highest safety standards and leave a legacy that delivers economic, social and environmental value to the communities we build.

We recognise the important part we play in developing much needed homes and communities across the UK, creating social value for our local areas. Whilst we are a national business, operating from 31 businesses across the UK, we are proud of the contribution we make to our local communities.

We are also proud to provide a range of house types at attractive prices in areas where people love to live and work, offering the dream of home ownership to customers who otherwise may not have been able to afford it. Our average private selling price of £259,231 is over 20%[1] below the UK national average and approximately 50% of our homes sold into the owner occupier market were to first time buyers.

Throughout the development process of our sites, we engage with our local communities and Local Planning Authorities to ensure that our sites are planned and designed so as to provide the right range of house types, from apartments to four bedroom homes, to meet local needs and to provide open spaces and attractive communities, improving our customers' well-being. Our developments provide much needed homes to both private owner occupiers and to our local housing association partners.

Through the planning process we aim to enhance local facilities providing investment in local infrastructure such as transport, education, retail and recreation facilities.

All of our developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2021, we provided 2,533 homes, or £334m of housing, to housing associations and a further 226 homes, or £29m of housing, to qualifying customers using affordable Discounted Open Market Value Housing. This is housing that is sold at a discount of around 20-30% to the local market value with the discount remaining with the property in perpetuity. These homes can only be purchased by customers who meet eligibility criteria set by local councils. Overall, we provided £363m[2] of affordable housing for lower income families in 2021 (2020: £303m).

1. National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
2. The value of homes delivered to housing associations, the value of discounted open market housing, plus the value of planning contributions we have made.

Living more sustainably

As a responsible business, we recognise the importance of providing increasingly energy efficient homes to our customers in locations with excellent local amenities and transport links.

Our homes are c.30% more energy efficient than existing housing stock. The average SAP rating of our home is 87 which is equivalent to an EPC rating of a B. Almost all of the homes that we build have an EPC rating of A or B.

Engaging with our communities

We are a national business with a local presence.

Each of our 31 operating businesses have regional teams with detailed knowledge of the local communities in which they operate. In addition to fulfilling the housing needs of these communities through delivery of new well-designed good quality homes, our teams seek to support them further in a variety of ways:

- Proactive engagement and consultation throughout the planning and development process for each of our developments
- Engaging local suppliers and tradespeople and supporting the local economy
- Charitable donations to support local charities and community groups
- Engagement with local schools
- Delivering new amenities
- Improving local infrastructure

The Group's land, planning and design process is detailed and comprehensive, supported by excellent control and review processes. It integrates with the Group's construction departments at an early stage in the planning process, ensuring that the business can begin development efficiently with the site design and environmental mitigations effectively implemented on each site.

Under the planning process, we invest in local communities in many forms, such as parks and open space; education provision; community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2021 we contributed over c.£127m to local communities (2020: £72m) through planning contributions to local authorities.

Further information regarding the Foundation's campaigns can be found at https://www.persimmonhomes.com

Supporting our communities

The Persimmon Charitable Foundation, has two established programmes which contribute to the communities we serve. The Community Champions and Building Futures campaigns continued to support local good causes throughout 2021, donating over £1.8m to c.900 charities and community groups.

Once again, the Foundation supported two campaigns throughout 2021, both of which were run at a regional level across each of the Groups' 31 operating businesses donating to local, grass root initiatives in the communities in which we operate.

Community Champions

- Each month our 31 operating businesses and our head office make donations of c.£2,000 to local good causes to match the charity's own fund-raising efforts. During 2021, Community Champions donated c.£745,000 to c.770 local groups.

BUILDING FUTURES

- 2021 was the third year for the Foundation's 'Building Futures' campaign which, in conjunction with Team GB, supports community projects that benefit young people across the UK in the areas of sports, education and arts, and health.
- The campaign held a public vote to select 96 finalists from thousands of nominated charities. The finalists received a total of £945,000 with the top three winners in each category receiving £100,000, £50,000 and £20,000 donations respectively. Beneficiaries included hospital charities, local sports groups, eco activity centres and refugee sports groups.
- The remaining 87 finalists received a donation of £5,000 each.
- During 2021, Building Futures donated over £1m to local good causes.

Our strategic objectives

Delivering on our five key priorities

5 INDUSTRY-LEADING FINANCIAL PERFORMANCE

Read more on our Chief Executive's review on page 21

MAINTAINING FINANCIAL STRENGTH THROUGH THE HOUSING CYCLE

"Persimmon's well-established strategy of well-judged capital deployment through the cycle and maintaining financial flexibility has provided a resilient balance sheet and high quality land holdings from which we have the expertise to deliver sustainable returns for all our stakeholders."

DEAN FINCH
Group Chief Executive

Return on average capital employed[1]	Underlying new housing operating margin[2]
35.8%	28.0%

Minimising financial risk and making well judged assessments through the cycle.

The Group's strategy, which has been implemented over a large number of years, recognises the inherently cyclical nature of the UK housing market. The Group's robust balance sheet and high liquidity land holdings are key to delivering long-term sustainable value for the benefit of all our stakeholders.

We achieve this by:

- Maintaining high quality land holdings, ensuring we can apply a disciplined approach to our land replacement, only investing when there is a clear opportunity to deliver value. The Group's land replacement, acquisition and management processes are key features of our approach (see page 38)
- Placing customers at the heart of our business by pursuing developments that deliver properly integrated neighbourhoods which provide access to good quality new housing for the benefit of all potential occupiers, including those families on lower incomes
- Maintaining strong control over the Group's levels of work in progress across all of our developments whilst supporting our strategy of putting our customers before volume
- Engaging with and managing our supply chain and entering into robust tendering processes to help manage our costs (see page 45)
- Vertical integration and the manufacture of some key material elements (see page 44)
- Maintaining strict levels of governance and financial discipline across all our operational and financial processes
- Improving our build programme management through strong Group wide controls, the use of the Group's core house type portfolio across our developments and investing in technology to fully integrate our operations
- Embedding sustainable practices in the procurement and management of our working capital
- Investing in technology and innovation keeping us at the forefront of industry standards, whilst maintaining operational efficiency

Land investment

The Group's high quality land holdings are a key element in our long established strategy which supports the delivery of superior sustainable returns to the benefit of all our stakeholders over the long term. This strong platform assembled over many years supports the Group's ability to exercise disciplined land replacement through the housing cycle. Such a strong platform enables the Group to continue to deliver the new homes to communities across the UK, helping to address the country's housing needs through the economic cycle.

Further information on the Group's land investment strategy and processes can be found on page 38.

Our build programmes

The Group has an established range of standard core house types that ensure consistency of construction across the Group and enable us to build more cost effectively, without compromising on build quality or customer service. The Group continues to invest significantly in digital technology, improving the consistency, efficiency and productivity of our detailed build programme processes and to align our technology with the build and quality assurance processes outlined in the Persimmon Way, the Group's consolidated Group wide process of development and new home construction. Our build and direct costs are 60 basis points higher than last year at 55.4% of housing revenue (2020: 54.8% of housing revenue).

Strong liquidity

By applying strong operational controls the Group effectively manages its working capital levels and delivers strong cash generation.

Senior management carefully monitor and manage the levels of work in progress investment on our sites comparing investment needs against relevant demand, the requirement to achieve high levels of quality and customer service, together with generating superior levels of returns.

By exercising this capital discipline, together with maximising the cash efficiency of operational activities, the Group will deliver strong cash generation whilst minimising financial risk through the cycle.

Tax strategy

The Group operates an overarching principle of full compliance with current UK tax legislation. We are open and transparent in all our dealings with HMRC, adopting a low risk approach to our tax affairs recognising our wider corporate social responsibilities and the Group pays all taxes in full and on time in accordance with tax law. The commercial activities of the Group are planned to ensure that statutory reliefs and allowances permitted by existing tax law are claimed.

1. 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Capital employed is the Group's net assets less cash and cash equivalents plus land payables. After legacy buildings provision and goodwill impairment the figures are as follows: Return on average capital employed: 35.6% (2020: 26.7%; 2019: 36.7%; 2018: 41.0%; 2017: 39.8%).
2. Stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). After legacy buildings provision and goodwill impairment the figures are as follows: Housing operating margin: 27.8% (2020: 25.0%; 2019: 30.1%; 2018: 30.5%; 2017: 27.9%).

Financial review

HOW WE PERFORMED IN 2021

The Group entered 2021 in a resilient position with forward sales at c.£1.69bn and work in progress including c.5,600 new homes under construction.

Underlying operating profit[1]

£966.7m +12%

2020: £862.8m

Underlying profit before tax[1]

£973.0m +13%

2020: £863.1m

Profit before tax

£966.8m +23%

2020: £783.8m

Trading

Trading through the year was strong with increased selling prices across our regions and healthy levels of customer demand, the Group's average private sales rate per site being c.9% ahead of 2020 and c.22% ahead of 2019.

For 2021, the Group generated total revenues of £3.61bn (2020: £3.33bn), with new housing revenue of £3.45bn (2020: £3.13bn). The Group delivered 14,551 new homes (2020: 13,575) at an average selling price of £237,078 (2020: £230,534), 2.8% higher than the prior year.

The Group delivered 12,018 new homes to private owner occupiers (2020: 11,363) at an average selling price of £259,231 (2020: £250,897). This 3.3% year on year increase largely reflecting improvements in achieved selling prices and the mix of new homes sold. The Group delivered a further 2,533 new homes to our housing association partners (2020: 2,212) at an average selling price of £131,976 (2020: £125,930).

The Group's underlying gross profit[1] for the year was £1,083.8m (2020: £969.4m) generating a new housing gross margin of 31.4%[2] (2020: 31.0%). The Group's well established land replacement strategy, the improved selling prices achieved and good management of the cost inflation we have experienced during the year continues to deliver industry-leading margins.

Underlying operating profit[3] for the Group was £966.7m (2020: £862.8m), generating an underlying new housing operating margin[4] of 28.0% (2020: 27.6%) as the second half benefitted from the particular mix of legal completions achieved.

The Group generated a profit before tax of £966.8m in the year (2020: £783.8m).

Taxation

The Group has an overall tax charge of £179.6m for the year (2020: £145.4m) and an effective tax rate of 18.6% (2020: 18.6%), marginally lower than the mainstream rate of 19.0%. Factors that may affect the Group's taxation charge include changes in tax legislation and the closure of certain open matters in the ordinary course of business in relation to prior year's tax computations.

Balance sheet strength

Net assets of £3,625.2m at 31 December 2021 (2020: £3,518.4m), including retained earnings of £3,055.1m (2020: £2,950.9m), underpin the Group's balance sheet strength. After returning £749.6m of surplus capital to shareholders during the year, the Group's reported net assets per share was 1,135.7p, an increase of 3% compared with the prior year (2020: 1,102.7p). Underlying return on average capital employed[5] as at 31 December 2021 was 35.8% (2020: 29.4%), further demonstrating the resilience of the business. Underlying basic earnings per share[3] for the year was 248.7p, a 12.7% increase on the prior year (2020: 220.7p).

The Group's defined benefit pension asset has increased to £148.8m at 31 December 2021 (2020: £50.6m). The increase is largely due to the recovery in markets and good asset performance combined with the actuarial benefit from the increase in discount rates through the year.

In February 2021 we pledged to support leaseholders in multi-storey developments we built that required cladding removal and in obtaining the EWS1 form they need to sell their home. As part of this pledge we created a £75.0m fund and have been in contact with management companies and building owners to ensure the required progress is being made. During the year works have been undertaken across a number of affected developments resulting in total spend of £2.3m. At 31 December 2021, the provision stands at £72.7m and is management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings under direct ownership and on those under third party ownership we have developed.

The Group's land holdings

At 31 December 2021, the carrying value of the Group's land asset was £1,798.2m (2020: £1,722.1m), reflecting the Group's disciplined land replacement strategy and the strong sales performance the Group has experienced during the year. The high quality of the Group's land holdings are reflected in the Group's land cost recoveries for the year of 13.2% of new housing revenue (2020: 14.2%).

The Group increased its owned and under control land holdings to 88,043 plots at 31 December 2021 (2020: 84,174 plots) to facilitate future output growth and to support the Group's national outlet network. 67,089 plots are owned of which 39,079 have detailed implementable planning consents. A further 20,954 plots are under the Group's control, being plots where the Group has exchanged contracts to acquire the site but have yet to complete the contract due to outstanding planning conditions remaining unfulfilled.

During the year the Group's experienced land and planning teams successfully progressed c.14,400 under control plots through the planning system, transferring them into the Group's owned land holdings. The Group's owned land holding provides excellent visibility of the near to medium term with 4.6 years of forward supply at 2021 volumes, an overall pro-forma gross margin[6] of c.33% and a cost to revenue ratio of 11.4%[7] (2020: 11.9%).

The Group continued to pursue its disciplined land replacement strategy of identifying new land in areas where people wish to live and work, providing new housing in areas where there is the most need. The Group brought over 20,750 plots into its owned and under control land holdings across 101 locations, with 10,220 of these plots converted from our strategic land portfolio. In line with our expectations, we have incurred land spend of £460.0m in the year, including £178.5m of payments in satisfaction of deferred land commitments.

During 2021, the Group acquired interests in a further 480 acres of strategic land, securing a total of c.13,700 acres at 31 December 2021 (2020: c.15,500 acres). This provides a long-term supply of forward plots for future development by the Group.

Cash

£1,246.6m **+1%**

2020: £1,234.1m

Free cash generation[2]

£766.6m **+2%**

2020: £748.1m

Cash generation pre land investment

£1,209.8m **+13%**

2020: £1,066.8m

Financial review
How we performed in 2021 continued

Net assets

£3,625.2m

2020: £3,518.4m

Underlying return on average capital employed[1]

35.8%

2020: 29.4%

Land creditors

£407.6m

2020: £329.3m

Work in progress

Against the backdrop of a reduced number of sales outlets, the delivery of increased volume of new homes, material and labour resource shortages we have successfully maintained our build rates at pre-Covid levels. This has resulted in our work in progress investment at 31 December 2021 of £1,054.1m being only c.3% lower than the level of investment we entered 2021 (2020: £1,091.6m). The Group's level of work in progress of c.4,100 equivalent units of new homes construction at the end of 2021 provides a robust opening position that will support the Group's build programmes for the first half of 2022 and deliver the new homes the country needs.

We are focused on driving strong levels of build throughout 2022, managing the continuing operational challenges we face and securing the availability of key build components through our in-house manufactured bricks, roof tiles, closed panel timber frame kits and pre-manufactured roof cassettes, whilst delivering high levels of customer satisfaction and build quality.

Cash generation and liquidity

The Group had a cash balance of £1,246.6m at 31 December 2021 (2020: £1,234.1m). During the year the Group generated £1,209.8m (2020: £1,066.8m) of cash before returning £749.6m of surplus capital to shareholders and net land spend of £447.7m. The Group's deferred land commitments have increased by £78.3m to £407.6m from £329.3m at 31 December 2020 reflecting the Group's increased activity in the land market throughout 2021. The Group's healthy liquidity position will provide further opportunity to support the future growth of the business. Cash generated from operations was £972.8m (2020: £993.3m).

In addition, the Group has an undrawn £300m Revolving Credit Facility which extends out to 31 March 2026.

The Group's shared equity loans have generated £18.9m of cash in the year (2020: £16.4m). The carrying value of these outstanding shared equity loans, reported as "Shared equity loan receivables", is £45.6m at 31 December 2021 (2020: £56.2m). The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

Net finance income for the year was £6.3m (2020: £0.3m) and includes £7.9m of gains generated on the Group's shared equity loan receivables (2020: £4.0m) and £1.8m of imputed interest payable on land creditors (2020: £5.4m).

1. Stated before legacy buildings provision of £nil (2020: £75.0m).
2. Based on new housing revenues of £3,449.7m (2020: £3,129.5m) and underlying gross profits of £1,083.8m (2020: £969.4m) (stated before legacy buildings provision of £nil (2020: £75.0m)).
3. Stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).
4. Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
5. 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).
6. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2021 and normalised output levels.
7. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

"Persimmon will continue to effectively manage its liquidity and working capital needs mitigating the financial risks the Group faces, maintaining the Group's robust balance sheet and securing a resilient position for the future."

DEAN FINCH
Group Chief Executive

Shareholders' equity, treasury policy and related risks

The Group's strategy of minimising financial risk and retaining flexibility reflects the cyclical nature of the housing market. The return of any capital that is deemed surplus to the needs of the business through the Group's Capital Return Programme remains a key element of this strategy. The Programme is continually reviewed and assessed by the Directors having regard to the progress and trading position of the business, existing economic and market conditions, the Group's current land holdings and other investment opportunities. The total value paid of the Capital Return Programme to 2021 was £13.00 per share, compared to the £6.20 per share initial commitment made by the Board in 2012.

The business maintains a robust balance sheet with an efficient capital structure and stringent controls around its working capital management. The Group's £300m Revolving Credit Facility provides an important element in the Group's working capital resource and flexibility. These facilities will only be used to support short-term working capital needs of the business.

The Group will continue to effectively manage its liquidity and working capital investment needs, whilst ensuring they are aligned with the Group's focus on work in progress investment to support an increase in the equivalent units of new home construction that will support good levels of stock availability and the high levels of build quality and customer service we currently deliver. The Group will continue to ensure it maintains flexibility when considering the generation of after tax earnings, and the management of the Group's equity, debt and cash management facilities. This approach will mitigate the financial risks the Group faces and maintain the Group's robust balance sheet and strong liquidity levels, securing a resilient position for the future.

New housing gross margin[1]

31.4%

2020: 31.0%

Underlying new housing operating margin[3]

28.0%

2020: 27.6%

How we manage risk

PROTECTING LONG-TERM VALUE CREATION

The robust management of risk is central to the Group's strategy and ability to create value over the long-term. The UK housing market is cyclical in nature and subject to fluctuations in economic conditions and changes in the political, regulatory and legislative environment.

To manage these specific challenges, the Group has a well-established framework in place for risk management, designed to enable the effective and timely identification and assessment of risks, and ensure ongoing risk mitigation.

The Board has overall responsibility for the assessment and effective management of the Group's risks. The Group's risk management framework supports the Board in performing these duties and ensuring an appropriate focus on principal, strategic and emerging risk areas. Comprehensive supporting processes are in place to identify, monitor, mitigate and control risks, through the work of the Audit Committee, Risk Committee, Group Internal Audit department and operational management teams. This includes a wide-ranging annual survey of Board and senior management assessments of key risk issues and emerging risks. Collectively, these processes provide an additional 'bottom up' approach, ensuring the Board has visibility of the Group's full risk landscape, while remaining focused on the most significant threats and trends.

Risk management framework

Board ownership and oversight

Strategy and risk identification
The Board determines the Group strategy and has overall responsibility for identifying and effectively managing the risks to the strategy. This focuses on principal risks, including those that would threaten the Group's business model, future performance, solvency or liquidity.

Monitoring of risks
The Board has well-established processes to monitor the Group's risk landscape. In addition to routine KPI reporting against principal risks, the Board reviews the Principal and Strategic Risk Register in full on a regular basis. This provides the latest assessment of a range of criteria for each of the Group's key risks, including:

- Risk appetite.
- Gross risk impact and likelihood assessment.
- Net risk impact and likelihood (adjustment of the gross assessment post the impact of mitigating controls).
- Overall risk assessment.
- Commentary on action plans for further mitigation, and links to the Group's operational Risk Registers.

The Board also routinely monitors feedback and assessments of changes in strategic and emerging risks with the potential to develop into future principal risks. This includes reviewing the results of a detailed annual risk survey.

Risk identification, mitigation and monitoring

Audit Committee
- Monitors the integrity of the Group's financial reporting processes.
- Approves the Group Internal Audit Manager's annual audit plan and monitors the effectiveness of internal audit.
- Monitors the external audit and reviews its effectiveness.

Risk Committee
- Ensures appropriate controls and procedures are in place.
- Reviews operational risk performance.
- Reviews the work of the Group Internal Audit department.
- Performs a full review of all Group Risk Registers annually.

Group Internal Audit department
- Delivers a risk-based annual internal audit plan.
- Performs testing on key areas of compliance and assurance.
- Produces KPI data on the Group's principal risks.
- Maintains the Group's Risk Registers and oversees the update process.
- Supports the annual risk survey of the Board and senior management.

Management oversight

Group Functions
- Support steering groups on key risk areas including GDPR, Information Security, and Internal Controls over Financial Reporting.
- Contribute to the formulation of Group policies, procedures and control mechanisms.
- Monitor implementation of Group risk management and internal control processes.
- Have ownership of individual operational level Risk Registers for each function.

Operational Management
- Monitors operational performance and identifies changes in key risks affecting the business.
- Continual interaction with and reporting to senior management and the Board.
- Ensures the implementation of internal controls set by the Board and Group functions within the business.

Our principal risks

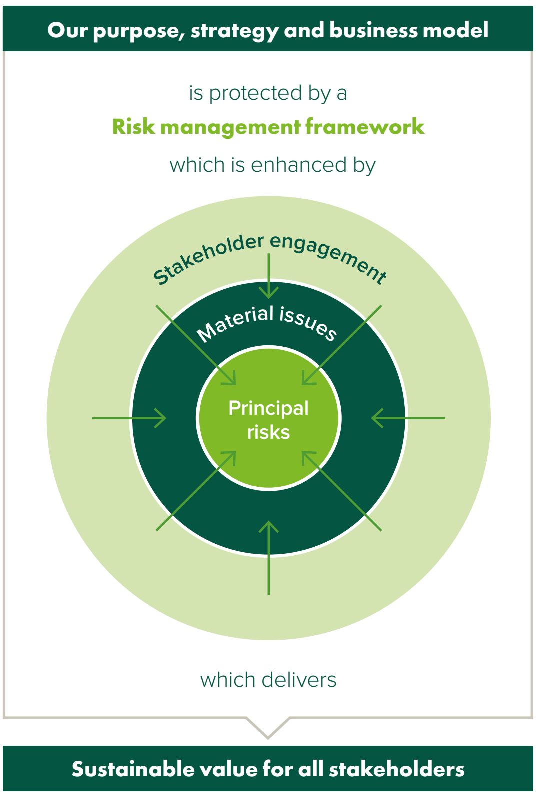
PRINCIPAL RISKS AND MATERIAL ISSUES

Principal risks

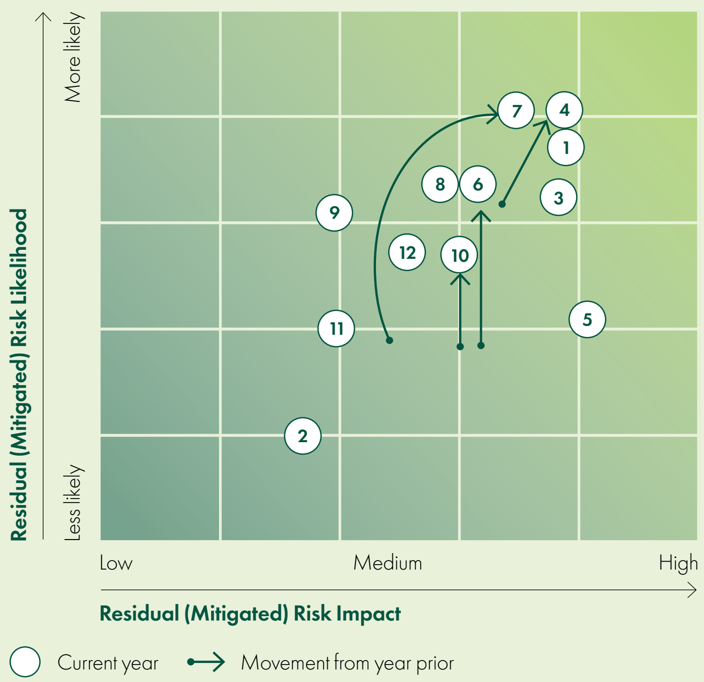
In line with the UK Corporate Governance Code, the Group defines its principal risks as those considered to have a potentially material impact on its strategy and business model, including its future performance, solvency, liquidity and reputation. The Group's strategy focuses on minimising financial risk and deploying capital at the right time in the housing market cycle, recognising the inherent risks and cyclical nature of the housing market. This, together with an agile, experienced and responsive management team, and robust risk management framework, has established a highly resilient business able to address a range of future economic scenarios.

Material issues

The Group recognises the value of stakeholder engagement in ensuring the creation and protection of long-term value. A materiality assessment was performed in 2020 in order to identify important issues for our stakeholders, which were likely to have an impact on our business in the short to medium term. This assessment links to the Group's risk management framework, and contributes directly to the identification, management and mitigation processes, as illustrated below:



Principal risks – heat map



Material issues	Principal risk
1 Strategy	1 Pandemic risk
2 Social value/enhancing communities	2 Strategy
3 Health and safety	3 National and regional economic conditions
4 Talent attraction, development, diversity and engagement	4 Government policy
5 Helping customers live sustainably	5 Health, safety and the environment
6 Climate change action & resilience	6 Labour and resources: skilled workforce, retention and succession
7 Build quality and safety	7 Labour and resources: materials and land purchasing
8 Governance	8 Climate change
9 Customer satisfaction	9 Reputation
10 Cyber security and protection	10 Regulatory compliance
	11 Cyber and data risk
	12 Mortgage availability

Our principal risks

Our principal risks and material issues continued

1 Pandemic risk

Residual risk rating: High

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: No change

Link to strategic objective

Risk description

The potential for increased rates of transmission, further variants of Covid-19 or a new pandemic occurring in the UK, could have significant impacts across the Group's operations. These could include:

- Increased health and safety risk to our workforce, our customers and the wider public.

- Disruption to build programmes and delays in sales, due to staff absences and material and labour supply issues.

- Economic downturn, with reduced consumer confidence, demand and pricing for new homes, thereby affecting revenues, margins, profits and cash flows and impairment of asset values.

Approach to risk mitigation

The Group maintains business continuity plans and can draw upon extensive Board and management experience from the response to the initial Covid-19 outbreak.

Robust and comprehensive policies and procedures have been developed under the supervision of the Health, Safety and Environment Department. These procedures allow for safe continuity of operations under various pandemic conditions.

Remote working capabilities are in place, facilitated through enhanced use of technology. This supports continuity of operations in the event of ongoing or future pandemic conditions. The risks associated with increased use of remote working are mitigated through a combination of IT controls and user awareness training.

Potential disruption of supply is mitigated through centralised procurement and management of key materials. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production provides further mitigation for some critical materials.

Developments in 2021

Whilst the industry continued to face ongoing operational and economic challenges from the pandemic, particularly as the Omicron outbreak unfolded late in the year, the Group continued to manage these ongoing challenges effectively.

The comprehensive suite of measures established at the start of the pandemic, including our robust Covid-19 policies and procedures, have been continually adapted to reflect all government and industry guidance and good practice, and have enabled a strong degree of continuity in our operations. We continue to maintain the two metre social distancing protocols across our sites.

The Group's strong balance sheet, high liquidity and robust financial disciplines ensure we are well placed to manage the ongoing challenges of the pandemic.

2 Strategy

Residual risk rating: Low

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: No change

Link to strategic objective

Risk description

The Group's strategy has been developed by the Board as the most appropriate approach to successfully deliver the Group's purpose and ambition and generate optimal sustainable value for all stakeholders.

As political, economic and other conditions evolve, the strategy currently being pursued may cease to be the most appropriate approach.

If the Group's strategy is not effectively communicated to our workforce and / or engagement and incentive measures are inappropriate, operational activities may not successfully deliver the Group's strategic objectives.

Approach to risk mitigation

The Group's strategy is agreed by the Board at an annual strategy meeting. The strategy undergoes a continuous and iterative process of review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates.

The Board engages with all stakeholders to ensure the strategy is understood and effectively communicated. For example, an Employee Engagement Panel, Diversity & Inclusion Council and employee engagement surveys are in place to monitor the cultural health of the organisation and ensure strategy is understood and implemented.

Developments in 2021

Our well-established strategy continues to reflect a firm understanding of the risks associated with the economic cycle and the housing market. Through minimising associated financial risk and judging the deployment of capital at the right time in the cycle, the Group has safeguarded its strong balance sheet and maintained its positioning for continued future success.

3 National and regional economic conditions

Residual risk rating: High

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: No change

Link to strategic objective

Risk description

The housebuilding industry is sensitive to changes in the economic environment, including unemployment levels, interest rates and consumer confidence.

Deterioration in economic conditions, resulting from the ongoing Covid-19 pandemic or continued impact of the UK's withdrawal from the EU for example, could affect demand and pricing for new homes, with resultant effects on our revenues, margins, profits and cash flows and potential impairment of asset values.

Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of return.

Approach to risk mitigation

As noted above, the Group's long-term strategy is focused on the cyclical nature of the housing market and minimising financial risk, maintaining operational and financial flexibility and judging the timing of capital deployment through the cycle.

Lead indicators on the future direction of the UK housing market are monitored to enable informed management of exposure to potential market disruption. Pricing structures are regularly reviewed to reflect local market conditions. The Group's geographical spread is continuously monitored to help mitigate the effects of regional economic fluctuations.

In line with the Group's strategy, levels of build on site are closely monitored and land investment decisions are subject to comprehensive due diligence processes to ensure effective deployment of capital.

See page 10

Developments in 2021

The Board and our operational management teams have continued to monitor the economic environment closely throughout the year, with particular focus on the impact of the disruption caused by the pandemic and the UK's exit from the EU. Despite these challenges, market conditions remained positive, with strong demand for housing and continued resilience of selling prices.

4 Government policy

Residual risk rating: High

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: Increase

Link to strategic objective

Risk description

Changes to government policy have the potential to impact on several aspects of our strategy and operational performance. For example, the forthcoming withdrawal of the Help to Buy scheme in 2023, amendments to planning regulations and the recent government requirement to pay a contribution to a fund to cover the cost of fire safety remediation works, could have an adverse effect on revenues, margins, tax charges and asset values.

The Department for Levelling Up, Housing and Communities (DLUHC) has demanded that residential property developers take a lead in the funding and rectification of unsafe cladding and fire safety issues on buildings over 11 metres in height constructed in the last 30 years. The government want developers to pay for all the necessary remediation on buildings they constructed as well as make additional contributions to an industry-wide scheme that protects all leaseholders from paying towards any works.

To reinforce this demand, the government has introduced amendments into the Building Safety Bill, which, if passed, will require membership of a 'Building Industry Scheme'. Membership of this scheme will be determined by the government, based on the developer's commitments and actions to rectify cladding and fire safety related issues on buildings it has developed. The government has indicated they would use the powers conferred through the amendments to block planning and building control permissions for developers that are not members of the scheme.

Approach to risk mitigation

Government policy in relation to the housing market is monitored closely. Consistency of policy formulation and application remains supportive of the housebuilding industry as a whole, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our mission to build homes with quality our customers can rely on at a price they can afford and our strategic objectives, are aligned with government priorities to increase housing stock.

Land investment decisions and levels of work in progress are tightly controlled in order to mitigate exposure to external influences.

Persimmon is taking part in ongoing discussions with government to identify an effective solution to the funding and rectification of unsafe cladding and fire safety issues on buildings over 11 metres and ensure leaseholders are protected. Persimmon led the industry in committing that leaseholders should not have to pay for such works on any buildings we constructed. Last year, a £75m legacy buildings provision was created to fund necessary work on these buildings. In light of DLUHCs request, we are reviewing buildings we constructed over the last 30 years but do not believe that this will result in a material increase to the 33 developments already identified. In addition, Persimmon will not claim from the Government's Building Safety Fund. We hope these actions will lead to us becoming a member of the government's new Building Industry Scheme and continue to engage in positive discussions with officials.

Developments in 2021

Our assessment has identified an overall increase in risk likelihood, reflecting recent government actions affecting the industry, such as the introduction of the Residential Property Developer Tax, the potential introduction of the Building Industry Scheme, changes to the stamp duty regime and the forthcoming withdrawal of the Help to Buy Scheme in 2023. Government continues to recognise the need for increased construction of new homes, however, providing a broadly supportive environment for the industry.

Our principal risks

Our principal risks and material issues continued

5 Health, safety and the environment

Residual risk rating: High

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: No change

Link to strategic objective

Risk description

In addition to the human impacts of any accident, there is the potential for reputational damage, construction delays and financial penalties as a result of any health, safety or environmental incident.

Approach to risk mitigation

The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our highly experienced Health, Safety and Environment Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. While all reasonable steps are taken to reduce the likelihood of an incident, the potential human, reputational and financial impacts of any such incident are considered high.

Developments in 2021

The effective management of health, safety and environmental risks has remained a critical area of focus for the Board and our management teams throughout the year.

As noted above, our comprehensive suite of Covid-19 mitigation measures, including our robust policies and procedures, have been continually adapted to reflect government and industry guidance and good practice, and have enabled a strong degree of continuity in our operations.

Environmental management has been an area of particular focus in the year, with senior appointments made to support ongoing development in this area.

See page 40

6 Skilled workforce, retention and succession

Residual risk rating: High

Risk trend assessment
Overall: Increase
Impact: No change
Likelihood: Increase

Link to strategic objective

Risk description

Shortages of skilled labour, driven in part through the effects of the UK's exit from the EU and from increased UK housebuilding activities, create risks of increased costs and delays and disruption to build programmes.

Approach to risk mitigation

Access to an appropriately skilled workforce and experienced management team is essential in maintaining operational performance and ensuring the successful delivery of the Group's strategy.

The Group operates a range of apprenticeships and in-house training programmes, under the supervision of the Group Training department, in order to support an adequate supply of skilled labour (see page 35). In addition, the Group is committed to supporting industry initiatives to address the skills gap. The Group's Space4 manufacturing facility, which produces timber frames, highly insulated wall panels and roof cassettes, improves build efficiency and requires less on-site labour than a traditionally built home, mitigating some labour shortage risk (see page 44).

A range of measures have been deployed to ensure high levels of retention across the workforce. These include increased focus on employee engagement, further development of performance management frameworks, career management, and financial incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.

Developments in 2021

The demand for labour within the construction sector has remained high throughout the year, driven by a number of factors. This is reflected in an overall increase in our assessment of this risk.

The Group has continued to invest in its people and processes to mitigate this risk. Notable developments within the year include an expansion of the resource within our Group Training department and the further development of the 'Persimmon Pathway', a structured training programme and career pathway for key disciplines.

See page 32

7 Materials and land purchasing

Residual risk rating: High

Risk trend assessment
Overall: Increase
Impact: Increase
Likelihood: Increase

Link to strategic objective

Risk description

Materials availability

Ensuring access to the right quantity and specification of materials is critical in delivering high quality homes.

Heightened levels of demand for materials may cause availability constraints and increase cost pressures. Furthermore, build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and customer experience.

Land Purchasing

Land may be purchased at too high a price, in the wrong location and at the wrong time in the housing market cycle.

Approach to risk mitigation

Materials availability

Our build programmes and our supply chain are closely monitored to allow us to manage and react to any supply chain issues and to help ensure consistent high quality standards. We build strong relationships with key suppliers over the long term to ensure consistency of supply and cost efficiency. Our Group Procurement team works with our operating businesses to ensure the Group's suppliers provide materials to the expected specification and quantities.

The Group's off-site manufacturing hub at Harworth, near Doncaster, provides a significant proportion of the bricks and roof tiles used across our sites, providing security of supply. This complements our existing off-site manufacturing facility at Space4, which produces timber frames, highly insulated wall panels and roof cassettes.

Land Purchasing

The Group maintains strong land holdings. All land purchases undergo comprehensive viability assessments and must meet specific levels of projected returns, taking into account anticipated market conditions and sales rates.

Developments in 2021

Sustained growth in UK housebuilding activities, and supply chain disruption caused by a combination of the Covid-19 pandemic and issues associated with the UK's exit from the EU, has increased pressure on the supply chain. This has resulted in increased lead times and inflationary pressures in some materials.

These pressures have been reflected in an increased overall risk rating. However, the Group continues to benefit from its vertical integration through our Brickworks, Tileworks and Space4 manufacturing facilities, and the current positive sales pricing conditions continue to mitigate effects of cost inflation.

In respect of land, we have maintained our well-established disciplined approach to replacement whilst continuing to take advantage of exciting opportunities in the market. During the year, our land replacement has exceeded current consumption.

8 Climate change

Residual risk rating: Medium

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: Increase

Link to strategic objective

Risk description

The effects of climate change and the UK's transition to a lower carbon economy could lead to increasing levels of regulation and legislation, as seen with the Future Homes Standard. These may in turn result in planning delays, increased costs and competition for some materials.

Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce in response to financial institutions considering the possible impacts relating to climate change.

Approach to risk mitigation

The Group takes a range of measures to monitor and improve its operational efficiency and direct environmental impact, including measuring CO_2 emissions and the amount of waste we generate for each home we sell.

The Group maintains a detailed climate change risk register, which ensures that the management and mitigation of the risk is embedded within the Group's risk management process.

We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate these risks.

The government's 'Future Homes Standard' will be introduced by 2025. To plan for and manage the transition to low carbon homes, a low carbon homes working group (consisting of members from across the Group's various disciplines) has been established. The Group engages proactively with the housebuilding industry and the government to develop industry wide solutions to meet the requirements of the Future Homes Standard.

We continually seek to strengthen our supply chain, for example, our off-site manufacturing facilities provide us with greater assurance of quality and supply, and use modern methods of construction and technology to assist the mitigation of climate change related risks. The Group Procurement team maintain strong links with our suppliers delivering value through our supply chain by regular engagement and robust tendering processes.

See page 62

Developments in 2021

The likelihood assessment of this risk has increased compared to the prior year as increasing awareness and desire for action, in part following COP26, is likely to result in a more urgent transition to a lower carbon economy.

Within the year, the Group has set science based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative. We have set ambitious 'net zero' targets, aiming to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040.

The Group has already made good progress on its carbon reduction roadmap with a number of projects to research the most effective method of delivering a 'net zero' home in use and engaging a third party expert to measure the embodied carbon of our homes. Our homes are already significantly more energy efficient than existing housing stock and our pathway to 'net zero' homes in use by 2030 has clear interim milestones.

Operationally, the Group has introduced electric vehicle options into its fleet, is now purchasing 100% renewable energy for its offices and manufacturing facilities and continues to investigate methods of reducing the Group's red diesel consumption and increasing the use of alternative fuels.

See page 42

Our principal risks

Our principal risks and material issues continued

9 Reputation

Residual risk rating: Medium

Risk trend assessment
Overall: No change
Impact: Increase
Likelihood: No change

Link to strategic objective

Risk description

Damage to the Group's reputation could adversely affect its ability to deliver its strategic objectives.

If governance, build quality, customer experiences, operational performance, management of health and safety or local planning concerns fall short of our usual high standards, this may result in damage to customer, commercial and investor relationships and have a detrimental impact on financial performance.

Approach to risk mitigation

Management Supervision

The Group is committed to ensuring an appropriate culture and maintaining the high quality of its operations. This is subject to oversight from the Board.

Build quality and re-enforcing trust in the brand are key priorities for the Group (see page 21). Significant investment has been made in these areas, for example through the Persimmon Way, including expanding the Group's team of IQCs and addressing the Group's legacy quality issues.

Senior appointments have been made at Group level to promote and enforce compliance with policies and procedures as well as to provide the Board with assurance on their effective implementation.

Stakeholder Relationships

We take actions to maintain positive relationships with all of our stakeholders to minimise the risks of reputational damage and aim to comply with best practice in corporate governance.

We actively support local communities in addressing housing needs, in creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates.

Developments in 2021

Stakeholder relationships

The Persimmon Way, our end-to-end consolidated construction process, is now in operation across the business, and supporting our desire to build right, first time, every time.

Persimmon formally commenced the registration process for the New Homes Quality Code (NHQC) on 14 January 2022, one of the first housebuilders to do so. We welcome the introduction of the NHQC, which aims to drive up quality and customer service across the industry together with the appointment of a New Homes Ombudsman Service.

The Group continues to invest in its people and processes, driving operational improvements. These enhancements reduce the probability of operational issues and the consequent reputational damage they can cause.

10 Regulatory compliance

Residual risk rating: Medium

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: Increase

Link to strategic objective

Risk description

The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning, building regulations and the environment. Ensuring compliance in these areas can result in delays in securing the land required for development and in construction.

Any failure to comply with regulations could result in damage to the Group's reputation and potential imposition of financial penalties.

Approach to risk mitigation

Comprehensive management systems are in place to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Additional oversight is in place through the Group-level functions and cross-functional steering groups for key areas, such as GDPR compliance. Where these systems identify inconsistencies in adherence to agreed processes, corrective actions are swiftly taken.

We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. In respect of land, the Group controls sufficient holdings to provide security of supply for medium term trading requirements. Our land needs and potential acquisitions are subject to extensive due diligence to manage planning risks and uncertainties and maintain an effective pipeline.

Developments in 2021

The assessment of the likelihood of this risk has increased within the year. This reflects the continuing increase in the volume and complexity of regulatory requirements, and the financial and reputation risks associated with any failures to manage regulatory compliance effectively.

Key regulatory areas of focus within the year have included planning conditions, with the Group, in common with the wider industry, continuing to experience delays to outlet openings due to the delays within the planning system.

Persimmon formally commenced the registration process for the NHQC on 14 January 2022. The aims of the Code and its supporting process are consistent with the Group's own focus on further improving build quality and customer service standards.

11 Cyber and data risk

Residual risk rating: Medium

Risk trend assessment
Overall: No change
Impact: No change
Likelihood: No change

Link to strategic objective

Risk description
The Group relies on its IT systems being consistently available and secure. Failure of any of the Group's core IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, reputational damage and business disruption.

Approach to risk mitigation
The Group operates centrally maintained IT systems with a fully tested disaster recovery programme. All infrastructure is highly resilient, with geographically diverse datacentres and a series of backup arrangements.

The Group maintains dedicated cyber security resource to manage and oversee security controls, benchmarked to external sources of good practice such as the NCSC's 'Ten Steps to Cyber Security'. Periodic penetration testing is carried out through external security partners to test the security of our perimeter network. In the event of an incident, the Group has a defined Cyber Incident Response Plan.

Training and regular communications are delivered to all users to increase awareness of cyber-risks, with particular focus on risks associated with remote and hybrid working.

Developments in 2021
Within the year, the assessment of the risk impact and likelihood remain unchanged. However, cyber and data risks continue to be an area of growing focus for the Group, reflecting the increase in the use of technology in supporting the Group's operations.

The Group has continued to strengthen its mitigation measures in respect of cyber risk, under the supervision of the Information Security Steering Group (ISSG) and through the work of the Group IT department.

To develop controls further, an externally led review of the Group's cyber security measures has been commissioned. This will build on an earlier assessment by the same external partner in 2020, and will ensure the Group's approach to cyber risk remains appropriate and reflects best practice.

12 Mortgage availability

Residual risk rating: High

Risk trend assessment
Overall: No change
Impact: Decrease
Likelihood: Increase

Link to strategic objective

Risk description
Reduced availability or affordability of mortgages for customers could reduce demand for new homes and affect sales prices, revenues, profits, cash flows, and asset values.

Approach to risk mitigation
We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases, reports from UK Finance, and lenders' announcements for trends in lending. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations of the current market conditions. The government's Help to Buy scheme, which is scheduled to remain in place until 2023, supports customers to gain access to the housing market across the UK with competitive mortgage rates.

Developments in 2021
The fundamentals of the UK housing market remain strong, with robust consumer demand and confidence. We continue to see good levels of mortgage availability and continued low interest rates, encouraging affordability for new homes.

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

The Board recognises the global climate emergency and the risks and opportunities posed by climate change to the Group's business model and strategy.

Climate change was introduced as a principal risk for the Group in its 2018 Annual Report and Accounts and this year the Group has reported climate-related disclosures consistent with the TCFD Recommendations and Supporting Recommended Disclosures, and will continue to mature its level of reporting in accordance with the requirements. The focus, this year, has been on refining the understanding of impacts under different climate change scenarios.

The Group has set ambitious climate reduction targets to achieve net zero carbon homes in use for 2030 and net zero carbon in our operations by 2040. These are supported by science based targets for carbon emissions reductions which were validated by the Science-Based Target Initiative (SBTi) in August 2021.

Governance

Climate change is considered as a principal risk for the Group and as such, it is governed and managed in line with the Group's risk management framework. (See page 54 for further details).

The Board has overall responsibility for the management of risks and opportunities arising from climate change, and on an annual basis undertakes a company wide review which includes climate risk. In particular the Board has taken an active role in understanding the impacts of future legislation with a focus this year on readiness for changes to Part L of the Building Regulations and the Future Homes Standard.

The Sustainability Committee (SC) supports the Board's climate responsibility, and oversees the Group's climate change strategy, to ensure climate issues are being effectively considered and managed, and reports its findings and recommendations to the Board. During 2021, for example, the Committee reviewed the Group's fleet of fork lift trucks and assessed efficiency options and technology change to reduce carbon emissions.

The Committee also led on the setting of the Group's science based targets, and tracks performance. The Committee met 6 times and was comprised of the Group Chief Executive Officer (Chair), Group Strategy and Regulatory Director, Group Sustainability Manager and Company Secretary.

Under the remit of the Sustainability Committee, three Steering Groups have been established – comprising the Zero Carbon Homes Steering Group, Supply Chain Emissions Steering Group, and Operational Emissions Steering Group – to ensure climate related issues are effectively considered and built into business plans. The main area of focus this year has been developing the Part L and Future Homes Standard readiness and option roadmaps, and work will continue next year engaging the supply chain on embodied carbon, and reducing the Group's operational carbon footprint.

The Group Sustainability Director and Group Strategy and Regulatory Director are responsible for updating the climate risks within the Group risk register, and consult with key Group functions to ensure comprehensive coverage of potential impacts and mitigation plans. The findings are taken to the Sustainability Committee and communicated to the Steering Groups for action.

The Regional Managing Directors are responsible for ensuring all environmental surveys including flood risk assessments are undertaken prior to acquisition, with final approval going to the Land Committee who oversee all acquisitions.

Strategy

Our strategy sets out our pathway to net zero carbon for our homes in use by 2030, and for operations to be net zero carbon, including our manufacturing facilities, by 2040. In supporting delivery of these targets we have established science based emission reduction targets of 46% for our Scope 1 & 2 absolute emissions and a target of 22% reduction per m^2 completed floor area of Scope 3 emissions by 2030. The Science Based Target Initiative (SBTi) approved our targets in August this year. These targets are an ambitious step forwards in our approach to climate action and have been calculated to ensure that we play our part in limiting global warming to 1.5 degrees above pre-industrial levels.

We have defined four strategic focus areas to achieve our ambitions:

Create Low Carbon Homes

- Reduce energy demand: design homes to be more energy efficient
- Readiness plans are in place for Part L of the Buildings regulations and Future Home Standards
- Understand performance and customer experience: gather 12 months real life in-use data from our low carbon home at Germany Beck, York
- Innovation: continue to instigate technology trials to be at the forefront of innovation, build strategic relationships with supply chain and continue to invest in our off-site manufacturing facilities

Deliver Low Carbon Site Operations

- Reduce our use of diesel at sites through driver training, low carbon fuels
- Trial electric and hybrid plant when available
- Set standards and benchmarks for energy reduction and management on-site

Reduce Embodied Carbon

- Assess embodied carbon to identify high impact materials and services
- Evaluate the benefits from our vertical supply chain and maximise opportunities through design
- Supply chain: communicate our strategy to our suppliers, and work with our supply chain to reduce embodied carbon in materials

Ensure Climate Change Resilience

- Climate risk management: scenario plan our strategic land holdings, future acquisitions for climate resilience and mitigation
- Design: design in climate risk measures to mitigate risks, such as window sizing, orientations, modern methods of construction
- Nature based solutions: utilise blue and green infrastructure to mitigate against extreme weather events such as flooding, droughts

Climate scenario analysis

In last year's report we identified high level climate change related risks and opportunities over the short, medium and long term that are considered to have a potentially material financial impact on the Group strategy and business model.

This year we have further developed this understanding and commissioned a specialist consultancy to develop climate scenarios to provide a more developed framework from which to evaluate our business strategy and embed climate resilience.

In accordance with best practice and TCFD recommendations, contrasting science based scenarios have been developed to enable consideration of exposure to both physical and transition risks. These scenarios have been considered over 3 different time horizons:

- short term (to 2025); medium term (to 2030) and long term 2040+.

These timescales have been chosen as the most relevant to the business, reflecting major future legislative change in 2025 with the introduction of the Future Homes Standard, and aligning with the Group's net zero carbon and science based target commitments.

Net zero carbon world 1.5°C

- Assumes climate policies and controls are introduced early and become more stringent over a relatively short timeframe (2030). High transition risk in the short term, and very aggressive mitigation measures, but as a result physical risks are less severe compared to the 2°C scenario.

Paris consistent scenario ~2°C

- Relatively high transition risk in the short term, associated with aggressive mitigation actions to reduce emissions. As a result physical risks are less severe compared to the 4°C scenario.

Hot house world ~4°C

- Low transition risk in the short and long term as the world fails to transition to a low carbon economy. Consequently, physical risks become increasingly frequent and severe in the long term, resulting in serious impact on the global economy, the environment and human wellbeing.

Climate related financial disclosures

Task force on climate related disclosures (TCFD) continued

In line with the recommendations of TCFD, four typical categories of climate-related driving forces that a business should consider were evaluated against the 3 defined scenarios;

- policy and legal drivers
- technology shifts,
- markets and reputation, and
- physical risks

The outputs from the climate scenario analysis have been ranked (high, medium, low) against each other for their potential impact, against the most likely timescale over which the impact would occur, and against the Group's current state of preparedness. This approach enables a prioritisation of actions and evaluations going forwards.

The Group already has a number of mitigation plans in place (see page 66), and this process has enabled further climate resilience activities to be identified, and which will be included in mitigation plans and opportunities.

Output from the climate scenario analysis for transition risk

The transition risks are anticipated to occur in a relatively short timeframe compared to physical risks, and this is already being seen with increasing legislation on energy efficiency in homes coming into force, with the changes to Part L of the building regulation and the Future Homes Standard for example. This will drive changes in technology, customer expectations and the Group is already evaluating alternatives, trialling innovative technologies and engaging with suppliers.

	Summary Description of Transition Risks	Potential Impact Ranking	Time-frame of impact	Business Readiness
Policy & Legal Drivers				
Pricing of GHG emissions	Carbon pricing could manifest as a range of environmental, planning or sector wide taxes. Under the 1.5°C scenario, pricing of GHG emissions could be \$155-\$454 per tonne by 2030, and \$54-\$97 per tonne under the 2°C. Carbon pricing could be felt through the supply chain and material costs.	High	Short	Review in 2022
Increasing national regulation relating to more stringent environmental standards	Increasing stringency of building, planning regulations and design requirements to enable UK Gov to meet its 2050 Net Zero Carbon Target; inc Part L Building Regulations; Future Homes Standard, National Policy Planning Framework, and National Model Design Code. Many local authorities have declared their own climate emergencies, and the planning system will be a key vehicle for delivery. This could impact our development and growth plans, and increase build costs.	High	Short	In plan
Climate Change Litigation	Climate related litigation claims may be bought by investors, insurers, shareholders and public interest organisations. Reasons could include failure to adapt to climate change causing harm, greenwashing.	Low	Medium	Include in future plan
Enhanced Reporting Obligations	Additional emissions related reporting requirements likely in the UK by 2030. This could include needing a materials passport in order to increase the circularity of building supply chains, and updates to the Streamlined Energy and Carbon Reporting (SECR) regulations. Scope 3 emissions reporting could also become mandatory.	Low	Short – Medium	Include in future plan
Technology Shifts				
EV Use	To achieve the UK Government's Net zero carbon commitment by 2050, there will be an increasing number of electric vehicles. Sufficient charging points and grid capacity will be required, which will have an impact on build costs.	High	Short	In plan
Substitution of technology	Risk of installing technologies at the beginning of a planning process that then become obsolete or outdated. Could affect customer satisfaction and sales. This is especially at the point of the implementation of the Future Homes Standard.	Medium	Short	Under evaluation
Market				
Change in Customer Demands	There is a risk, if energy prices increase, property buyers will want lower carbon homes, and expect greater energy operational efficiency. Inefficient properties could also fall in value which could impact the market.	High	Short	Under continuous monitoring
Supply chain resilience and increasing cost of raw materials	Sourcing and availability of materials could be impacted by both transition and physical risks. There is a risk of increasing development costs, due to supply and demand, and likely carbon pricing on key materials such as glass, cement and insulation.	High	Short – Medium	Under evaluation
Cost of Capital	As credit ratings begin to incorporate climate change considerations, there is a risk of downgrading and the cost of capital increasing.	Low	Medium	In plan
Low carbon technology availability	Rapid uptake of low carbon technologies such as air source heat pumps could cause market shortages and delay delivery of homes.	High	Short	Under evaluation
Skill shortage impacting ability to install low carbon technology	In order to reduce emissions to comply with planning requirements, access to different skills such as renewable specialists and heat pump installers, will be required. A shortage could lead to delayed delivery and an increase in build costs.	High	Short	Under evaluation
Reputation				
Investment Risk	Risk to revenue and investment streams as clients and investors increasingly expect high levels of sustainability performance.	Medium	Medium	In plan
Stakeholder Risk	Over the next decade social pressure regarding sustainability and increased public awareness could create a reputational risk if there is failure to reduce both operational and embodied carbon. The impact of this could be seen through delays in the planning process as Local Authorities enact their own climate action requirements.	Medium – High	Short – Medium	In plan
Employee Risk	As employees are becoming increasingly concerned with climate change issues, negative publicity around failure to deliver targets could make it difficult to attract and retain talent.	Medium	Short – Medium	Review in 2022

Output from climate scenario analysis for physical risk

Whilst physical risks under the scenario modelling manifest over a longer time period, there is already an increasing occurrence being observed of more extreme weather events that are attributed to current climate change. These are typically observed as such as more excessive snow falls, rainfall, unusually high temperatures, and unseasonal weather patterns. The table below ranks the potential impacts, timescale and readiness based on those that will manifest more significantly in the future. Whilst physical risk is seen as a long term risk, a number have been highlighted for a strategic review in 2022 as part of long term business planning.

	Summary Description of Physical Risks	Potential Impact Ranking	Time-frame of impact	Business Readiness
Heat Stress	Hot summers are expected to become more common with more extreme temperatures. Under the Hot House Scenario, heatwaves could last 20 days. This will affect comfort for customers and therefore design criteria will need to be applied to avoid overheating. Construction site conditions and working practices will need to ensure worker health safety and wellbeing. Heat island effects will also become more prevalent in urban and built up areas.	High	Medium – Long	Review in 2022
Drought stress	Summers will become drier, with the south of the UK predicted to experience 2.5 – 3.5 months of drought under the Hot House Scenario. Locally this will impact water suppliers, and will become part of planning considerations	High	Medium – Long	Review in 2022
Precipitation	Greater chance of more rainfall in the winter and less in the summer. Seasonal and regional differences. Impact on site construction activities, customer gardens and supply chain.	High	Medium – Long	Review in 2022
Flood	High underlying flood risk in the present day. Under the Hot House scenario there is a 21%-56% increase in river peak flow rates, and the probability of flooding in a year could increase 3 to 10 times. Already a key requirement in the planning process. Increased number of flood plains in the future may impact build costs and / or land availability.	High	Medium	In plan
Windstorms	Classed as medium to high risk in all scenarios, but with greater severity under the Hot House scenario. Predicted to decrease in the south but increase in the Midlands, North, Wales and Scotland.	Medium	Medium	In plan
Sea Level Rise	Expected between 0.2 m – 0.6m under the Net Zero scenario and up to 1.1m in the Hot House. This will have an impact on coastal locations.	Low	Long	Include in future plan
Subsidence	Medium level risk of possible ground instability and building foundation issues. Regions around London most exposed. In the Hot House scenario there is a higher risk and greater area of impact in the south of England.	Medium	Long	Include in future plan
Infrastructure	The stress on water and energy utilities together with road transportation will increase. In the Hot House scenario there is the expectation of disruptions to critical services. This could impact supply chains, and result in production down times.	Medium	Long	Include in future plan

Climate related financial disclosures

Task force on climate related disclosures (TCFD) continued

Resilience of the Groups Business Strategy & Business Model

The Group already has in place a number of climate change mitigation strategies and identified opportunities as part of its business model:

Transition risk mitigations and opportunities

- The Group has core house types used across its national network of development sites which helps ensure that any new regulatory requirements can be effectively and consistently applied across the Group.
- The Group delivers more energy efficient homes than the second hand property market with homes that are increasingly energy efficient, thereby attracting a strong customer base.
- The Group has developed its strategy for delivering to the new Part L regulations coming into force in June 2022 requiring new build homes to produce 31% less carbon emissions compared to current standards. Homes will have improved insulation, improved ventilation, more efficient boilers and some may have solar panels to achieve this improved efficiency. The Future Home Standard (FHS) in 2025 will require homes to produce 75%-80% less carbon emissions and will remove gas fired systems. This will require a switch to alternative heating systems such as air source heat pumps, higher levels of insulation and air tightness, and additional energy recovery or generation technologies.
- The Group has a number of pilot projects to assess the most effective method of achieving the Future Homes Standard. The pilot projects are being used to: trial new technologies such as infra-red heating; to assess the most effective build methods of achieving the improved efficiency required using a 'fabric first' approach; and, to gain feedback from customers on the 'liveability' of the homes.
- The improved efficiency of new homes is also a significant opportunity for the Group as we develop homes which will have a lower impact on the environment and provide a competitive advantage to the second hand housing market.
- In designing our developments particular attention is paid to all issues that surround the policy transition necessary to achieve new more stringent climate and environmental policy requirements. In order to deal proactively with local and site specific interpretation/application the Group has developed Design and Access Statement templates aligned with the National Model Design Code.
- The Group's business model includes vertical integration – The Group owns its own timber frame, wall panel and roof cassette manufacturing facilities. These modern methods of construction are considered likely to assist in building low carbon homes.
- The diverse and high quality land holdings supports the Group's strong network of outlets and ensures the Group is well positioned to invest in land at the right time in the cycle. The strong gross margins embedded in the Group's existing land holdings help to absorb potential volatility caused by increasing building costs.
- The Group's significant ongoing investment in training ensures that it maintains an appropriate skills base to manage changes to operations and processes required by climate change mitigation requirements.

Physical Risk response

The Group undertakes comprehensive environmental and flood risk assessments for each potential land acquisitions that it makes. (See pages 39 and 62 for more detail). Planning requirements principally influence the requirements for any flood mitigation, drainage requirements, and there is increasing consideration for use of blue and green infrastructure, which will also provide additional sustainability benefits such as enhancing biodiversity.

Priorities for 2022

The detailed climate scenario analysis has identified key areas of focus for 2022 shown in the tables on pages 64 to 65, and the Group will undertake the reviews, and embed the outcomes into business strategy and delivery to ensure continuing climate risk control and opportunities are maximised.

The Group is mindful of the rapidly changing sustainability agenda and stakeholders growing interests in climate risk, and will ensure that those potential risks that have been identified as already "in plan" in the business, are on track and remain appropriate.

The Group will continue to mature its level of reporting in accordance with the TCFD Recommendations and Supporting Recommended Disclosures, and further analyse and consider the potential financial impacts.

CLIMATE CHANGE RISK AND OPPORTUNITIES

Risk management

As a principal risk for the Group, climate risk is governed and managed in line with the Group's risk management framework see page 54. The framework requires identification of the risk, evaluation of the potential impact, the consequences, allocation of the risk owner, probability assessment, description of controls and controls owner, and finally an evaluation of any residual risks. The Group's identification and assessment of risks is managed by the Risk Committee, with the Board taking ultimate responsibility for Risk Management.

The climate risks, their potential consequences and their current impact on the Group's business model, are identified and reviewed by the Group's executive team, senior members of the Group Finance team, Group Sustainability Director, and Group Internal Audit Manager. A wide range of insights and resources are used to ensure climate related impacts are effectively tracked and considered to include; climate insights & trends, emerging legislation and government policies, consultations, local authorities positions, and industry body resources.

The climate risk register is reviewed and updated, as required, on at least an annual basis. It is arranged into transitional risks and physical risks. As risks, are identified, the Group considers whether the business's strategy and business model already manages/mitigates the relevant risk.

If any gaps are identified, then in accordance with the Risk Framework, the Group establishes the appropriate response.

The climate scenario analysis has provided detailed assessment of transition and physical risks against three time horizons. This has provided greater depth of understanding, and enabled prioritisation of climate related risks, and through 2022 the Group will be embedding the findings into its climate risk and opportunities management.

Metrics

The Group monitors emissions from its own operations, which have been measured in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (Revised Addition). Detailed GHG emissions information is located on page 43 in accordance with the requirements of the Streamlines Energy and Carbon Reporting requirements, and disclosures are for Scope 1, 2 and an emerging level of information for Scope 3 (supply chain products & services, and homes in use).

The Group is committed to playing its part in the international effort to reduce greenhouse gas emissions by reducing its own emissions across the business's operations, and also the supply chain and from the homes we sell.

As such, The Group has set an ambitious target to be:

- Net zero carbon in our homes in use by 2030 and
- Net zero carbon in our own operations by 2040.

This commitment is supported by interim science based carbon reduction targets to reduce our operational emissions (Scope 1 & 2) by an absolute of 46.2% (vs 2019 baseline) and our indirect emissions (Scope 3) from our supply chain and homes in use, by 22% per m^2 completed floor area by 2030. These reductions will be achieved through wider supply chain engagement, product innovation as well as changes to current operational processes.

In 2022, 5% of the Executive Annual Bonus will be an environmental target focused on steps taken to support achievement of our Scope 1 and 2 science based targets (see page 126). The Board believes in the importance of ESG and cultural metrics and this is reflected in the use of customer care and quality in both the annual bonus and PSP but at this time recognises that further analysis of more robustly calibrated meaningful metrics, linked to the Group's sustainability approach, is needed before meaningful long-term targets can be set (see page 111). The Remuneration Committee aims to incorporate specific environmental targets in the 2023 PSP award.

Time Period	Target	Metrics
Short Term (2022 – 2025)	Continue to embed climate risk and opportunity analysis into the business strategy and operations	Qualitative
	Reduce our operational footprint (Scope 1 & 2)	% reduction in diesel fuel use % energy efficiency
	Maintain 100% carbon neutral electricity purchased – green/REGO backed	Zero CO_2 from Scope 2 sources
	Undertake embodied carbon assessments, set reduction targets	Tonne CO_2/m^2 completed floor area
	Supply chain engagement on embodied carbon	Action plans in place to reduce carbon content of top CO_2 contributors
Medium Term (to 2030)	Homes to be net zero carbon in use by 2030	SAP calculation
	Reduce absolute Scope 1 & 2 GHG emissions by 46% by 2030 (2019 baseline)	Transition pathway – tonnes/CO_2 against a 2019 baseline
	Reduce Scope 3 Purchased goods and services, and use of sold products by 22% per m^2 completed floor area	Tonnes/CO_2/m^2 completed floor area against a 2019 baseline over their lifetime
Longer term (to 2040)	Net zero carbon emissions in our own operations (Scope 1 & 2) by 2040	% zero carbon % carbon offsets

Viability statement

PERSIMMON'S PROSPECTS AND VIABILITY

Persimmon's prospects and viability

The long-term prospects and viability of the business are a consistent focus of the Board when determining and monitoring the Group's strategy. The identification and mitigation of the principal risks facing the business, which have been updated to reflect current UK economic conditions and uncertainties (including the ongoing impacts of the Covid-19 pandemic and the UK's exit from the European Union), also form part of the Board's assessment of long-term prospects and viability*.

Assessing Persimmon's long-term prospects

Persimmon has built a strong position in the UK's house building market over many years, recognising the potential for long-term growth across regional housing markets. The Board recognises that the long-term demographic fundamentals of continued positive population growth and new household formation, together with the requirement to replace and improve the quality of the country's housing stock, provide a long-term supportive backdrop for the industry. However, the Board and the Group's strategy recognises the inherent cyclical nature of the UK housing market. The Group has therefore been able to maintain a position of strength with good liquidity, high quality land holdings and a strong balance sheet throughout the disruption of the Covid-19 pandemic. The future impacts of the pandemic, and other factors creating uncertainty within the UK economy and the Group's sales and construction programmes, remain uncertain. The Board has considered these potential impacts in depth when assessing the long-term prospects of the Group.

Whilst this uncertainty remains, Persimmon possesses the sound fundamentals required to realise the Group's purpose and ambitions and deliver sustainable success:

- talented teams focused on consistently delivering good quality homes for our customers,
- high quality land holdings that allow us to create attractive places in areas where people wish to live and work,
- strong customer and local community relationships,
- continued investment in the training and development of our teams,
- market knowledge, expertise and industry know-how; and,
- long-term healthy supplier engagement.

By continuing to build on these solid foundations through, for example, the Persimmon Way and our ongoing investments in the customer experience, the Group aims to help create sustainable and inclusive communities through continued investment in its people, its land, and its development sites and in its supply chain, creating enduring value for the communities we serve. The Group's materiality assessment (see page 55), ensures that a thorough review of stakeholder interests are incorporated within the assessment of the Group's long-term prospects.

The Group adopts a disciplined annual business planning regime, which is consistently applied and involves the management teams of the Group's 31 house building businesses and senior management, with input and oversight by the Board. The Group combines detailed five-year business plans generated by each house building business from the "bottom up", with ten year projections constructed from the "top down" to properly inform the Group's business planning over these longer term horizons. Zero-based annual budgets are established for each business twice a year.

This planning process provides a valuable platform, which facilitates the Board's assessment of the Group's short and long-term prospects. Consideration of the Group's purpose, current market position, its strategic objectives and business model, and the risks that may challenge them are all included in the Board's assessment of the prospects of the Group.

Key Factors in assessing the long-term prospects of the Group:

1. The Group's current market positioning

- Strong sales network from active developments across the UK providing geographic diversification of revenue generation
- Three distinct brands providing diversified products and pricing deliver further diversification of sales
- Imaginative and comprehensive master planning of development schemes with high amenity value to support sustainable, inclusive neighbourhoods which generate long-term value to the community
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank in the most sustainable locations supporting future operations
- Long-term supplier and subcontractor relationships providing healthy and sustainable supply chains
- Sustained investment to support higher levels of construction quality and customer service through the implementation of initiatives such as the Persimmon Way
- Strong financial position with considerable cash reserves and with additional substantial working capital credit facilities maturing March 2026

2. Strategy and business model

- Strategy focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining financial flexibility
- Focusing on constructing new homes for our customers to the high quality standards that they expect and helping to create attractive neighbourhoods
- Strategy recognises the Group's ability to generate surplus capital beyond the reinvestment needs of the business
- Substantial investment in staff engagement, training and support to sustain operations over the long-term
- Approach to land investment and development activity provides the opportunity to successfully deliver much needed new housing supply and create value over the long-term
- Differentiation through vertical integration, achieving security of supply of key materials and complementary modern methods of construction to support sustainable growth
- Simple capital structure maintained with no structural gearing

3. Principal risks associated with the Group's strategy and business model include

- Disruption to the UK economy, including the impacts arising from the Covid-19 pandemic and the UK's exit from the EU, adversely impacting demand for new homes and construction programmes, or contributing to inflationary pressures

* The Directors have assessed the longer-term prospects of the Group in accordance with Provision 31 of the UK Corporate Governance Code 2018.

- Changes in government policy affecting the housebuilding sector, such as withdrawal of the Help to Buy scheme, and the recent government requirement to pay a contribution to a fund to cover the cost of fire safety remediation works
- Market impacts related to reduced consumer confidence due to regional economic uncertainties
- Reduction in mortgage funding availability and/or affordability due to reduced lender risk appetite and/or regulatory change
- Response required to mitigate the impact of climate change
- Team, skills and talent related risks regarding retention and change management

See pages 55 to 61 for the full list of principal risks together with detailed descriptions.

Disciplined strategic planning process

The prospects for the Group are principally assessed through the annual strategic planning review process conducted towards the end of each year. The management team from each of the Group's house building businesses produce a five-year business plan with specific objectives and actions in line with the Group's strategy and business model. These detailed plans reflect the development skill base of the local teams, the region's housing market, strategic and on market land holdings and investments required to support their objectives. Special attention is paid to construction programmes and capital management through the period to ensure the appropriate level of investment is made at the appropriate time to support delivery of the plan. Emerging risks and opportunities in their markets are also assessed at this local level.

Senior Group management review these plans and balance the competing requirements of each of the Group's businesses, allocating capital with the aim of achieving the long-term strategic objectives of the Group. The five-year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. These budgets are updated after six months, for the following twelve months, which are then replaced by the new strategic planning and budget setting cycle. The Board review and agree both the long-term plans and the shorter-term budgets for the Group.

The outputs from the business planning process are used to support development construction planning, impairment reviews, for funding projections, for reviews of the Group's liquidity and capital structure, and identification of surplus capital available for return to shareholders via the Group's Capital Return Programme, resulting in the payment of dividends to shareholders.

Assessing Persimmon's viability

The Directors have assessed the viability of the Group over a five-year period, taking into account the Group's current position and the potential impact of the principal risks facing the Group.

The use of a five-year period for the purpose of assessing the viability of the Group is considered the most appropriate time horizon, as it reflects the business model of the Group, with new land investments generally taking at least five years to build and sell through, and for the development infrastructure to be adopted by local authorities. This is already in alignment with anticipated evolutions in corporate reporting from the BEIS consultation on 'restoring trust in audit and corporate governance', such as the resilience statement requirement.

A key feature of the Group's strategy documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long term through the housing cycle. This commitment is reinforced by the Group's Capital Return Programme ("CRP"). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. The Group has exceeded this initial commitment and has paid £13.00 per share, or £4.1bn back to shareholders over this period. On 2 March 2022, the Directors announced the scheduled Capital Return Programme payments in respect of the financial year ended 31 December 2021, to be paid in 2022. Further details can be found on page 7.

On an annual basis, the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions on issues such as the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows. They also include the CRP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period having again extended the maturity of the facility out to 31 March 2026.

The Directors have also carried out a robust assessment of the principal and emerging risks facing the Group (as set out on pages 54 to 61), and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity. This risk assessment was also informed by the performance of the Group's materiality assessment, incorporating views from the Group's key stakeholders (see further details on page 55).

The Directors have considered the impact of these risks on the viability of the business by performing a range of sensitivity analyses to a Base Case, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

The scenarios emphasise the potential impact of severe market disruption including, for example, the ongoing effect of economic disruption from the Covid-19 pandemic on the short to medium term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause a 44% reduction in volumes and a c.14% reduction in average selling prices through to 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c.51% during this period. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worst recession seen in the housing market since World War Two. The scenario assumes a subsequent recovery occurs over a similar extended period as in the GFC.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market over the next five years causing a reduction of c.45% in new home sales volumes and a c.40% fall in average selling prices through to 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c.67% during this period. It assumes that neither volumes nor average selling prices recover from this point through to 2026.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. The Directors assumed they would continue to make well-judged decisions in respect of capital return payments, ensuring that they maintained financial flexibility throughout.

Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2026.

Section 172 statement

CULTURE AND ENGAGING WITH OUR STAKEHOLDERS

The following disclosure describes how the directors have had regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act 2006 ("the Act") and forms the Directors' statement required under Section 414CZA of the Act.

Stakeholder	Why we engage?	How do we engage?
Customers **Relevant material issues:** • Build quality and safety • Customer satisfaction • Helping customers live sustainably • Social value/enhancing communities	Engaging with our customers helps us to identify their changing needs, set our strategy accordingly and ensure that we continue to improve the delivery of consistently good quality, sustainable homes and excellent customer service. Engaging with our housing association partners ensures that we provide the appropriate range of affordable homes to meet the needs of local communities. Maintaining positive relationships with our customers minimises reputational risk for the Group and drives long term demand for our homes.	• We communicate with our customers in a number of ways: through our sales teams, who are in regular contact with our customers from the point of reserving their new home to moving in day, through our site staff who attend key release meetings with our customers and through our customer care teams, who support our customers once they have moved into their new home. • We have a comprehensive communication approach for each customer including: new home demonstrations, courtesy calls, a seven day inspection and a one month home inspection. • Participation in a national new homes survey run by the Home Builders Federation to obtain feedback from our customers. • We engage with our housing association partners through regular contact and meetings. • Further detail on how we engage can be found on pages 26 to 31
Employees **Relevant material issues:** • Climate change action and resilience • Health and safety • Talent, attraction, development, diversity and engagement	The Board aims to attract and retain a diverse and talented workforce, believing this to be fundamental to the long term success of the business. Rising UK house building activity in recent years has increased demand for skilled labour. Retaining and investing in skilled staff is therefore a key priority for the Group. Engaging with our employees helps ensure they understand and align with the Group's strategy and desired culture.	• Through our Employee Engagement Panel, which meets regularly throughout the year. Meetings are attended by the Group's designated Workforce Non-Executive Director. • With the increase in home working, colleagues have been encouraged to 'keep in touch' through training, on line meetings and calls. • Through annual employee engagement surveys. • Through our Health, Safety and Environment Department and increased on line training procedures (see pages 36 and 41 for more detail). • Further detail on how we engage can be found on pages 32 and 37.
Communities **Relevant material issues:** • Social value/enhancing communities	Engaging with our local communities, throughout all phases of a development, more accurately identifies their needs and helps to address any issues they may have. During this collaboration, we aim to address and minimise the impact of our activities during the construction phase of our developments through our 'Planning and Environmental Risk Assessments'.	• Consultation throughout the planning and development process to more accurately identify the needs of local communities. • Feedback from our local pre-launch marketing campaigns. • Regular engagement with local government. • Being actively involved in the communities in which we operate, through employing local people and supporting local charities and community groups through the Persimmon Charitable Foundation. • Further detail on how we engage can be found on pages 46 and 47.

What did they tell us?	How did the Board respond?
• We need to have consistency of construction quality and assurance. • If there are any issues, customers want them to be resolved promptly. • Customers want regular communication with us, particularly regarding the timing of their 'move in' date. • The customer care service they receive needs to be efficient and effective. Where a home appointment is necessary, these should be at times convenient for the customer. • Customer service needs to continue after moving in day and any snagging works have been completed. • Customers want to be connected to the internet as soon as possible following their move in date.	• One of our key priorities is to 'build right, first time, every time' improving customer satisfaction and mitigating the need for customer care visits. If problems do occur, we aim to rectify them as quickly and efficiently as possible. • Continued to invest in and progress the Persimmon Way, our Group wide consolidated approach to new home construction which is considered to be a key driver to deliver consistent quality across our business. • Continue to invest in our customer care resource, in digital technology and in training. • Increased resource for our Customer Experience function. • The Board monitors FibreNest's achievement of timely connections. • For further details see pages 26 to 31.
• Our 2021 engagement survey had a 78% employee engagement score. • Recognition is important and employees want to feel valued and appreciated. • Change communications could be clearer. • The majority of our colleagues consider that we have handled the pandemic well, but they would like further focus on employee well-being. • Continued focus on training and development.	• Introduced the Construction Excellence Awards and expanded our Achiever Awards to publicly recognise more people. • Improved our internal communications strategy, increased group-wide communications and increased the frequency of our online newsletter. • Arranged Mental Health training for managers, recommunicated our Employee Assistance Programme and increased the number of Mental Health First Aiders. • Appointed the Group's first Director of Talent & Diversity to provide strategic resource to the Group's talent and succession planning activities. • Continued to invest in the training and development of our workforce, including expanded Persimmon Pathways, a graduate development programme and a leadership development programme for Managing Directors.
• Demand for homes in communities with high amenity value is strong. • Local infrastructure investment is important in improving community environments. • Be an active part of the community through supporting local charities and community groups. • Be positive and responsive to the views of local people. • Leaseholders have been concerned with fire safety issues.	• Continued investment in skilled land, planning and design teams to provide communities with the range of well-designed affordable homes that best suit the needs of their local communities (see page 38). • Signed the Covid-19 business pledge supporting colleagues, customers and communities through the pandemic. • The Group made a commitment to protect leaseholders from having to pay towards cladding removal or fire related safety issues on buildings the Group constructed. • Continued to support the Persimmon Charitable Foundation's Community Champions and Building Futures Campaigns (see page 46).

Section 172 statement
Culture and engaging with our stakeholders continued

Stakeholder	Why we engage?	How do we engage?
Suppliers and subcontractors **Relevant material issues:** • Climate change action and resilience • Health and safety • Social value/enhancing communities	The Group benefits from robust and long standing relationships with many of its suppliers and subcontractors. This assists in securing the quality and supply of materials to deliver the Group's build programmes effectively. We engage with them to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity supported by the introduction of Framework Agreements inclusive of Group Policies Engagement with our suppliers assists us in continuing to improve the long-term sustainability of our supply chain.	• Quarterly business reviews, regular, informal discussions with our key suppliers through our Group Procurement team, who are responsible for arranging and negotiating Group Framework Agreements and Service Level Agreements to ensure all suppliers are compliant to standard terms. • Our local operating businesses' buying and technical teams regularly engage with local suppliers and subcontractors. • Our 'Toolbox Talks' ensure our subcontractors understand and adhere to the health and safety standards required on our sites. • All Group suppliers sign up to the Group's supplier principles, equivalent Group Policies and key performance indicators, which describe our requirements and expectations. • A member of Supply Chain Sustainability School which encourages engagement across the supply chain • Further detail on how we engage can be found on page 45.
Shareholders **Relevant material issues:** • Climate change action and resilience • Health and safety • Social value/enhancing communities • Talent, attraction, development, diversity and engagement	Access to capital is important to the long-term success of the business. Through our engagement we aim to create investor buy-in of our core focus areas and how we execute them. We create value for our investors by generating surplus capital beyond the reinvestment needs of the business as the market cycle develops.	• Regular discussion with analysts and investors as part of the Group's reporting cycle. • We hold institutional shareholder meetings and specific consultations. • Through shareholder roadshows. • Obtain feedback from the Company's brokers and market analysts. • Obtain feedback from shareholder groups. • Enable shareholder participation in the Company's Annual General Meeting.
Government, regulators and industry bodies **Relevant material issues:** • Climate change action and resilience • Health and safety • Social value/enhancing communities	We engage with Government regarding Government policy that affects the Group. We meet with local authority planning departments to ensure we are able to provide sustainable communities with high amenity value in places where people wish to live and work. We engage with the Health and Safety Executive in relation to industry-wide initiatives to reduce health and safety risks to both our workforce and local communities.	• Participating in industry meetings with Ministers. • Engaging with Government departments directly, and working with the Home Builders Federation, to explain industry opportunities and challenges. • Member of Homes for Scotland. • Engaged with Home Building Skills Partnership. • Regular dialogue with the Health and Safety Executive. • Engaging with local planning authorities. • Engaging with Government regarding the Future Homes Standard. • Engaging with Homes England. • Engaged with the Competition and Market Authority on their leasehold enquiry • Dean Finch, Group Chief Executive, is a member of the government's Net Zero Buildings Council.

What did they tell us?	How did the Board respond?
• The Group works in partnership with its suppliers, to provide material requirement forecasts to ensure continuity of supply providing continuity and visibility of future work flows. • Timely payment of invoices is important to them. • They continue to monitor the impact of global supply chain and price sensitive impacts to enable continued service delivery. • They continue to monitor the impact of the UK's exit from the EU on supply chains.	• Strengthened the Group procurement department with the appointment of a Group Procurement Director and formation of a centralised Group procurement team. • Maintain a set of Supplier Principles and equivalent Group Policies which all suppliers must sign up to. • We are a signatory to The Prompt Payment Code (PPC) (see page 45). • Joined the Gangmasters and Labour Abuse Authority's Construction Protocol (see page 37). • Partnership with Roof CERT. • A review of specification to ensure we build right, first time, every time.
• Preference for a sustainable dividend. • Fair pay for the whole workforce. • Increased need to demonstrate ESG credentials. • Require a diverse Board and pipeline of talent for succession to executive positions. • Remuneration must be appropriate, performance related and linked to strategy.	• Approved the Capital Return Programme for the year ended 31 December 2021 (see page 7). • The Group became an accredited Living Wage employer during 2021 (see page 35). • Maintained a rigorous process for each Board appointment led by the Nomination Committee (see pages 90 to 93). • Renewed focus on the Group's ESG credentials – set science based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative. • Set gender diversity targets for our employees and management teams. • Due to the pandemic, the Group held a Virtual Shareholder Engagement Event prior to the 2021 AGM.
• Government policy is supportive of the UK housing market and has introduced a number of measures to support the industry. • As part of the UK achieving its target of net zero by 2050, the Government is consulting on the Future Homes Standard which aims to significantly reduce the carbon emissions of a home built to current regulations. • Essential to maintain a skilled and adequately resourced Health and Safety Department and Covid-secure sites, offices and manufacturing facilities.	• The Board receives updates from the Chair and Group Chief Executive regarding direct engagement with Government, Homes England and the Home Builders Federation. • See page 41 for information on our Covid-secure sites, sales offices and manufacturing facilities. • Agreed a number of voluntary undertakings with the CMA on leaseholders purchasing their freeholders.

Section 172 statement

PRINCIPAL DECISIONS

We define Principal Decisions as both those that are material to the Group but also those that are significant to any of our key stakeholder groups. In making the following Principal Decisions the Board considered the outcome from its stakeholder engagement (pages 70 to 73) as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Company.

During the year, the Board made a number of "Principal Decisions". A description of those Principal Decisions is provided below.

Payment of dividends in 2021

The Board announced a return of capital of 235p per share in 2021, in line with the existing Capital Return Programme. It has also announced its intention to return a further 235p per share subject to continuous review, in respect of the year ended 31 December 2021, in 2022 – see page 7.

In determining the capital returns, the Board considered the ongoing performance of the business and prevailing market conditions. As detailed on pages 68 to 69, the Board reviewed detailed forecasts incorporating assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements, and cash flows. These assumptions include the Capital Return Programme.

The Board recognises the importance of dividend receipts to its shareholders. The Board balances returns to shareholders with the needs of the Group's other key stakeholders in order to deliver a level and nature of return that is considered sustainable in the long term.

Agreement of Voluntary Undertakings with the Competition and Markets Authority (CMA)

In June 2021, the Company announced that it had agreed a number of voluntary undertakings with the CMA in their leasehold enquiry, including extending the Group's existing Right to Buy scheme for customers to purchase their freehold interest. We were pleased to have reached this agreement and provide certainty to leasehold customers, which brought to an end the Group's involvement in the CMA leasehold investigation.

The Group has not historically sold leasehold houses in high volumes and introduced a Right to Buy scheme for leaseholders in 2017. However, the Board is committed to putting our customers first and voluntarily agreed to extend this existing support to provide further certainty and reassurance to our customers.

The Board considers this action to be in the best long term interests of all stakeholders.

Investment in off-site manufacturing plant

The Group has operated its Space4 off-site timber frame manufacturing facility since 2006, one of the largest off-site manufacturing timber frame factories in the UK. The Board considers that off-site manufacturing will be particularly beneficial to the Group to achieve its strategy, as panelised construction methods will assist with speed and volume of build. It will also assist with the improvement of our carbon footprint. The Board has therefore agreed that the Group should invest in an additional new facility, using the most up to date technology. See pages 24 and 44 for further details. The Board considers this action to be in the best long term interests of all stakeholders.

Appointment of new Chief Financial Officer

After an extensive recruitment process, Jason Windsor was announced as the Group's new Chief Financial Officer in January 2022. Jason is expected to take up his post in the summer of 2022.

Jason is an experienced finance executive, who has established a strong track record in a variety of senior financial roles over the last 26 years. He has been Group Chief Financial Officer of Aviva PLC since 2019, having previously been Chief Financial Officer of both its UK Insurance and UK Life businesses, after originally joining the business in 2010. The Board considers that Jason will complement the Group's strong management team.

NON-FINANCIAL INFORMATION STATEMENT

Information regarding non-financial matters is included throughout our Strategic Report and the following table summarises where this information can be found. A description of the key outcomes of these policies is also included throughout the Report.

Reporting requirement	Where to read more in this report to understand the impact on the business	Relevant policies
Environmental Matters	See pages 17, 42 and 62	Climate Change Position Statement Environment Policy Sustainability Policy Waste and Resource Management Policy
Employees	See page 32	Health & Safety Policy Equality, Diversity and Inclusion Policy
Social Matters	See page 46	Sustainability Policy Anti-Bribery Policy Code of Ethics Prevention of Criminal Facilitation of Tax Evasion Policy
Human Rights	See page 37	Human Rights Policy Modern Slavery Statement
Suppliers	See page 45	Supplier Principles
Business Model	See page 10	
Principal Risks	See page 55	
Non-financial KPIs	See page 16	

Our policies are available on our website
www.persimmonhomes.com/corporate/sustainability/policies-and-statements

This strategic report has been approved by the Board:

Tracy Davison
Company Secretary
1 March 2022

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

The Group made good progress in 2021, with not only a strong financial performance but with improvements in customer care, build quality and becoming a Living Wage employer.

Persimmon has continued its cultural and operational change, which has accelerated since the appointment of Dean Finch as Group Chief Executive in September 2020. It is pleasing to see the improvements that have taken place since Dean's appointment, especially in terms of customer service and build quality, which has been done whilst maintaining focus on our industry-leading financial performance. There is further progress to be made and this will remain a clear focus of the Board.

Good corporate governance is an essential ingredient to the cultural and operational change that has, and continues, to take place within the Group. The Board continues to set the strategic direction and standards of the Group and exercises diligent oversight of the Group's activities.

Covid-19

The pandemic continued to pose a challenge to the Group and society during the year. During this period, the Group's overarching principle continued to be the wellbeing of its customers, workforce and local communities. Despite the challenges, the Group's operations continued in accordance with its Covid-secure protocols, without recourse to government financial assistance.

Legacy buildings provision

Acting as a responsible developer, in February 2021 we announced our industry-leading commitment to protect leaseholders from having to pay towards cladding removal or fire related safety issues on any building the Group constructed and set aside £75m to fund this. Whilst accounting for less than one percent of high rise buildings constructed, we wanted to protect our customers and remove uncertainty for them. Further details can be found on pages 6 and 23.

Culture – new Mission, Vision and Values

I am very pleased to see the cultural change taking place within the Group. During the year the Board agreed the Group's new Mission, Vision and Values, which were launched in January 2022 (see pages 4 and 5). In combination, our Mission, Vision and Values build on Persimmon's strengths and further embed our five key priorities as a business. The Group has set its ambitions deliberately high, and our new Mission, Vision and Values will reinforce our cultural change and guide the Group as it continues to evolve and improve.

Engagement

Effective stakeholder engagement is essential to the long-term success of the Group, and maintaining good relationships with all of our stakeholders is important to the Board.

Employee engagement was strengthened during the year, with Jo Place being designated as the Board's Workforce Independent Non-Executive Director. In addition, the Group's Employee Engagement Panel ("the Panel") increased its number of scheduled meetings from two to four per year. Two-way communication between the Board and the Panel is valued. Jo Place attends Panel meetings and during the year, both I and Annemarie Durbin, Remuneration Committee Chair, attended one Panel meeting each. Annemarie used her attendance as an opportunity to engage with the workforce on corporate governance and how Executive Remuneration aligns with wider Group pay policy.

Further information on engagement between the Group and its many stakeholders can be located in the Section 172 Statement of this report (see pages 70 to 73).

Annual General Meeting

Due to the on-going Covid-19 pandemic, the 2021 AGM was held with the minimum required attendees and was broadcast to shareholders via a live webcast. To ensure shareholder engagement, prior to the AGM the Board held an on-line Virtual Shareholder Engagement Event, where shareholders were able to submit questions to the Board in real-time and receive answers to those questions.

As we look forward to the 2022 AGM, I am pleased to report that for the first time since the beginning of the pandemic, we plan to hold our AGM as a physical meeting which shareholders will be welcome to attend in person. This of course remains subject to the trajectory of the pandemic, legal requirements and government Covid-19 guidelines, which could change at short notice.

Board changes

During the year the Group announced that Mike Killoran, Group Finance Director, would retire from the Board after 25 years' service with the Group. Mike retired on 14 January 2022, having played a pivotal role in the development of the Group, helping establish the business as one of the leading housebuilders in the UK and delivering outstanding returns for shareholders. On behalf of the Board, I reiterate our thanks to Mike for his significant contribution to the success of the Group over this extended period and we wish him well in his retirement.

The Nomination Committee led a thorough and rigorous process to identify Mike's successor. On 13 January 2022 the Board was pleased to announce that Jason Windsor would be appointed as the Group's new Chief Financial Officer. Jason, who is currently the Group Chief Financial Officer of Aviva PLC, is a well-respected and proven FTSE 100 CFO and we are delighted to have recruited someone of his calibre and experience to complement the Group's strong management team. In his current role, Jason has demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer facing business. These skills will be highly relevant and transferable to the Group as we continue our drive to become the leading builder of good value, quality family homes in the UK. We look forward to Jason joining the Group in the summer of 2022.

During the year we also we welcomed Shirine Khoury-Haq to the Board as an Independent Non-Executive Director. Shirine, who is the Chief Financial Officer for The Co-operative Group, brings a wealth of experience to the Board in the fields of finance, technology and real estate. Shortly after joining the Board on 1 July 2021, Shirine was also appointed Chair of the Audit Committee to succeed Rachel Kentleton, who left the Board on 31 August 2021. On behalf of the Board, I thank Rachel for her valuable service.

Nomination Committee – Diversity & Inclusion

Increasing the diversity of the Board, and the Group's workforce and management teams is an important focus for the Board, the Group and its stakeholders. Given the significance of this issue, and to set the strategic direction of the Group, during the year the Board set stretching gender diversity targets for the Group covering the Group's workforce, senior management team and managerial positions (see pages 33, 88 and 94). In addition, the Nomination Committee and the Board had oversight of the significant Diversity & Inclusion activities undertaken by the Group during the year. These activities, which are set out on pages 33 to 34 and 94 to 95, included the appointment of the Group's first Director of Talent & Diversity and the establishment of a comprehensive Diversity and Inclusion Review.

Over recent years, the Board and Nomination Committee have been mindful of both the Hampton Alexander Review (which was succeeded by the FTSE Women Leaders Review during the year) and the Parker Review, and their respective diversity targets. I am therefore pleased to report that, in conformity with both reviews, as at 31 December 2021 the Board was 33.3% female and had one director of colour. However, there is more to do, at Board and senior management level, and within the Group's workforce. The Board and Nomination Committee will continue its work to ensure the Group develops and maintains a diverse pipeline of talent for succession to senior management and executive positions.

Audit Committee

During the year, the Audit Committee maintained its focus on oversight of the integrity and quality of financial reporting, ensuring a high quality external audit, reviewing the work and independence of the Group Internal Audit department, and ensuring the effectiveness of the Group's risk management processes and internal control environment. The ongoing impacts of the Covid-19 pandemic have continued to be a significant consideration in each of these areas, with the Committee paying particular attention to accounting estimates and judgements affected by the heightened economic uncertainty, and the internal control considerations arising from increased home and hybrid working arrangements

Remuneration Committee

The Committee has continued to follow remuneration best practice, in line with the Group's shareholder-approved Remuneration Policy. During the year, Mike Killoran's leaving remuneration was agreed, as was the remuneration for Mike's successor, Jason Windsor. When setting Jason's remuneration the Committee applied the principle that the overall remuneration package should be competitive but not excessive. While Jason's remuneration will exceed that of his predecessor, the Committee believes it is appropriate, being at a level to match, but not exceed, his current remuneration at Aviva PLC. Full details are set out on pages 109 to 110 and 128.

Having regard to Mike's long service and retirement, the Committee exercised its discretion to grant "Good Leaver" status for the purpose of Mike's outstanding Performance Share Plan (PSP) awards. The awards remain subject to the rules of the PSP and the applicable performance conditions and have been reduced pro-rata to reflect the proportion of the performance period which had elapsed at Mike's leaving date.

Subject to the satisfaction of the performance conditions, the awards will vest at the usual time and remain subject to a two-year holding period after the end of the performance period. Full details are set out on pages 109 and 121.

To reflect the importance of environmental matters to the Group and its stakeholders, during the year the Committee has set an environmental metric for the 2022 bonus to support the achievement of our long-term sustainability targets. Further work will be undertaken by the Committee in 2022 with the aim that meaningful environmental metrics can be incorporated into PSP awards made in 2023.

Sustainability

Having previously set ambitious targets to be net zero in our homes in use by 2030 and net zero carbon in our operations by 2040, the Board has continued to exercise oversight of the Group's sustainability activities. The Group's carbon reduction targets were accredited by the blue ribbon Science Based Target initiative during the year and, for the first time, the Group is reporting its Scope 3 emissions, covering emissions from our supply chain and the homes we build (see pages 42 to 43). Sustainability is an important issue for the Board and was discussed at length at the Board's Strategy Day in October 2021, where presentations were received covering energy efficiency, the Future Homes Standard and the Group's on-going sustainability projects, including a low carbon home at Germany Beck, York. For further details regarding the Group's sustainability activities, see pages 42 to 44.

Board evaluation

The Board undertook an externally facilitated annual evaluation of its performance and that of its Committees during the year. The evaluation, which was facilitated by Grant Thornton UK LLP was formal and rigorous, with valuable feedback being received (see pages 89 and 97). Following the evaluation I am satisfied that all Directors continue to perform well in their roles and contribute effectively to board discussions and decision-making.

The UK Corporate Governance Code 2018 was applicable to the financial year ending 31 December 2021. I am pleased to report that the Company has complied with the UK Corporate Governance Code 2018.

Roger Devlin
Chairman
1 March 2022

Directors' report
Board leadership

BOARD OF DIRECTORS

The Board consists of our Chairman, Roger Devlin; currently one Executive Director, Dean Finch; and six independent Non-Executive Directors, Nigel Mills, who is the Senior Independent Director, Simon Litherland, Joanna Place, Annemarie Durbin, Andrew Wyllie and Shirine Khoury-Haq. A further Executive Director, Jason Windsor, will join the Board in summer 2022.

1. Roger Devlin
N CF

Chairman
(age 64)

Date of appointment: 1 June 2018

Experience and external appointments: Roger Devlin was independent on appointment and has extensive business, leadership and governance experience, having held executive and non-executive roles in a variety of sectors such as corporate finance, gaming, leisure, pubs & brewing, sport and transport.

Roger is an experienced Chairman and was, until April 2021, the Chairman of William Hill PLC. Roger's other previous appointments include Chairman of Marston's PLC and Senior Independent Director at the Football Association.

Skills and contribution: Roger's wealth of experience gives him a strong understanding of corporate governance, shareholder and stakeholder views, banking and finance, customer propositions and leadership.

Roger's expertise and personal qualities enable him to effectively lead the Board and drive change within the business. Roger makes a valuable contribution towards the development and execution of the Group's strategy and ensures that the Board functions effectively by facilitating open and productive debate, providing constructive challenge and by demonstrating objective judgement.

2. Dean Finch
Ri S CF

Group Chief Executive
(age 55)

Date of appointment: 28 September 2020

Experience and external appointments: Dean is a widely experienced senior executive with a strong commercial, financial and operational track record spanning a 30 year career in Europe and North America. Dean is also a qualified chartered accountant.

Dean was the Chief Executive Officer of National Express Group plc from 2010 to 2020, and during his tenure built the business into Britain's leading transport group. Prior to that Dean was Group Chief Executive of Tube Lines and Group Finance Director and Group Chief Operating Officer at FirstGroup plc, where he also held a number of other senior roles.

In May 2021 Dean was appointed as a Non-Executive Director of Diploma Plc.

Skills and contribution: Dean is a seasoned, well-respected and proven Chief Executive with an exceptional record. Whilst at National Express Dean delivered substantial strategic and operational progress over a sustained period, delivering value for all stakeholders while developing a distinct and cohesive culture, focused on customer care and service.

Dean leads the Group's programme of change in its drive to become Britain's best housebuilder; delivering for all stakeholders in the business whilst continuing to deliver strong financial returns to investors.

3. Nigel Mills
N R

Senior Independent Director
(age 66)

Date of appointment: 4 April 2016

Experience and external appointments: Nigel Mills is the Senior Independent Director at John Wood Group Plc and was previously a Senior Advisor at Citigroup Global Markets. Nigel was Chairman of Corporate Broking at Citi between 2005 and 2015, and Chief Executive at Hoare Govett between 1995 and 2005. Nigel has extensive experience in advising some of the UK's largest companies. Nigel is also a Director of The Queen's Club.

Skills and contribution: Nigel has strong commercial judgement drawing on a 30 year career advising quoted companies. He has broad experience of financial markets, strategy, risk, shareholder attitudes and corporate governance, which enable him to provide sound advice to the Board. Between February 2018 and May 2018 Nigel served as Acting Chairman and led the process which resulted in the appointment of the current Chairman, Roger Devlin.

4. Simon Litherland
A N

Independent Non-Executive Director
(age 57)

Date of appointment: 3 April 2017

Experience and external appointments: Simon Litherland is the Chief Executive of Britvic plc. He qualified as a chartered accountant with Deloitte and has over 25 years' experience in finance and leadership roles within the drinks manufacturing and distribution sector. Prior to joining Britvic in 2011 Simon worked for global drinks manufacturer Diageo plc, spending 20 years managing several of the company's international business units, ultimately becoming Managing Director of Diageo Great Britain.

Skills and contribution: Simon is an accomplished Executive with proven finance, leadership and business skills in a consumer facing industry.

As a sitting Chief Executive of a FTSE 250 company Simon is well versed in the investment, stakeholder and ESG environment in which large companies operate. Given his extensive experience in a consumer facing sector, Simon has a strong customer-focus, with expertise in brand building, marketing and strategy. As the leader of a large organisation Simon also brings to the Board a strong practical understanding of organisational purpose, culture and employee engagement. Overall, Simon's background and skills enable him to make a valuable contribution to the Board's decision making and the development of the Group's customer-focused strategy.

5. Joanna Place
A N R CF W

Independent Non-Executive Director
(age 59)

Date of appointment: 1 April 2020

Experience and external appointments: From 2017 to December 2021 Joanna Place was the Chief Operating Officer of the Bank of England with responsibility for the day-to-day management of the Bank including finance, technology, information and physical security, human resources, property, and procurement. Before her appointment as COO Jo was the Bank's HR Director for three years.

Skills and contribution: Jo had a 35-year career with the Bank of England, which included leading teams in banking, statistics and regulation. Jo's broad management experience and external perspective is a valuable addition to the Board. Jo adds to the diversity of skills and views on the Board and provides valuable insight into human resources matters, diversity, organisational culture, sustainability and stakeholder views.

Jo is the Board's designated Workforce Non-Executive Director. Jo attends the Group's Employee Engagement Panel, which meets four times per year, and facilitates effective two-way communication and engagement between the Board, the Panel and the Group's employees.

6. Annemarie Durbin
R N

Independent Non-Executive Director
(age 58)

Date of appointment: 1 July 2020

Experience and external appointments: Annemarie has 30 years' broad-based retail, commercial, corporate and institutional banking experience across Asia, Africa & the Middle East and is an experienced executive coach and mentor. Annemarie is currently Chair of Cater Allen Limited, Remuneration Committee Chair of Petershill Partners plc and Senior Ringfence Director and Remuneration Chair of Santander UK plc. She spent the bulk of her executive career at Standard Chartered, a FTSE 100 international bank. She held a variety of global business and functional roles including being CEO of a FTSE 250 equivalent listed company in Thailand, culminating in membership of the Group Executive Committee. Annemarie was board Chair of Merryck & Co. Ltd, a leading mentoring group until July 2021, and was Remuneration Committee Chair of WH Smith PLC until January 2022.

Skills and contribution: Annemarie is a highly experienced international business executive, with a strong background in banking, diversity & inclusion, transformation, corporate governance and human resources. She is a qualified lawyer, coach and conflict mediator. Annemarie's experience and knowledge are valuable additions to the Board as the Group continues to implement its programme of business improvement.

C Committee Chair
N Nomination Committee
S Sustainability Committee
A Audit Committee
R Remuneration Committee
W Workforce Non-Executive Director
CF Trustee of the Persimmon Charitable Foundation
Ri Risk Committee

7. Andrew Wyllie CBE

A N

Independent Non-Executive Director (age 59)

Date of appointment: 4 January 2021

Experience and external appointments: Andrew is an experienced construction sector executive and was Chief Executive of Costain Group PLC for 14 years, until his retirement in 2019. Previously, Andrew was Managing Director of Taylor Woodrow Construction and a member of the Group Executive Committee at Taylor Woodrow Plc. During his career Andrew has worked on a variety of major contracts and projects in Saudi Arabia, Ghana, the Falklands, Malaysia and the United Kingdom.

Andrew currently serves as a Non-Executive Director on the Boards of Yorkshire Water and BMT Group Ltd. He was previously a Non-Executive Director of Scottish Water and President of the Institution of Civil Engineers.

Andrew has an MBA from London Business School and is a Fellow of the Royal Academy of Engineering. For his services to Engineering and Construction, Andrew was awarded a CBE.

Skills and contribution: Andrew has a long and successful track record within the construction industry and brings highly relevant sector experience to the Board. Andrew's industry knowledge, expertise and perspective will be a valuable addition to the Board as the Group continues to build a sustainable business.

8. Shirine Khoury-Haq

A Ri N

Independent Non-Executive Director (age 50)

Date of appointment: 1 July 2021

Experience and external appointments: Shirine is the Chief Financial Officer of The Co-operative Group, where she is responsible for finance, technology, transformation and corporate development. Shirine also serves as the Chief Executive Officer of The Co-operative Group's Life Services sector, which includes the Insurance, Legal Services and Funeral businesses.

Prior to joining The Co-operative Group, Shirine was Chief Operating Officer of Lloyd's of London, the insurance market, and had previously held senior positions at Catlin, IBM and McDonald's. Shirine is a qualified accountant and was previously a Non-Executive Director of the Post Office.

Skills and contribution: Shirine has a wealth of experience in finance, technology and real estate in businesses operating across a range of sectors. Shirine's appointment adds to the balance of skills and expertise on the Board, which will be of great benefit as the Group continues to build a sustainable business in every sense.

9. Jason Windsor

Chief Financial Officer (age 49)

Anticipated start date: Summer 2022

Experience and external appointments: Jason is an experienced finance executive who has established a strong track record in a variety of senior financial roles over the last 26 years. He has been Group Chief Financial Officer of Aviva PLC since 2019, having previously been Chief Financial Officer of both its UK Insurance and UK Life businesses, after originally joining the business in 2010. Prior to that he spent 15 years at Morgan Stanley, latterly as a Managing Director within its Investment Banking Division.

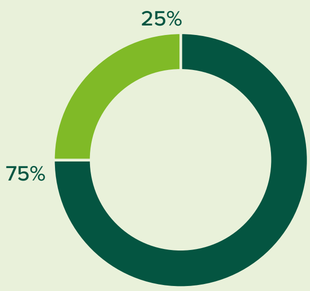
Skills and contribution: Jason is a well-respected and proven FTSE 100 CFO and we are delighted to have recruited someone of his calibre and experience as Chief Financial Officer to complement our strong management team. In his current role Jason has demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer-facing business. These skills will be highly relevant and transferable to Persimmon as we continue our drive to become the leading builder of good value, quality family homes in the UK. We look forward to welcoming Jason to the Group in the summer.

Board meeting attendance 2021

Member	Meetings attended	Percentage of meetings attended
Roger Devlin	7/7	100%
Dean Finch	7/7	100%
Nigel Mills	7/7	100%
Simon Litherland	7/7	100%
Joanna Place	7/7	100%
Annemarie Durbin	7/7	100%
Andrew Wyllie	7/7	100%
Shirine Khoury-Haq	2/3*	66.6%
Rachel Kentleton**	7/7	100%
Mike Killoran***	7/7	100%

* For further details see page 80.
** Resigned 31 August 2021.
*** Retired 14 January 2022.

Board independence (excluding Chairman) as at 31 December 2021



Executive Directors
Non-Executive Directors

BOARD LEADERSHIP AND COMPANY PURPOSE

UK Corporate Governance Code 2018

This Corporate Governance Statement, together with the Audit Committee Report on pages 98 to 104, the Nomination Committee Report on pages 90 to 97 and the Directors' Remuneration Report on pages 108 to 128, provides a description of how the Principles of the UK Corporate Governance Code 2018 have been applied within the Group during 2021.

During the year the Board has fully complied with the UK Corporate Governance Code 2018. The Board continues to review its governance procedures to maintain proper control and accountability. The UK Corporate Governance Code 2018 is available from the Financial Reporting Council, at www.frc.org.uk.

The Board consists of our Chair, Roger Devlin, currently one Executive Director and six Independent Non-Executive Directors. We have announced that Jason Windsor will join the Board in the summer of 2022 as Chief Financial Officer. In line with the 2018 UK Corporate Governance Code, the Board leads and directs the Group. It sets the Group's purpose/mission, defines the Group's values, sets the strategy and monitors and assesses the Group's culture, with the aim of securing the long-term sustainability of the business for the benefit of all stakeholders.

The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually, having last been reviewed in December 2021. The schedule includes the approval of the Group's strategy; structure and capital; financial reporting and controls, which includes annual and half year results, trading updates and the dividend and cash return programme; internal controls, which includes monitoring the Group's principal risks and material issues; major capital projects; resolutions and corresponding documentation to shareholders at general meetings; Board membership; remuneration of the Board; delegation of authority; corporate governance matters and policies.

During 2021 the Board held seven scheduled meetings, plus a strategy meeting. Additional Board calls were held as necessary. Board meetings may be preceded by informal dinners, which involve the presence of invitees such as senior executives or external representatives to give presentations. In addition, there are at least two meetings a year attended solely by Non-Executive Directors. All Directors attended the relevant Board and Committee meetings during the year, except for Shirine Khoury-Haq, who was unable to attend the October meeting due to an engagement arranged prior to her appointment to the Board, which she was unable to rearrange. The Nomination Committee was aware of the engagement prior to their recommendation to the Board to appoint Shirine as a Non-Executive Director. On balance, the Committee considered it was in the long-term interests of the Group for Shirine to be appointed to the Board from 1 July 2021, even though she would not be able to make this meeting.

Covid-19 pandemic response

The industry has continued to face ongoing operational and economic challenges as a consequence of the pandemic, particularly as the Omicron outbreak unfolded in late 2021. The Group has continued to manage these ongoing challenges comprehensively, with a strong, agile and responsive management team, ensuring that the business has remained well set to continue to generate superior and sustainable returns for the benefit of all its stakeholders.

The health, safety and wellbeing of the Group's workforce, customers and the public have remained paramount throughout this period and as such, the Group's Covid-secure operating protocols have been maintained and adapted to the government's guidance. Flexible working has been retained for our office based staff, and following engagement with employees, a Hybrid Working Policy has been adapted, enabling employees to work from home where possible. Recognising the importance of our employees' mental health and wellbeing and the severe impact that the pandemic has had on this, the Group's senior management team completed mental health awareness training during the year.

In addition, as at 31 December 2021 we had approximately 128 trained mental health first aiders across the business.

Due to the pandemic, and the limitations on gatherings and travel which resulted, physical meetings between the Board themselves, as well as stakeholders, became more difficult. Video conferencing was utilised, which enabled meetings to take place in a Covid-secure environment. This remote engagement proved useful to cope with the difficulties caused by the pandemic, and continue to be used when necessary, although face to face meetings remain the Board's preferred approach.

Strategy

The Board held their annual strategy meeting during October 2021, where senior management from various sectors across the Group presented on various matters, including:

- Customer experience;
- Land strategy;
- Building for tomorrow;
- Investing in our people;
- Financial projections; and
- Risk.

External parties also presented at the meeting on topics including:

- Future Homes Issues;
- The Global and UK economy and its impact on the UK housing market; and
- Equity Market Feedback.

Our strategic objectives are to:

- Place customers at the heart of our business with a compelling brand;
- Have a diverse and talented workforce;
- Invest in high quality land;
- Working safely, responsibly and efficiently;
- Support and create sustainable communities; and
- Maintaining financial strength through the housing cycle.

Further information on our strategic objectives can be found on pages 12 to 13.

AGM

Due to restrictions caused by the Covid-19 pandemic, the Group's 2021 Annual General Meeting was held on 28 April 2021 with the minimum number of shareholders required to form a quorum under the Company's articles of association, each of whom was a Board Director. In order to provide shareholders with an opportunity to present questions to the Board and to hear their answers before casting their votes, a separate inter-active Virtual Shareholder Engagement Event took place on 23 April 2021 in which shareholders were invited to participate remotely. During the Virtual Shareholder Engagement Event shareholders were able to participate and interact with the Board, and could ask live questions.

Board activities

During the year the Board and its Committees focused on various matters concerning the long-term sustainable success of the Group. Examples of such matters are included in the opposite table.

Company purpose, values, strategy and culture

During the year the Board agreed a new Mission, Vision and Values, further embedding the five key priorities into how we operate as a business and aimed at sustaining strong shareholder returns.

The Group has set its ambitions deliberately high, and our new Mission, Vision and Values will reinforce our cultural change and guide the Group as it continues to evolve.

Area of focus and action taken by Board	Further information
Living Wage Foundation accredited employer Agreed that the Group should be a Living Wage Employer, Living Wage Foundation accreditation was achieved in November 2021.	See page 35
Customer care and build quality Driven standards to ensure that the HBF 8 week customer satisfaction score continued to improve and that warranty provider Reportable Items reduced. Received a presentation on customer experience. The Board agreed changes to the Group's processes and additional resource to achieve the Board's strategic objectives to place customers at the heart of our business with a compelling brand.	See pages 26 to 31
Board composition Agreed the Nomination Committee recommendation for the appointment of Jason Windsor as the new Chief Financial Officer, whose appointment was announced on 13 January 2022. Agreed the Nomination Committee recommendation for the appointment of Shirine Khoury-Haq as an Independent Non-Executive Director, to improve the diversity, skills and industry knowledge of the Board.	See pages 92 and 93
Agreement of voluntary undertakings with the CMA and closure of leasehold investigation In June 2021 the Board agreed a number of voluntary undertakings with the CMA in their leasehold enquiry, including extending our existing Right to Buy scheme for customers to purchase their freehold interest.	See page 74
Capital Return Programme Reviewed the performance of the Group and agreed the payments to be made.	See pages 7 and 74
Employee Reporting Agreed that Joanna Place would be appointed as the Group's designated Workforce Independent Non-Executive Director, including attending Employee Engagement Panel meetings.	See pages 76 and 84
Culture Agreed a new Mission, Vision and Values, to embed a culture that will reinforce trust in the brand. Reviewed Group policies including the Whistleblowing Policy. Engaged with various stakeholder groups. Reviewed the results of the Group's employee engagement survey. Noted feedback from various stakeholder groups, further information in relation to which can be located on pages 70 to 73.	See pages 4 to 5 and 32 to 37
Governance At each Board meeting the Board received updates from Executive Committee members covering the Health, Safety & Environment department, HR, IT, FibreNest and the Persimmon Way.	See page 82

Purpose/Mission, Vision and Values

The Group's purpose and mission is to build homes with quality our customers can rely on at a price they can afford.

Our Vision is to be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build. For further details see pages 4 to 5 of the Strategic Report.

In instilling our Values, the Board aims to embed a culture which ensures that customers are our priority and we aim to build consistently high quality homes in communities where people love to live. We will earn our customers' trust by treating them fairly and with integrity. We will deliver the best value, high quality homes to our customers by encouraging entrepreneurship, innovation and cost-efficiency to drive industry-leading performance and competitive and sustainable returns for shareholders. We are one team, working in an open and collaborative manner to deliver for customers and communities. We embrace diversity and new ideas and develop the careers and reward the talents of our colleagues. We build homes for the future in sustainable communities. We uphold the highest safety standards and leave a legacy that delivers economic, social and environmental value to the communities we build. We strive to be excellent in all that we do. We focus relentlessly on providing the dream of homeownership to thousands of families by building the best value, high quality homes in the most cost-efficient manner, delivering for customers, communities and stakeholders alike.

Build right, first time, every time remains one of our CEO's priorities. During the year we have implemented more exacting build tolerances – going further than existing industry standards; invested in Independent Quality Controllers – now employing the industry's largest team; invested in training – including a pioneering NVQ assessment centre; and introduced digital support for site management quality inspection. For further details, see pages 26 to 28 of the Strategic Report.

Strategy

The Group's strategy has a clear focus and direction on putting customers first through the application of enhanced Group controls and procedures. The Group's strategic objectives (detailed on pages 12 and 13) support the delivery of this strategy.

The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings. Once set by the Board, the strategy is communicated to the Group through its management structure, filtering down from the Executive Directors to the Executive Committee, Regional Chairs, management and employees. Improved internal communication is helping to ensure all our employees know and understand the Group's strategy and its potential benefits and risks.

The Executive Committee meets bi monthly and considers operational, customer care, sales, HR, IT, FibreNest and regulatory issues. The Executive Committee is made up of senior operational and Group management, who are responsible for implementing the Group's strategy and for communicating it to the operating businesses, with the support of the Managing Directors and leadership teams.

Culture

The Board has overall responsibility for framing, embedding, monitoring and measuring the Group's culture, setting the tone from the top. Since the appointment of the Group Chief Executive in 2020, the Board has taken active steps to ensure that the Group achieves a more customer focused culture. During the year the Board agreed our Mission, Vision and Values, which were launched in January 2022. They build on Persimmon's many strengths and our recent progress to strive even higher, to be Britain's leading homebuilder, with core values that demonstrate how we will achieve it. The new Mission, Vision and Values further embed our five key priorities as a business.

The Board monitors and measures the Group's culture through the receipt of regular data updates from the senior management team, including the Chief Customer Experience Officer, Group Construction Director, Group Health, Safety & Environment Director, the Head of FibreNest and the HR Director. The Board uses this data to monitor behaviours across the Group and how they align with the desired culture. Data reviewed includes the Group's HBF scores, Persimmon Way internal IQC scores, external warranty provider scores, feedback from the employee engagement survey, labour turnover reports, Health & Safety data, plus media coverage received by the Group.

We now operate an annual employee engagement survey, administered by an independent company, to obtain feedback from employees and monitor understanding of the Company's values, strategy and desired culture. The results of the 2021 employee engagement survey were considered by the Board. Feedback on how the Group has responded to the survey results was circulated to employees in September 2021, through our Group employee magazine.

In ensuring that the Group's values and behaviours are captured at every level of the organisation, the recently appointed Group Head of Reward has been tasked with assessing the rewards available to employees and making sure that they mirror the culture of the Group. Whilst non-financial cultural metrics are already in place for our Executive management team, similar metrics and goals will be cascaded down to the wider employee base. Acknowledging that increased diversity in our workforce could enrich our culture and grow our talent and skill base, the Group Head of Reward will ensure that Group rewards are attractive to candidates, enabling a diverse pipeline of succession.

To reinforce the Board's aim for a culture focused on our customers, our senior management bonus scheme was restructured last year to incorporate build quality and customer service targets. In the current year, this approach is being extended across the organisation, including to our site management teams.

The customer focused culture has been further enforced by the appointment in the year of our Chief Customer Experience Officer, who leads a team focused on enhancing our end-to-end relationship with our customers. This appointment has already made a significant impact on the business and the work being undertaken will continue to drive improvements in her new role as we move forward with our vision to become known for outstanding service and value, consistently delivering five-star homes. We aim for our workforce to be truly representative of all sections of society and our customers.

We appointed a Director of Talent & Diversity during the year. One of the first projects was to launch an externally facilitated Diversity & Inclusion Review, to provide a starting point for future measurement of progress, assist with a diversity and inclusion strategy and pinpointing areas for immediate improvement and impact. Further information on the Inclusion Review can be found on pages 33, 89 and 95. To reinforce a culture of recognition, we will shortly announce the first national winner of our Construction Excellence Awards, with 31 local and five divisional winners already recognised for their build quality standards.

Resources to meet objectives, internal controls and risk management

The Board is mindful that the Group must be provided with suitable resources to achieve its strategic objectives. During the year a continued focus has been on training, quality assurance and digitalisation.

Maintaining Covid-secure environments remained key for our employees, customers and subcontractors. The Health, Safety & Environment department continued to ensure that our sites and offices remain safe, updating internal policies in light of updated government guidance. The Group IT department continued to provide resources to assist employees who were working from home.

In the last year, we have more than doubled our team of Independent Quality Inspectors from 29 to 60. The Independent Quality Inspectors undertake quality assurance inspections on our developments and enables the performance of on-site coaching where required. The enhanced assurance process improves customer satisfaction in line with our Mission, Vision and Values.

The introduction of remote training has enabled the Group Training Department to expand their offer across all departments, increasing the amount of Group training delivered. As restrictions were reduced during 2021, face to face training was gradually re-introduced, but with restrictions on delegate numbers to ensure Covid-safe environments could be maintained. This has been important especially for our site management courses, where practical site visits are an integral part of the programme.

Where possible, we have introduced hybrid home/office working for a number of employees. The Group training team will introduce a more blended approach to training delivery to meet the needs of the business most effectively. This approach will utilise e-learning for short compliance training, remote learning for short trainer-led sessions around key subjects, and longer face to face sessions for programmes requiring higher levels of interaction with, and between candidates. All training activity during the year was delivered strictly in accordance with government guidelines and the company's Covid-safe operating procedures.

During the year the Group became the first housebuilder to announce a partnership with the Association of Professional Sales, a national chartered body that represents careers in the sales sector. Following the partnership, a group of colleagues completed the course, which sets new, industry-leading standards and qualifications. Training and development opportunities are available to colleagues throughout their careers with the Group. During the year mandatory training was issued to colleagues on the Quality Homes Board.

Persimmon is an accredited National Vocational Qualification assessment centre, a first for a UK housebuilder.

As at 31 December 2021 c.90% of our site management team held a relevant NVQ, an increase from 21% at the start of the year. Investing in colleagues promotes build quality excellence and pride in the job, standing to make our workforce the very best prepared in the business.

During the year the Board approved additional resource for the Group HR department to assist the Group in achieving its strategic objectives as well as increasing the diversity of our workforce and management teams. Further investment was also made into Group Internal Communications, partly in response to the 2020 employee engagement survey feedback from employees for better and more frequent communications.

The Group's risk management framework, which was established by the Board, identifies, assesses, manages and mitigates risks in a robust and timely manner enabling it to respond to changes in its environment effectively. Details of the Group's risk management framework, Principal Risks and material issues are set out on pages 54 to 61. The Audit Committee report can be found on pages 98 to 104.

Directors' report
Corporate governance statement continued

Effective engagement

The Board recognises the importance of effective engagement with the Group's stakeholders. The Board and the Group's senior managers regularly undertake engagement activities, details of which are set out in the Section 172 Statement contained on pages 70 to 73, and in the Strategic Report.

Shareholders

The Board is committed to establishing and maintaining good relations with the Company's shareholders. The Board values shareholder engagement and members of the Board, including the Chairman, meet regularly with major shareholders. Normally members of the Board attend the Company's Annual General Meeting ('AGM') and are available to answer questions from all shareholders. Due to Covid-19 restrictions and social distancing measures, the 2021 AGM was a closed meeting where only the Chairman, Group Chief Executive and Group Finance Director attended in person, however all remaining Board Directors attended via video link and proceedings were broadcast live to shareholders via a webcast.

As shareholders were unable to attend the 2021 AGM, we held a Virtual Shareholder Engagement Event, which was designed to enable shareholders to participate and interact with the Board remotely and where they wished to do so, to ask live questions before casting their proxy votes for the AGM.

During the year the Chair of the Remuneration Committee, Annemarie Durbin, wrote to major shareholders and proxy advisors to provide a summary of decisions taken by the Committee in relation to Executive Directors' remuneration. We wrote to major shareholders again in February 2022, to provide information on the remuneration for our newly appointed Chief Financial Officer, Jason Windsor.

During the year, the Group Chief Executive and Group Finance Director had responsibility for maintaining appropriate communications with institutional investors and analysts, advised by the Group's brokers and the Group's financial PR consultants. Following Mike Killoran's retirement Dean Finch will be supported by the Group Financial Controllers for Reporting and Operations, until Jason Windsor joins the Board. Persimmon issues regular trading updates to the London Stock Exchange, as well as publishing half yearly and annual financial results. At the time of the half year and annual financial results announcements, the Company provides shareholders with operational and financial performance information during its analyst presentations and calls and meetings are regularly held with major shareholders and analysts.

The presentations and recordings of the calls held are available on the Group's corporate website at www.persimmonhomes.com/corporate.

Employees

The Board continues to effectively engage with Group employees, believing this to be a valuable source of feedback for the Board, an aid to good decision making and a method of monitoring Group culture.

The Board engages with the Group's workforce in a variety of ways. Dean Finch visited many of the Group's construction sites during 2021, providing him with the opportunity to meet and listen to many of the Group's employees, customers and suppliers. All visits which were conducted during Covid-19 restrictions were held in accordance with government requirements.

The Group's Employee Engagement Panel, chaired by the Group HR Director, consists of c.12 voluntary members who provide a broad representation of the Group's employees, including site and office based colleagues, and both junior and senior members of our team. It was agreed that it would be beneficial for Joanna Place to attend all of the Panel's meetings as the designated Workforce Independent Non-Executive Director, with other Board members also attending from time to time. Jo's role within the Panel is to update members on recent Board activities and initiatives, receive feedback and act as a direct link between the Panel and the Board. Jo's position adds value to the Group by enabling meaningful dialogue between the workforce and the Board. During the September 2021 meeting, the Panel was joined by Annemarie Durbin, Chair of the Remuneration Committee. Annemarie gave a presentation on Corporate Governance, the role of the Board and workforce engagement on executive remuneration. Roger Devlin, Board Chairman also attended the November 2021 Employee Engagement Panel meeting.

Panel members also liaise with members of the Executive Committee and senior management team on points which are raised at the meetings. Employee Engagement Panel meetings are an important tool in the Group's engagement with its employees, providing a forum for open discussion, feedback and debate. During the year, it was agreed that it would be beneficial to increase the frequency of Panel meetings to a minimum for four per year. During 2021 the Panel held four scheduled meetings, using video-conferencing facilities where necessary to maintain the Group's Covid-secure operating protocols. Matters discussed included flexible working arrangements for employees, employee welfare during the Covid-19 pandemic, and employee communications regarding Board changes.

In response to requests from the Employee Engagement Panel, a number of changes have been made across the business, throughout the year. A Communications App has been developed and rolled out, which enables communications to take place on one platform and includes details of internal vacancies. The Group's Employee Assistance Programme has been advertised via the Access HR portal and with posters in all office locations, as well as on construction sites. A Hybrid Working Policy was introduced as a result of the suggestions from the Employee Engagement Panel and following feedback from the employee engagement survey and more recently, the holiday entitlement for our monthly paid employees was increased.

The importance of good internal communications was highlighted during the pandemic, with a heightened need for employees and the broader workforce to feel connected to the business.

The Group's third employee engagement survey was launched in February 2022. For information on the activities of the Group's Diversity & Inclusion Council, please see pages 34, 88 and 95 of this report. For information on our engagement with stakeholders and how these have impacted our Principal Decisions see pages 70 to 74.

Customers, suppliers, the communities in which we build, government, regulators and industry bodies

The Board is committed to engaging with and maintaining strong relationships with the Group's key stakeholders to ensure the long-term sustainability of the Group. Engagement occurs throughout the Group, from our construction teams to our Board directors. During the year, we have piloted a more detailed and targeted engagement programme for local and national government. Examples of the Group's customer, community, supplier and government activities during the year include:

- Working with the Living Wage Foundation to become an accredited employer. Adopting the principles of the Living Wage for our direct employees, seeking similar commitments from our supply chain and achieving Living Wage Foundation accreditation during November 2021.
- We are seeking to become one of the first Building a Safer Future Champions, recognising our renewed level of ambition for build quality and safety.
- The Group is now purchasing 100% renewable energy for its offices and manufacturing facilities.
- The Charitable Foundation donated c.£1.8m to local charities and good causes to support their work in the communities in which we are building new homes.
- Participating in with the Workforce Disclosure Incentive to report our workforce activities throughout the year and discuss how to improve for future years.
- Engaging with government and the wider housebuilding industry on matters relevant to the sector including the Help to Buy Scheme and how best to achieve the transition to low carbon homes.
- Working with the Science Based Target Initiative to have our carbon reduction targets accredited.
- Dean Finch is a member of the Net Zero Buildings Council, a partnership between government, industry and third sector which focuses on the delivery and implementation of key objectives within the government's Heat and Buildings and Net Zero Strategies.
- Regular contact between operating businesses and customers throughout the home buying and after-sales process, via emails, telephone calls and face-to-face consultations.
- Consultation between operating businesses and local communities as part of the planning process.
- Calls and meetings between the Group Procurement department, operating business buyers and suppliers and subcontractors.

Details of how the Group engages with its stakeholders can be found in our Section 172 Statement and Principal Decisions on pages 70 to 74 of this report.

Workforce policies and practices

The Group has a range of workforce policies in place covering matters such as Health & Safety, Human Rights, Anti-Bribery and Corruption, Modern Slavery, Equality, Diversity and Inclusion, and both Flexible and Hybrid Working. The Board works to ensure that the Group's workforce policies and practices remain consistent with the Group's values and support the Group's long-term sustainable success. Furthermore, the Board receives regular reports from the Group HR Director. Details of how the Group implemented its workforce policies during 2021 can be found on pages 32 to 37 of this report. Workforce policies are available to all staff through the Access HR platform, with supplementary policies also available via the Group's corporate website at www.persimmonhomes.com/corporate.

The Board understands the importance of maintaining a culture where employees feel able to freely raise any concerns they may have, either through their line management or confidentially through the Group's whistleblowing provision. The whistleblowing provision, which allows reports to be raised through either web-based forms, phone or email, is actively promoted through posters displayed in all Group offices, construction sites and manufacturing facilities. The Group Internal Audit department is responsible for the confidential review and investigation of all concerns raised through the whistleblowing provision, respecting anonymity where required, and provision of a summary report to the Board through the meetings of the Audit and Risk Committees. During 2021, the Board has reviewed the Group's whistleblowing provision and agreed that it remained appropriate and effective. We have also decided to enter a partnership with Protect, the whistleblowing charity, for 2022, which will allow the Group to draw on Protect's expertise in this area, and ensure the Group's whistleblowing provision remains in line with accepted good practice. For further details of the Group's whistleblowing facilities see pages 37 and 103 of this report.

In addition to the Group's whistleblowing provision, the Group has a Safety and Environment Concerns reporting telephone line and email address, details of which are displayed in all Group offices and at all Group construction sites. Employees, subcontractors and members of the public can use this facility to raise any safety or environmental concerns they may have. The Group Health, Safety & Environment department reviews and investigates any concerns raised through this channel, with matters reported to the appropriate level of the Group's management structure according to the situation.

The Group has a Conflicts of Interest Policy to govern the process of identifying, recording and managing any potential conflicts of interest of Board members, the Group's senior management teams and wider workforce. To support the aims of the Conflicts of Interest Policy, the Group Internal Audit department oversees a process of obtaining annual declarations from senior staff through letters of representation, with detailed reporting on potential conflicts of interest, and mitigated actions and controls, provided to the Audit and Risk Committees on an annual basis.

Directors' report
Corporate governance statement continued

DIVISION OF RESPONSIBILITIES

There is a clear, written division of responsibilities between the Chairman and the Group Chief Executive, which is approved by the Board. The responsibilities of the Senior Independent Director are set out in a letter of appointment.

Terms of reference for the Board Committees are available on the Company's website www.persimmonhomes.com/corporate/ or from the Company Secretary at the Company's registered office.

The Chairman

On appointment Roger Devlin, Chairman, satisfied the criteria for independence specified in the UK Corporate Governance Code 2018. The Chairman, supported by the Company Secretary, sets the agenda for Board meetings and ensures that Board members are provided with accurate, timely and clear information. The Chairman ensures that Board meetings are a forum for open and constructive debate and that the views of all Directors are valued and considered.

Board composition

More than half of Board members (excluding the Chairman) are Independent Non-Executive Directors and no one individual or group of individuals has the ability to dominate the Board's decision making. The Board considers all the Non-Executive Directors to be independent.

Nigel Mills, the Company's Senior Independent Director was a Senior Advisor at Citigroup Global Markets until April 2020. Although Citigroup was one of Persimmon's two brokers until March 2020, they were not a financial advisor to the Company. Citigroup have received no remuneration from the Company for more than thirteen years, having only received share dealing commission in the two years prior to that. Whilst employed by Citigroup Nigel had not worked on the Company's business over the three years prior to his appointment to the Board in 2016, this itself being preceded by Citigroup's decision to put in place strict procedures to further ensure Nigel's independence. Accordingly, the Board reiterates its belief in Nigel's independence, which has been clearly demonstrated in debate in both Board and Committee meetings since his appointment.

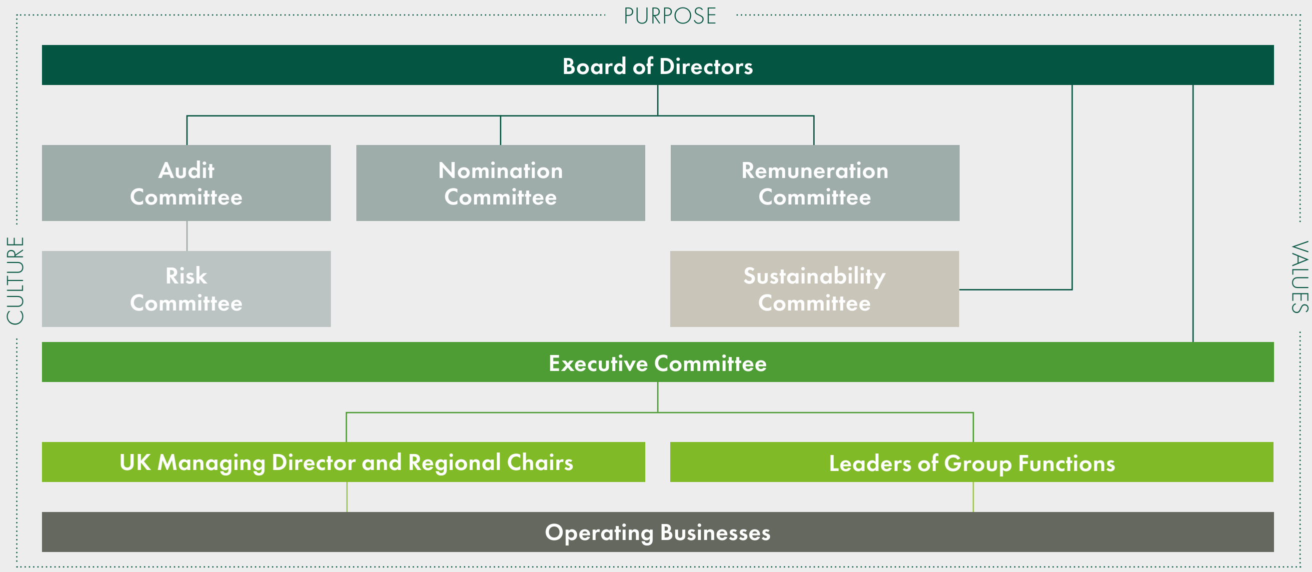
Non-Executive Directors

The Non-Executive Directors have expertise which complements that of the Executive Directors. Between them, the Non-Executives have experience in fields such as construction and engineering, marketing, various consumer facing industries, HR, executive leadership coaching, banking and finance. The collective experience of the Non-Executives allows them to make valuable contributions to Board discussions, providing insight, strategic guidance, a diversity of views and constructive challenge to the Executive Directors. For further information on the skills and contribution of each Director see pages 78 and 79.

Only Non-Executive Directors are members of the Board's Audit, Remuneration and Nomination Committees. The Chairman regularly holds meetings with the Non-Executive Directors without the Executive Directors being present.

All Directors are required to allocate sufficient time to the Group to discharge their duties. Prior to the appointment process the Nomination Committee considers the other demands on a Director's time and provides the Director with an assessment of the time commitment required of their role on the Company's Board.

Governance structure



Resources for the Board

The Board is supported by the Company Secretary and has the necessary policies, processes, information and resources in place to ensure that the Board can function effectively and efficiently. All Directors have access to the advice of the Company Secretary and may seek external professional advice at the expense of the Company in regard to their role with the Group.

Audit Committee

The members of the Audit Committee are listed in the table on page 98. All members of the Committee are considered by the Board to be independent. The Board is satisfied that Shirine Khoury-Haq (the Committee Chair), has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. Shirine was appointed to the Committee on 1 July 2021, and appointed as Chair on 31 August 2021.

The purpose of the Committee is to safeguard the interests of all stakeholders by undertaking duties such as: monitoring the integrity of the Group and Parent Company's financial statements and reviewing significant financial reporting judgements contained within them, reviewing the Group's internal financial controls and the Group's internal control and risk management system, reviewing the effectiveness of the Group's internal audit function and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

Further information on the role and activities of the Audit Committee can be found in the Audit Committee report on pages 98 to 104.

Remuneration Committee

The members of the Remuneration Committee are listed in the table on page 108. All Committee members are considered by the Board to be independent.

The Board remains satisfied that Annemarie Durbin (the Committee Chair) has the requisite experience to chair the Company's Remuneration Committee, she is the Remuneration Committee Chair of Santander UK plc and was previously the Remuneration Committee Chair of WH Smith Plc.

The purpose of the Committee is to develop a policy on executive remuneration in consultation with shareholders which supports the Group's strategy and promotes its long-term sustainable success. The Committee determines the remuneration packages of the Chairman, Executive Directors and the Senior Executive Group, which comprises the Group's Managing Director, the Regional Chairs, Chief Commercial Officer, Chief Customer Experience Officer, Group Strategy Director, Group Transformation and Land Strategy Director and the Company Secretary. The Committee also reviews the remuneration and related policies of the wider Group workforce and the alignment of incentives and rewards with the Group's culture, taking these into account when setting the policy for Executive Director remuneration.

During the year the Committee sought advice from Deloitte LLP, who act as the Group's independent remuneration consultants. The work of the Committee during the year is set out in the Remuneration Report on pages 108 to 128.

Nomination Committee

The Board's Nomination Committee leads the process of Board appointments, ensures plans are in place for orderly succession to the Board and senior management positions and oversees the development of a diverse pipeline for succession. Shirine Khoury-Haq was appointed to the Committee on 1 July 2021.

When considering the appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board, then evaluates candidates' skills, knowledge and experience to determine which candidate would be most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board.

The work of the Committee during the year is set out in the Nomination Committee report on pages 90 to 97.

Sustainability Committee

The Group's Sustainability Committee has developed the Group's sustainability approach after performing a materiality assessment to identify issues material to the Group's stakeholders, taking account of the Group's key focus areas, operational strategy and business model.

Reporting directly to the Board, the Committee is chaired by the Group Chief Executive, Dean Finch and includes the Group Strategy and Regulatory Director, the Company Secretary, and the Group Sustainability Director. Colleagues from across the Group are invited to meetings to discuss and present on specific issues.

The Committee fulfils an important governance role by setting the Group's 'sustainability approach' and setting challenging targets, including 'building for tomorrow', 'safe and inclusive' and 'transforming communities'. In doing this, the Committee oversees the Group's climate change strategy and reports its findings and recommendations to the Board. Working with organisations including the Carbon Trust and the Science Based Target initiative during the year, one area of focus of the Sustainability Committee has been ensuring the feasibility of the science based targets previously set.

The Committee received updates during the year from the Group Health & Safety Director, regarding matters including the Group's injury incidence rate and programme to prevent modern slavery, from the Group Construction Director, regarding matters including Building Safer Futures, external audit and digitalisation, and from the Group Internal Audit Manager, regarding matters including the internal audit of environmental and sustainability issues. The Committee continues to monitor and devise the Group's 'sustainability approach' in relation to key environment and social issues, embedding this into day-to-day operations through monitoring several key workstreams. Each workstream is led by relevant senior operational management and includes the Group Sustainability Manager. For example, the Zero Carbon Home Steering Group, chaired by the Group Technical Director, is assessing the most effective pathway to develop net zero carbon homes at scale and to assist in calculating the Group's science based target calculations.

Further information can be found in the Group's Climate-Related Financial Disclosures ('TCFD') report on pages 62 to 66 and in the Group's Sustainability Report.

Directors' report
Corporate governance statement continued

COMPOSITION, SUCCESSION AND EVALUATION

Composition

The Nomination Committee continues to review the composition of the Board and the skills and diversity of the Directors, and will make further appointments where it considers them necessary, having particular regard to diversity. The Committee members endeavour to create a diverse pipeline for succession within the Group, including the Board and senior management positions.

Further details of the Nomination Committee's work during 2021 can be found in the Nomination Committee report on pages 90 to 97.

Board changes

In July 2021 we announced that Mike Killoran would be retiring from the Board in early 2022. Mike played a pivotal role in the development of Persimmon over more than a quarter of a century, helping establish the business as one of the leading housebuilders in the UK and delivering outstanding returns for shareholders. He stepped down from the Board on 14 January 2022.

The Nomination Committee, assisted by Heidrick and Struggles, conducted a thorough search for a new Group Finance Director, both within the sector and more widely. The search led to the appointment of Jason Windsor, whose appointment was announced on 13 January 2022. Jason is expected to join in the summer of 2022. Further details on the appointment of Jason can be found on pages 92 to 93.

During 2021, the Nomination Committee also conducted work on the appointment of a new Non-Executive Director. Assisted by Korn Ferry and following a thorough search, the Board was pleased to appoint Shirine Khoury-Haq as Independent Non-Executive Director on 1 July 2021. Shirine is the Chief Financial Officer of The Co-operative Group, where she is responsible for finance, technology, transformation and corporate development. Shirine has a wealth of experience in finance, technology and real estate in businesses operating across a range of sectors. Shirine's appointment adds to the balance of skills and experience on the Board, which will be of great benefit as the Group continues to build a sustainable business in every sense.

During May 2021 Dean Finch was appointed as a Non-Executive Director of Diploma Plc, having sought the consent of the Chairman. The appointment does not interfere, conflict or compete with the interests of the Group.

Succession

Succession planning for the Board, Senior Management and the Group's Operating Businesses is a key area of focus for the Nomination Committee, further details can be found in the Nomination Committee Report found on pages 95 to 97.

During the year the Nomination Committee reviewed succession plans for the Board, Senior Management and the Group's Operating Businesses. The Committee noted the development programme for the Group's Managing Directors which was launched during the year. The exercise is defining individual competencies and development needs, has introduced peer mentoring, which is assisted by the HR department, and has led to additional training to meet the development needs. This process has identified potential successors to the Group's Regional Chairs and underlines the Group's intention to invest in employees. Further details on succession can be found on pages 36 and 95 to 97.

Diversity

The benefits of diversity and inclusion are well documented, and the Board is committed to increasing the diversity of the Group's workforce and of the Board itself. The gender diversity split of the Board at 31 December 2021 was 33.3% female and 66.6% male. Females make up 28% of our senior executive management team and direct reports, with 20 females and 51 males. The Board is mindful of the recommendations of the Parker Review and its target that each FTSE 100 board should have at least one director of colour by 2021. The Board is pleased to have achieved this target and first step towards a more ethnically diverse board.

Increasing the diversity of our workforce is a key objective and in pursuit of this we have set new diversity targets to improve the Group's gender diversity with the aim of having females composing 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025. The Board also notes the targets recently set by the FTSE Women Leaders Review to further increase gender diversity of boards and senior management teams by 2025. Our Director of Talent & Diversity joined the Group in May 2021, and has added strategic resource to the Group's diversity and succession planning activities. Two key strategic initiatives to deliver change are the formation of a new Diversity and Inclusion Council, to provide the required profile and leadership, and the commissioning of a wide-ranging and holistic external inclusion review, which also looked at inclusion from the perspective of current employees, prospective future employees and also customers and suppliers. For further information on how the diversity policy is implemented see pages 33, 34 and 94.

Diversity and Inclusion Council

In August 2021 a new Diversity and Inclusion Council was set up, chaired by the Director of Talent & Diversity, to build on the work of the previous Gender Diversity Panel – which it has superseded – with a broader remit which encompasses all aspects of diversity. The membership of the Council includes a range of senior leaders from across the business, who are responsible for developing our strategy, overseeing its implementation through tangible and practical action plans, driving accountability and monitoring progress. The Council will meet a minimum of quarterly, and more frequently in its first year while specific actions are being agreed. Updates on the Council's work are provided to the Nomination Committees report see on page 95.

Inclusion Review

In order to establish a clear and objective baseline position for our diversity and inclusion strategy we have commissioned a comprehensive external inclusion review, undertaken by a specialist provider. The review process involves analysing a range of information, including data, policies and processes, interviewing a cross-section of individuals from across the business, from the Chief Executive and senior team to site-based employees, and conducting site visits. The findings and recommendations from the review will enable us to develop a 12-month, three year and five year diversity and inclusion strategy and pinpoint areas for immediate improvement and impact. This process will also enable us to benchmark ourselves against organisations of a similar size, scale and sector; identifying where we are on our inclusion journey and providing a starting point for future measurement of progress.

Board skills, experience and knowledge

Pooled expertise from different industry sectors, as well as robust scrutiny forms the basis of each strategic decision made by the Board. The Nomination Committee continues to review the Board composition, skills and diversity to enable exceptional corporate governance and secure diverse talent. The Nomination Committee will make further appointments where it considers them necessary, having particular regard to diversity. Further details on the skills, experience and knowledge of the Board can be found on pages 78 to 79 and 95 to 97.

Annual evaluation

The Board's policy is to undertake an annual evaluation of its performance and that of its Committees and Directors, with an externally facilitated evaluation at least every three years. During 2021 the Board undertook a formal, rigorous externally facilitated evaluation, led by Grant Thornton UK LLP's governance advisory practice, which is a highly experienced and independent provider of board evaluations. Grant Thornton UK LLP have not previously conducted a Board evaluation on behalf of, and have no other connection to the Group or its Directors.

The 2021 evaluation comprised completion of a survey by all Board and Committee members and the Group's most senior operational directors, interviews with all of the Board members and the Company Secretary, observation of the December 2021 Board and Committee meetings and a review of Board and Committee meeting papers. A presentation on the evaluation report was made to the Board at their February 2022 Board meeting, the recommendations are being considered by the Board. An action plan will be produced and agreed, which will include a more formal approach to training and development. Further details on the 2021 evaluation can be found on page 97.

The evaluation of the Chairman's performance was covered by the externally facilitated Board evaluation. Following the evaluation, it is considered that the Chairman continues to perform well in his role. The evaluation will be supplemented by Nigel Mills, the Company's Senior Independent Director, holding private discussions with the Board's members, excluding the Chairman.

Re-election

Roger Devlin, Dean Finch, Nigel Mills, Simon Litherland, Joanna Place, Annemarie Durbin and Andrew Wyllie will stand for re-election by shareholders at the forthcoming AGM, to be held on 27 April 2022. Shirine Khoury-Haq has been appointed since the 2021 AGM, and will stand for election by shareholders. Jason Windsor is expected to join in the summer of 2022 as Chief Financial Officer and will stand for election by shareholders at the 2023 AGM.

Each appointment has been recommended by the Nomination Committee and approved by the Board. Furthermore, the Board supports the election and re-election of all of the Directors. It considers that the Board work well together, with the tone set by the Chair. The Board considers Dean Finch and Jason Windsor together have the skills and experience necessary to manage the business and deliver the Group's strategy and the Non-Executive Directors have the skills to support and challenge the Executive Directors. Each of the Non-Executives being elected or re-elected has individually shown a high level of independence and commitment to their roles and is considered by the Board to be independent.

Shirine Khoury-Haq was appointed to the Board on 1 July 2021 and as an Independent Non-Executive Director. Shirine has a wealth of experience in finance, technology and real estate in businesses operating across a range of sectors. Shirine's appointment adds to the balance of skills and experience on the Board, which will be of great benefit as the Group continues to build a sustainable business in every sense. Shirine is the Chief Financial Officer of The Co-operative Group, where she is responsible for finance, technology, transformation and corporate development. Shirine also serves as the Chief Executive Officer of The Co-operative Group's Life Services sector which includes the Insurance, Legal Services and Funeral businesses.

The Directors' biographies, acknowledging their experience, skills and contributions can be found on pages 78 and 79 or on the corporate website at www.persimmonhomes.com/corporate/about-us/board-of-directors/.

Use of external search consultants

As mentioned elsewhere, the Board or its Committees have during the year engaged two executive search firms, being Korn Ferry and Heidrick and Struggles, to provide assistance in relation to specific candidate searches and/or to assist with succession planning. These firms do not have any supplementary connections to the Company or any Director.

NOMINATION COMMITTEE CHAIR'S STATEMENT

"Increasing the diversity of the Board and the Group's workforce and management teams is an important area of focus for the Committee."

ROGER DEVLIN
Chairman of the Nomination Committee

Nomination Committee meeting attendance 2021

	Meetings attended	Percentage of meetings attended
Roger Devlin (Chair)	3/3	100%
Nigel Mills	3/3	100%
Simon Litherland	3/3	100%
Joanna Place	3/3	100%
Annemarie Durbin	3/3	100%
Andrew Wyllie	3/3	100%
Shirine Khoury-Haq[1]	1/1	100%
Rachel Kentleton[2]	2/2	100%

1. Joined the Committee on 1 July 2021.
2. Retired from the Committee on 31 August 2021.

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2021.

Appointments

Making recommendations for Board appointments is a key responsibility for the Committee and, during the year, the Committee discharged this responsibility by leading the process to select the Group's new Chief Financial Officer and by recommending the appointment of a new Independent Non-Executive Director.

On 26 July 2021 the Group announced that Mike Killoran, Group Finance Director, would retire from the Board after 25 years' service with the Group. Mike retired on 14 January 2022, having played a pivotal role in the development of the Group, helping establish the business as one of the leading housebuilders in the UK and delivering outstanding returns for shareholders. The Committee and Board thank Mike for his significant contribution to the success of the Group over this extended period and wish him well in his retirement.

After a thorough and rigorous selection process, on 13 January 2022 the Committee was pleased to recommend to the Board that Jason Windsor be appointed as the Group's new Chief Financial Officer. Jason, who is currently the Group Chief Financial Officer of Aviva PLC, is a well-respected and proven FTSE 100 CFO and we are delighted to have recruited someone of his calibre and experience to complement the Group's strong management team.

In his current role, Jason has demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer-facing business. These skills will be highly relevant and transferable to the Group as we continue our drive to become the leading builder of good value, quality family homes in the UK. We look forward to Jason joining the Group in the summer of 2022.

During the year, the Committee also recommended the appointment of Shirine Khoury-Haq as an Independent Non-Executive Director. Shirine, who has been Chief Financial Officer for The Co-operative Group since August 2019, brings a wealth of experience to the Board in the fields of finance, technology and real estate. Shortly after joining the Board on 1 July 2021, Shirine was also appointed Chair of the Audit Committee to succeed Rachel Kentleton, who retired from the Board on 31 August 2021. Rachel was a capable Audit Committee Chair; the Committee and Board thank Rachel for her valuable service.

"We are delighted to have recruited someone of Jason Windsor's calibre and experience to complement the Group's strong management team."

ROGER DEVLIN
Chairman of the Nomination Committee

Diversity and inclusion

Increasing the diversity of the Board and the Group's workforce and management teams is an important area of focus for the Committee. As at 31 December 2021 the Board was 33.3% female and had one director of colour, and was therefore compliant with both the Hampton Alexander and Parker reviews. However there is more to do and, during the year the Committee recommended that the Board adopt gender diversity targets covering the Group's workforce, senior management team and managerial positions. This recommendation was accepted and stretching targets were announced in March 2021 (see pages 94 and 95 for further details).

During the year the Committee also exercised oversight of the Group's diversity and inclusion activities. A number of significant steps were taken in 2021, which are set out on pages 94 and 95 and include the appointment of the Group's first Director of Talent & Diversity. The Committee will continue its work in this area to ensure the Group develops and maintains a diverse pipeline of talent for succession to senior management and executive positions.

Succession planning

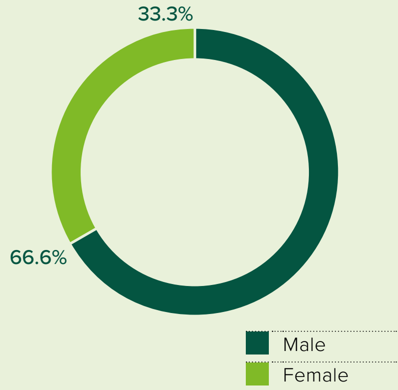
Succession planning for the Board and senior management positions was also high on the Committee's agenda. The Committee reviewed the Board's skills matrix and agreed to update this. The Committee has also had oversight of the Group's Talent Review, which is currently ongoing. It is anticipated that the review will significantly enhance the robustness of the Group's succession plans for senior management positions.

The Group has a strong record of nurturing talent and promoting internal candidates and this was again demonstrated in February 2022 with a number of senior promotions being made at Executive Committee level, most notably the promotion of a Regional Chair to the newly created role of UK Managing Director (see pages 96 and 97 for further details).

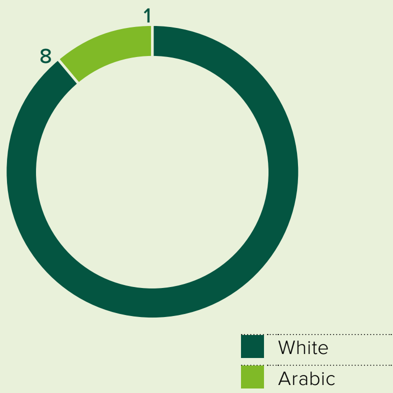
Further details regarding the activities of the Committee during the year are set out on pages 92 to 97.

Roger Devlin
Chair of the Nomination Committee
1 March 2022

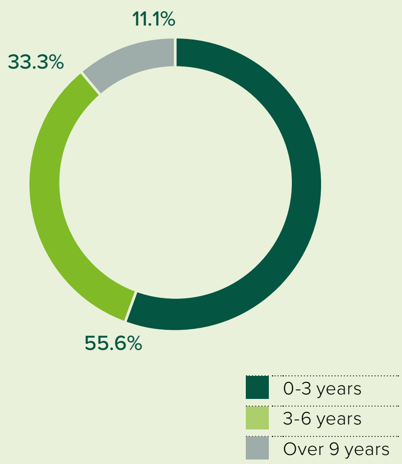
Board gender diversity at 31 December 2021



Board ethnic diversity at 31 December 2021



Board tenure at 31 December 2021



NOMINATION COMMITTEE REPORT

Nomination Committee key duties

The key duties of the Nomination Committee are to:

- Lead the process for appointments to the Board;
- Ensure that plans are in place for orderly succession to both the Board and senior management; and
- Oversee the development of a diverse pipeline for succession.

Board appointments

During the year, the Committee recommended to the Board that Shirine Khoury-Haq be appointed as an Independent Non-Executive Director. Additionally, in January 2022 the Committee recommended the appointment of Jason Windsor as Chief Financial Officer.

Jason Windsor – Chief Financial Officer

As part of its succession planning activities, the Committee reviewed the tenure of the Board's directors during the year. The Committee noted the long tenure of Mike Killoran, Group Finance Director, who had been appointed to the Board in 1999.

Building on work done in previous years, which included the externally facilitated assessment of potential internal candidates for succession, the Committee reviewed and considered the succession plan for the Group Finance Director, across short, medium and long-term time horizons.

On 26 July 2021 Mike Killoran informed the Board that, after 25 years with the Group, he intended to retire in early 2022. Following the announcement, the Committee led the process to find Mike's successor. The Committee developed a detailed and objective candidate specification, covering the experience, skills and qualities required to undertake the role, which included:

- Strong previous financial and investor relations experience;
- A track record of delivering value for all stakeholders;
- Experience of leadership within a large consumer facing business; and
- Commitment to supporting the Group Chief Executive and management team to deliver the Group's programme of improvement and change.

Very capable internal candidates were considered by the Committee for succession; they will continue to be developed and remain part of the succession plan for the Chief Financial Officer role.

Summary of the Committee's work during the year

Further information is set out in this Nomination Committee report.

Matters considered	Outcome
Appointment of a new Chief Financial Officer Appointing a candidate with experience and a strong track record of achieving positive results.	In January 2022, recommended to the Board that Jason Windsor be appointed. This recommendation was accepted and it is anticipated that Jason will join the Group in the summer of 2022.
Appointment of a new Non-Executive Director Non-Executive Director with specific knowledge of key areas including finance and technology.	Recommended to the Board that Shirine Khoury-Haq be appointed. Shirine subsequently joined the Group on 1 July 2021.
Equality, diversity and inclusion Considered the diversity of the Board and the Group's senior management team and workforce. Received and considered reports from the Group HR Director and Director of Talent & Diversity on the Group's diversity and inclusion activities.	Recommended to the Board that stretching gender diversity targets be set. This recommendation was accepted and targets were announced in March 2021.
Review of Board skills Considered the balance of skills and experience on the Board and its Committees. Reviewed the Board skills matrix.	Agreed that the composition of the Board and its Committees remained appropriate. Agreed to update the Board skills matrix.
Succession planning Considered succession for the Board and its Committees. Received and considered reports from the Group HR Director and Director of Talent & Diversity regarding senior management succession.	Agreed to keep Board and senior management succession under review, mindful of the need to develop and maintain a diverse pipeline of talent.

To assist the Committee with identifying suitable external candidates, the Committee agreed to appoint Heidrick & Struggles, an executive search firm. Heidrick & Struggles has no other connection to the Company or its directors, other than the provision of recruitment services. Heidrick & Struggles is a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms, which aims to increase board diversity, and was considered an appropriate choice for the assignment due to the firm's experience and expertise.

Process

Heidrick & Struggles was briefed on the Committee's candidate specification, following which a wide and thorough search for best in class candidates was undertaken across a range of sectors, focusing on large companies in the UK and Europe.

A long list of 23 candidates was interviewed by Heidrick & Struggles (of whom six were female). A shortlist of 13 (of whom two were female) was interviewed by the Chairman on behalf of the Committee. The leading candidates then held meetings with all Committee members.

Following the interview process, the Committee made a recommendation to the Board and on 13 January 2022 the Board announced that Jason Windsor would be appointed as the Group's new Chief Financial Officer, with an anticipated start date in summer 2022.

Jason is an experienced finance executive who has established a strong track record in a variety of senior financial roles over the last 26 years. He has been Group Chief Financial Officer of Aviva PLC since 2019, having previously been Chief Financial Officer of both its UK Insurance and UK Life businesses, after originally joining the business in 2010. Prior to that Jason spent 15 years at Morgan Stanley, latterly as a Managing Director within its Investment Banking Division.

Jason is a well-respected and proven FTSE 100 CFO and we are delighted to have recruited someone of his calibre and experience as Chief Financial Officer to complement the Group's strong management team. As CFO of Aviva PLC Jason has demonstrated an ability to deliver sustained financial and strategic progress while working in a large consumer-facing business.

These skills will be highly relevant and transferable to the Group as we continue our drive to become the leading builder of good value, quality family homes in the UK.

On appointment, Jason will receive a comprehensive induction, covering the Group's strategy, operations and stakeholders. This will include meetings with Board members, the Company Secretary, members of the Executive Committee and senior managers covering areas such as the Group's housebuilding operations, off-site manufacturing, strategy & regulation, finance, tax, internal audit & risk, IT, FibreNest, land & planning, customer experience, health & safety and HR. Visits to the Group's operating businesses and construction sites will also be undertaken. Jason will also meet with a number of the Group's largest shareholders and other key stakeholders.

Shirine Khoury-Haq – Independent Non-Executive Director

As part of its succession planning activities, during the year the Committee also focused on the appointment of a Non-Executive Director to succeed Rachel Kentleton as Audit Committee Chair.

The Committee considered the balance of skills and experience on the Board, as well as the qualities and experience required to fulfil the Audit Committee Chair's role, being financial and risk management expertise. The Committee also considered the diversity of the Board and the benefits that diversity can being to board effectiveness and corporate culture. The Committee agreed to appoint two executive search firms, Korn Ferry and Nurole, to assist the Committee's search. Korn Ferry and Nurole have no other connection to the Company or its directors, other than the provision of recruitment services. Korn Ferry is a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms and Nurole uses its expertise and reach to identify diverse candidates.

A long list of candidates was produced and considered by the Committee. Shortlisted candidates were interviewed by the Chairman and leading candidates held meetings with all Committee members. Following the interview process, the Committee made a recommendation to the Board and on 25 June 2021 the Board announced that Shirine Khoury-Haq would be appointed to the Board as an Independent Non-Executive Director with effect from 1 July 2021, joining the Audit, Risk and Nomination Committees on the same date.

Shirine has been Chief Financial Officer for The Co-operative Group since August 2019, where she is responsible for finance, technology, transformation and corporate development. She also serves as the CEO of The Co-operative Group's Life Services sector which includes the Insurance, Legal Services and Funeral businesses. Prior to joining The Co-operative Group, Shirine was Chief Operating Officer of Lloyd's of London, the insurance market, and had previously held senior positions at Catlin, IBM and McDonald's. Shirine is a qualified accountant and was also previously a Non-Executive Director of the Post Office.

Shirine has a wealth of experience in finance, technology and real estate in businesses operating across a range of sectors. Her appointment adds to the balance of skills and experience on the Board and will be of great benefit as the Group continues to build a sustainable business in every sense.

Following her appointment, Shirine received a comprehensive induction, covering the Group's strategy and operations. This included meetings with Board members, the Company Secretary and members of the Executive Committee and senior managers covering major Group functions. Shirine also visited one of the Group's construction sites.

Shortly after Shirine's appointment, Rachel Kentleton indicated that she wished to retire from the Board to enable her to focus on her imminent appointment as Chief Financial Officer of St. Modwen Properties PLC. Accordingly, Rachel retired from the Board on 31 August 2021 and Shirine was appointed Chair of the Audit Committee on the same date.

Equality, diversity and inclusion

The Board supports diversity and inclusion for the Board itself, the senior management team and throughout the Group's workforce. It believes that a wide range of experience, age, background, skills, knowledge, and personal strengths combine to contribute towards an effective Board and a high-performing organisation.

Linkage to strategy

Investing in our colleagues is a key area of focus within our strategy (see pages 32 to 37). By developing a diverse and inclusive workforce, we will enhance our corporate culture and grow our talent and skill base. The Group recognises the importance that existing and prospective employees place on diversity and inclusion in the workplace. To attract and retain the best talent the Group continues to invest in its workforce, its HR and training capabilities and is committed to improving its diversity and inclusion; a commitment which has been demonstrated by actions taken during the year, including the Group's Inclusion Review (see pages 33, 89 and 95).

Policy

The Group has an Equality, Diversity and Inclusion Policy, which applies to the Group's employees and the Board. The purpose of the policy is to provide equality, fairness and respect for all in our employment, whether temporary, part-time or full-time; to not unlawfully discriminate because of a protected characteristic (race, religion or belief, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, marital or civil partnership status) and to oppose and avoid all forms of unlawful discrimination. The policy covers areas including recruitment and selection, training and promotion, and disabilities. The policy is available from the Group's corporate website www.persimmonhomes.com/corporate/sustainability/policies-and-statements/.

Targets

In early 2021 the Committee received an update from the Group HR Director regarding the diversity of the Group and, to improve the diversity of the Group's workforce and management teams, the Committee agreed to recommend to the Board that stretching gender diversity targets be set. The Board accepted this recommendation and, in March 2021, the Board announced the following gender diversity targets:

By the end of 2025 we aim for females to compose:

- 40% of our employees;
- 35% of our senior management team; and
- 45% of employees in management roles.

These are challenging targets and, in the nine months since their announcement, progress was made in relation to the proportion of females who make up the Group's senior management team.

	Females	
	As at 31/12/2021	**As at 31/12/2020**
Employees	**27%**	28%
Senior management team*	**28%**	26%
Employees in management roles	**c.31%**	Not previously reported

* Executive Committee and Direct Reports

The Group will continue to work towards these targets and further details of the significant diversity and inclusion activities undertaken by the Group during the year can be found on pages 33 and 95.

Gender Pay Gap

The Group's Gender Pay Gap Reports are available on our corporate website at www.persimmonhomes.com/corporate. The 2021 Report will be published in April 2022, with the 2020 report having been published in April 2021. The median Gender Pay Gap for the Group was 18.1% in 2021 (2020: 12.7%), compared to the Office of National Statistics figure for 2021 of 15.4% (2020: 14.9%). As at 31 December 2021, the gender balance of the Group was 27.4% female and 72.6% male. The gender diversity of the Board as at 31 December 2021 was 33.3% female. The Group's Gender Pay Gap is driven by the shape of our workforce with a high proportion of men in skilled construction roles, such as site management, where the market is competitive and currently has limited female participation. Despite this, we realise it is essential that women are given opportunities to reach their full earning potential and during the year the Group took a number of important actions in relation to diversity and inclusion, details of which are set out on pages 33 and 95.

Further information regarding the Group's approach to diversity and inclusion can be found on pages 33 and 88 to 89.

Gender balance

The Hampton Alexander Review, which set a target of 33% representation of women on Boards and 33% women in the combined Executive Committee and Direct Reports by the end of 2020 has been at the forefront of the minds of Committee members in recent years. The Committee notes the review's successor, the FTSE Women Leaders Review, and its targets, which were published on 22 February 2022, which will be considered during 2022. As at 31 December 2021 the Board comprised six males (66.6%) and three females (33.3%). As at the same date the Group's Executive Committee and Direct Reports comprised 51 males (72%) and 20 females (28%) (2020: 55 males (74%), 19 females (26%)).

During 2021 the Group participated in the Hampton Alexander Review/FTSE Women Leaders Review Survey.

Ethnic diversity

The Committee was mindful of the Parker Review, and its target that each FTSE 100 board should have at least one director of colour by 2021, whilst conducting its candidate searches during the year. The Committee is therefore pleased to report that with the appointment of Shirine Khoury-Haq, whose ethnicity is Arabic, on 1 July 2021, the Board reached the Parker Review's target. Going forward, the Committee will remain mindful of the benefits that diversity can bring to Board decision making and performance when undertaking future candidate searches.

The Group is also mindful of the need to increase the ethnic diversity of its workforce. It is anticipated that the findings of the Group's Inclusion Review (see page 95) will help the Group to develop action plans and implement changes which will make the organisation more attractive to prospective employees who are from an ethnic minority group.

During 2021 we participated in the Parker Review Survey.

Diversity & Inclusion (D&I) activities during the year

The Board has set the strategic direction of the Group to increase its diversity and the Committee receives and considers a diversity update from the Group HR Director at each of its meetings. The Committee is pleased to report that during the year the Group took a number of significant actions that were designed, in whole or in part, to improve diversity and inclusion within the Group. These actions, which are set out in the table opposite, also add to the Group's efforts to develop and maintain a diverse pipeline of talent for succession to senior management and executive positions.

D&I activity	Detail
Gender diversity targets	As explained in this Nomination Committee report, the Board set stretching diversity targets for the Group which provide strategic focus to the Group's efforts to increase the number of female employees and female leaders.
Director of Talent & Diversity	The Group's first Director of Talent & Diversity commenced with the Group in May 2021. The appointment is a clear signal of the Board's strategic intent and commitment towards improving the Group's diversity and inclusion. The appointment adds strategic resource to the Group's drive for diversity and has been welcomed by the Group's employees and management teams.
Diversity & Inclusion Council	A new Diversity & Inclusion Council ("the Council") has been established to replace and build upon the work done by the Group's Gender Diversity Panel, with a broader remit encompassing all aspects of diversity. The Council is chaired by the Director of Talent & Diversity and its membership includes one of the Group's Regional Chairs and a range of senior leaders, who are collectively responsible for developing our D&I strategy, overseeing its implementation, driving accountability and monitoring progress throughout the Group. The Council meets at least quarterly and its initial priority has been to establish the Group's current diversity position and develop the Group's diversity strategy across short, medium and long term time horizons. To support the Council an external diversity & inclusion specialist has been commissioned to conduct an in-depth review examining diversity and inclusion within the Group from the perspective of current employees, prospective future employees, customers and suppliers. To feed directly into the work of the Council, and to represent the views of a diverse cross-section of employees, a new Diversity and Inclusion Employee Panel will be established in 2022. The new Panel will act as a sounding board and a key source of feedback and input for the work of the Council.
Inclusion Review	The Group embarked upon an Inclusion Review during the year. As part of the review process, an external diversity & inclusion specialist analysed the Group's relevant data, policies and processes and interviewed a broad cross-section of individuals from across the business, including the Group Chief Executive, senior management team members and office & site-based employees. They also conducted office and site visits, including to our Brickworks and Space4 factory. The findings and recommendations from the review will help the Group develop a clear strategy and practical action plans which will focus on areas for immediate improvement and impact. The Board received a presentation on the results of the Inclusion Review. The review's findings will subsequently be considered by the Group's Executive Committee and the Diversity & Inclusion Council.
Hybrid Working Policy	The Covid-19 pandemic has challenged ways of working and has presented the Group with the opportunity to work differently. Employee Engagement has also indicated that employees wish to work more flexibly than in the past. Listening to employees, during the year the Group HR department introduced a new Hybrid Working Policy, which allows employees with suitable job roles to work from home up to three days per week. It is anticipated that this policy, along with the Group's existing Flexible Working Policy, will support our colleagues, especially those with caring responsibilities, to achieve their career aspirations.
Head of Reward	The Committee notes the potential impact that pay and flexible benefits packages can have in relation to diversity. The Committee is therefore pleased to report that the Group appointed its first Head of Reward during the year. The appointee will support the work of the Remuneration Committee and review pay and benefits arrangements across the Group, with a view to supporting the Group's diversity and inclusion strategy.
Graduate Management Training Programme	The programme was established during the year with the objective of securing a broad talent base from which we anticipate that members of our senior management teams of the future will be selected. Working with an experienced recruitment partner, we are able to ensure that the programme actively encourages applications from underrepresented groups. In 2021 the Group recruited eight graduates (five male and three female) to participate in the programme and we are currently recruiting our 2022 cohort.
Training Programmes	The Group's training programmes were reviewed during the year to ensure that they facilitated the embedding of diversity and inclusion throughout the Group.

Succession planning

The Group acknowledges the importance of succession planning in achieving the Group's strategic objectives and in developing a diverse pipeline of talent. Succession planning for the Board and senior management across the Group is therefore kept under review by the Committee. As set out in our Equality, Diversity and Inclusion Policy, the Group's succession plans are based on merit and objective criteria, and within this context promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Board composition

The Board currently includes six Independent Non-Executive Directors, who together bring a balance of skills, experience and perspectives to the Board, in addition to a diversity of views. The full biographies of the Non-Executive Directors can be found on pages 78 and 79.

Nigel Mills was appointed to the Board in 2016 and holds the role of Senior Independent Director. His 30-year career has equipped him with broad experience of financial markets, strategy, risk, shareholder attitudes and corporate governance, which enable him to provide sound advice to the Board.

Simon Litherland was appointed to the Board in 2017 and has extensive experience in a consumer facing sector, with expertise in brand building, marketing and strategy. He brings a strong practical understanding of organisational purpose, culture and employee engagement.

Joanna Place was appointed to the Board in April 2020 and has a breadth of leadership experience, gained during the course of her 35-year executive career at the Bank of England. Her knowledge and insights in the fields of economics, public policy and human resources are a valuable addition to the business as we continue to implement our programme of progressive change.

Annemarie Durbin was appointed to the Board in July 2020 and is the Chair of the Remuneration Committee. Annemarie is a highly experienced international business executive, with a strong background in corporate governance, human resources and executive remuneration.

Andrew Wyllie was appointed to the Board in January 2021. Andrew brings relevant sector experience to the Board and has a long and successful track record within the construction industry, having previously been Chief Executive of Costain Group PLC. His industry knowledge, expertise and perspective is a valuable addition to the Board.

Directors' report

Nomination committee report continued

Shirine Khoury-Haq was appointed to the Board in July 2021 and is the Chair of the Audit Committee. Shirine, who is the Chief Financial Officer of The Co-operative Group, brings a wealth of corporate and leadership experience to the Board, particularly in relation to finance, technology and real estate, having previously worked in businesses operating across a range of sectors.

During the year Rachel Kentleton, Non-Executive Director and Chair of the Audit Committee retired from the Board, leaving on 31 August 2021. Rachel brought significant knowledge and experience to the Committee and the Board; she is thanked for her service.

Also during the year, the Group announced that Mike Killoran, Group Finance Director, would retire from the Board after 25 years' service with the Group. Mike left the Group on 14 January 2022, having played a pivotal role in the development of the Group, helping establish the business as one of the leading housebuilders in the UK and delivering outstanding returns for shareholders. The Committee and Board thank Mike for his significant contribution to the success of the Group over this extended period and wish him well in his retirement.

Board succession

During the year the Committee reviewed the tenure of all Board Directors. The Committee also reviewed, and agreed to update, the Board's skills matrix.

To update the skills matrix all Board members were asked to complete a self-assessed questionnaire regarding their skills and knowledge, set against a framework comprising 16 core skills which were grouped into three broad categories: leadership and governance, sector experience and expertise, and broader experience and expertise. The results of the self-assessment were presented to, and reviewed by, the Committee. The exercise identified the many strengths and diverse experience of the Board and also the areas where Board members considered enhancements could be made (see table below).

The Committee is broadly satisfied that the combination of skills, experience and knowledge on the Board and its Committees is appropriate, being broad, deep and relevant to the Group, its strategy, operations and marketplace. The Committee notes that the Board's housebuilding experience could be increased and the matrix will be considered by the Committee as part of its future succession planning and appointment activities. Additionally, to enhance Board debate and discussion, it has been agreed that from April 2022, one of the Group's most senior housebuilding executives will attend full Board meetings on a rotational basis. These are the UK Managing Director, the Deputy UK Managing Director, the Chief Commercial Officer and a Regional Chair. This is in addition to the Executive Committee members who present at the Board's annual Strategy Day. It is anticipated that the additional attendee per meeting will provide a valuable perspective to the Board based on their many years of housebuilding and operational experience. Attendance at Board meetings will also contribute towards the professional development of these senior executives and enhance the robustness of the Group's succession plans.

Senior management succession

During the year the Committee received reports from the Group HR Director and had oversight of the Group's senior management succession planning activities, which included the external assessment of the Managing Directors who lead each of the Group's operating businesses. The exercise identified the strengths and training needs of each individual. Following the exercise each participant received a formal training plan that included a range of learning and development activities that were tailored to their needs, with a strong focus on leadership, delivered by the Group Training department and an external training provider.

Additionally, the Group commenced a Talent Review during the year, being a thorough assessment of the talent base across the whole of the Group's operations. The review will cover middle-management positions upwards and will lead to robust and detailed succession plans, identifying immediate to long-term successors. To support these plans, the Group will undertake development activities to ensure that the identified successors and high-potential colleagues are developed within the business and have the knowledge and skills to support their progression and career within the Group. Such development activity may include mentoring, secondments, projects and gaining exposure to the Group's senior leaders. It is anticipated that the review will significantly enhance the effectiveness of the Group's succession plans. This, in combination with the Group's significant focus on diversity & inclusion, will help the Group develop and maintain a diverse pipeline of talent for succession to senior management positions.

Despite the improvements which can and will be made to the Group's succession planning processes following the Talent Review, the Group has a strong record of nurturing talent and promoting internal candidates. This has again been demonstrated in a number of senior management promotions which occurred in February 2022, again reflecting the strength and depth of talent and experience within the Group.

Board skills, knowledge and experience

Strengths	Areas for enhancement
CEO experience	Housebuilding sector experience
Sustainability and Health & Safety	Construction experience
UK Plc experience	
Knowledge and experience of risk and strategy	
Corporate governance	
Finance and capital markets	
Customer facing industries	
People, transformation and remuneration	
Regulation and governance	
Marketing and business development	
Digital/technology	

The promotions included a number of Managing Directors becoming Regional Managing Directors, the appointment of a new Regional Chair and three Regional Chairs being promoted into newly established roles:

- The Regional Chair (Central Division) was promoted to UK Managing Director, reporting directly to Dean Finch, Group Chief Executive. The UK Managing Director will lead all operational aspects of our business, reflecting his significant experience and strong industry-wide reputation. The UK Managing Director is at the forefront of our ambition to grow by building more homes at consistently outstanding levels of quality and service. As Chair of Space4 he will also drive forward our approach to Modern Methods of Construction.
- The Regional Chair (South Division) was promoted to Chief Commercial Officer, reporting directly to Dean Finch, Group Chief Executive. The Chief Commercial Officer will lead on all commercial aspects, including new business development and enhancing our relationships with key external partners. Group Commercial, Group Technical, Group Land, Group Planning, Group Legal, Partnerships and Affordable Homes and FibreNest will report to the Chief Commercial Officer. His significant experience and breadth of skill helps bring together these crucial functions to ensure we maintain our key leadership strengths whilst driving further innovation and value creation opportunities.
- The Regional Chair (North Division) was promoted to Deputy UK Managing Director, with responsibility for the North Division, Brickworks, Tileworks and, from 1 April 2022, the Scotland Division. This promotion reflects the breadth of the Deputy UK Managing Director's responsibilities, the depth of his experience and the significance of the contribution he has already made to the Group.

In addition to the above, the Group Construction Director will continue to lead on the Group's vital priority area of build quality. The Group Construction Director has made significant progress in embedding the Persimmon Way across the Group, driving our quality agenda. Working closely with the UK Managing Director, the Chief Commercial Officer and the wider senior team – as well as our operating businesses – the Group Construction Director will be at the forefront of the Group's determination to achieve both our growth and consistency of quality and service objectives.

Board evaluation

During the year the Board undertook a formal and rigorous annual evaluation of its performance and that of its Committees. The evaluation was externally facilitated by Grant Thornton UK LLP, which has no other connection to the Company or its directors. The external evaluation process was agreed with the Chairman.

The evaluation involved the completion by Board members of a detailed questionnaire and written feedback on particular areas they consider the Board and its Committees perform well and where improvements can be made. Following this, the external facilitator held meetings with the Chairman and individual structured interviews with all Board Directors and the Company Secretary. Board papers were reviewed, as were minutes of meetings. The external facilitator observed the Board and Committee meetings held in December 2021 and delivered a presentation on the evaluation report to the Board.

In terms of feedback from the 2021 evaluation, the Board was considered by Grant Thornton to be between progressive and strategic in its approach, being competent, high performing and forward looking. Additionally, they considered the Board is well run and evolving in its maturity. Board members indicated that they would benefit from spending more time together in-person following the limited number of face to face meetings during the pandemic. The evaluation noted the importance of providing the incoming Chief Financial Officer with a thorough induction and that the Board may benefit from increased housebuilding experience. It was also noted that Board composition and succession planning processes (and executive talent processes) could be optimised, and that action was already being taken regarding this. The Board will further consider the recommendations of the evaluation during 2022.

The evaluation of the Chairman's performance was covered by the externally facilitated Board evaluation. Following the evaluation, it is considered that the Chairman continues to perform well in his role. The evaluation will be supplemented by Nigel Mills, the Company's Senior Independent Director, holding private discussions with the Board's members, excluding the Chairman.

Additional to the Board and Committee evaluations, the Chairman undertook a verbal performance evaluation of the Executive Directors' performance and an evaluation of the Non-Executive Directors. The Chairman also met with the Non-Executive Directors without the Executive Directors being present twice during the year.

The Chairman is satisfied that all Directors continue to perform well in their roles and contribute effectively.

Actions taken during the year in response to the 2020 Board Evaluation

Following feedback received from the 2020 Board Evaluation, the following actions were taken during the year:

Feedback from 2020 evaluation	Action taken during the year
Improve forward Board agenda planning	Forward agenda planning is now a standing item on all Board and Committee meeting agendas.
Hold additional Non-Executive Director only meetings	An additional meeting has been added to the annual schedule. During the meetings the performance of the Executive Directors was discussed, as was business performance, strategy and the wider economic environment.
Improve reporting on stakeholder engagement	The Board now receives more stakeholder specific presentations and reports from Executive Committee members at its meetings.
Conduct further work on purpose, values and culture	This was a significant area of focus for the Group's leadership team and the Board during the year. Proposals were discussed in detail during the Board's Annual Strategy Day. Following this, in January 2022 the Group launched its new Mission, Vision and Values (see pages 4 and 5), which are a statement of the Group's priorities as a business and how the Group seeks to achieve them.

AUDIT COMMITTEE CHAIR'S STATEMENT

"I am pleased to present the Group's Audit Committee Report for the year ended 31 December 2021. This report sets out the priorities and activities of the Committee for the year, and details how the Committee has worked with the Group's finance team, the operational management teams and Ernst & Young LLP (EY), as the Group's external auditor, in order to discharge its responsibilities around audit, risk and internal control as outlined within its terms of reference."

SHIRINE KHOURY-HAQ
Chair of the Audit Committee

Audit Committee meeting attendance 2021

	Meetings attended	Percentage of meetings attended
Shirine Khoury-Haq[1] (Chair)	2/2	100%
Simon Litherland	4/4	100%
Joanna Place	4/4	100%
Andrew Wyllie	4/4	100%
Rachel Kentleton[2]	3/3	100%

1. Shirine Khoury-Haq was appointed to the Committee on 1 July 2021.
2. Rachel Kentleton retired from the Committee on 31 August 2021.

In performing its duties, the Committee has complied with the requirements of the UK Corporate Governance Code and adhered to relevant best practice guidance as published by the FRC.

The composition of the Committee has been subject to change within the year. Rachel Kentleton stepped down from the Board and her role as Chairman of the Audit Committee on 31 August 2021; I would like to thank Rachel for her service during her time with Persimmon. I would also like to welcome Andrew Wyllie, who joined the Committee on 4 January 2021, and whose extensive construction industry experience will complement the skills of the existing Committee members.

The specific priorities and key duties of the Audit Committee have remained unchanged within the year. The Committee has maintained its particular focus on oversight of the integrity and quality of financial reporting, ensuring a high quality external audit, reviewing the work and independence of the Group Internal Audit department, and ensuring the effectiveness of the Group's risk management processes and internal control environment. The ongoing impacts of the Covid-19 pandemic have continued to be a significant consideration in each of these areas, with the Committee paying particular attention to accounting estimates and judgements affected by the heightened economic uncertainty, and the internal control considerations arising from increased home and hybrid working arrangements.

Areas of Focus 2021

Business environment and uncertainty

The UK economy continues to be subject to a range of uncertainties arising from a combination of the Covid-19 pandemic, the UK's exit from the European Union, and resulting supply chain and inflationary pressures. The legislative and regulatory environment, including measures to combat climate change, has also continued to evolve at pace. The Committee has continued to monitor the ongoing impact of these changes and uncertainties through the year. In particular, this has focused on key areas of accounting judgement and estimates that could be influenced by the heightened economic uncertainty, such as asset carrying values, Group liquidity, going concern assessments, and the Group's viability statement. In each case, these considerations have been subject to extensive management review and further detailed scrutiny through the work of the external auditors. The Committee has worked to continually challenge these assessments and ensure their appropriateness. The pandemic specifically has also affected how our teams work, with an increase in remote and hybrid working arrangements. The Committee has assessed the internal control considerations associated with these changes, obtaining additional reports on the Group's Covid-19 Safe Operating Procedures (SOPs) and cyber and information security controls, for example, in addition to working with the Group Internal Audit Manager to obtain positive assurance on the effective implementation of controls.

"In what has continued to be a challenging business environment, the Committee has retained a strong focus on ensuring robust controls, accuracy in financial reporting, and high quality internal and external audit provision. On behalf of the Committee I would like to thank the Internal Audit and Finance teams for their excellent work this year."

SHIRINE KHOURY-HAQ
Chair of the Audit Committee

Financial reporting

Among the principal ongoing duties of the Audit Committee is the monitoring of the effective governance and integrity of the Group's financial reporting throughout the financial year ended 31 December 2021. The Committee has reviewed both the Half Year Report and the Annual Report for the financial year ended 31 December 2021 and all related regulatory disclosures, including those describing its management of climate change risk in line the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). At the request of the Board, the Audit Committee has considered the 2021 Annual Report and is satisfied that taken as a whole it is fair, balanced and understandable, and provides the necessary information to assess the Group's position, performance, business model and strategy.

External audit oversight and quality focus

Maintaining the high quality of the Group's external audit processes remains a consistent area of focus for the Committee. This focus reflects increased stakeholder expectations on the audit profession, and the conclusions from the consultation on 'restoring trust in audit and corporate governance' carried out by the Government's Department for Business, Energy & Industrial Strategy (BEIS).

To ensure the continued high quality of our external audit, the Committee works closely with EY to understand and challenge their methodology, resource commitments and investments in technology, and ensures that an appropriate fee structure is in place to support their work. The Committee also oversees processes to obtain detailed input on auditor performance from internal stakeholders, reviewing feedback from these processes to inform discussions on further quality improvements with the audit partner. The Committee remains satisfied that EY continue to be independent and objective and that the audit is effective.

Internal audit

The Committee monitors and reviews the effectiveness of the Group's Internal Audit department. This includes the review and approval of the annual internal audit plan developed by the Group Internal Audit Manager, together with the findings of internal audit reports and monitors the status of follow-up actions. The Committee has overseen changes made by the Group Internal Audit Manager to implement the department's Development Plan, designed to ensure continuous improvement in internal audit provision and continued alignment with good practice and guidance issued by the Chartered Institute of Internal Auditors.

Risk management, internal control and the BEIS consultation

The principal and emerging risks facing the Group were assessed in line with the requirements of the UK Corporate Governance Code, through a comprehensive survey of the Board and senior management. The results of the survey have been reviewed by the Committee, with particular focus on the effectiveness of the Group's controls to manage and mitigate these risks.

The effectiveness of the Group's internal control environment is reviewed routinely through the work of the Group Internal Audit department, with a specific summary report presented to the Committee on an annual basis.

The BEIS consultation on 'restoring trust in audit and corporate governance' has been reviewed by the Committee, which is supportive of many of the consultation's recommendations. The Group's response to BEIS, prepared through engagement with The 100 Group, was reviewed by the Committee members. The Group's Internal Control over Financing Reporting (ICoFR) Steering Group is overseeing the preparations for implementing the various actions foreseen from the consultation, including enhanced formalisation of reporting on internal controls and the development of an Audit and Assurance Policy. The Committee receives regular updates from the Internal Control over ICoFR Steering Group and will keep this area under review through 2022.

Further detailed information on the work of the Committee during the year in these areas is set out below.

Shirine Khoury-Haq
Chair of the Audit Committee
1 March 2022

AUDIT COMMITTEE REPORT

Audit Committee key duties

The key duties of the Audit Committee as per its terms of reference are to provide oversight and review of the following areas:

- Financial reporting, announcements, significant financial judgements and the viability statement
- The work of the external auditor
- The work of the Group Internal Audit department
- Risk management and internal control systems

Audit committee composition and attendance

In line with the provisions of the UK Corporate Governance Code, the Audit Committee is comprised exclusively of Non-Executive Directors. Shirine Khoury-Haq joined the Committee on her appointment to the Board on 1 July 2021, and replaced Rachel Kentleton as Chair on 31 August 2021, following a comprehensive induction and handover process to ensure an effective transition. The Committee also includes Joanna Place and Simon Litherland, who were joined on the Committee by Andrew Wyllie on his appointment to the Board on 4 January 2021.

The Board is satisfied that Shirine Khoury-Haq has recent and relevant financial experience appropriate to Chair the Audit Committee, through her role as Chief Financial Officer for The Co-operative Group. The Audit Committee members have a broad range of skills and experience that enable them to fulfil their duties appropriately; these are detailed further within the Board biographies in the governance report on pages 78 and 79.

In addition to the Audit Committee members, the meetings of the Committee are attended by the Company Secretary, Group Finance Director and Group Internal Audit Manager, as well as representatives from the external auditors.

By invitation of the Chair of the Audit Committee, other senior managers of the Group have attended meetings in part within the year.

The Audit Committee meets four times per year, with all members in attendance for each of these meetings within 2021. In addition to the normal schedule of meetings, the Committee held discussions separately and privately with the external auditors, the senior management team and the Group Internal Audit Manager, to consider feedback from the external and internal audits.

Audit committee cycle

The activities of the Audit Committee follow a well-established annual cycle aligned with the Group's financial reporting calendar, ensuring appropriate and timely oversight for audit planning and the other key actions of the Committee. Planning for the current year's audit begins in the spring and evolves throughout the year, taking into account any changes in the business environment, the results of the previous year's audit, progress of the business and results of the review of the Half Year Report. The Committee also holds separate private meetings with the external auditors, the senior management team and the Group Internal Audit Manager at various points in the year.

The normal cycle of the Committee, according to its formal meeting cycle, is set out below:

April	August	December	February	Annual
• Agree external audit strategy and strategy for external auditor review of Half Year Report • Review draft audit plan • Formal review of performance of previous external audit begins • Review of the first quarter report of Group Internal Audit Report • Review of cyber security dashboard	• Review of Half Year Report, including disclosures on accounting judgements, asset carrying values, going concern, and viability • Review results of external auditor report on their review of Half Year Report • Private review with management of feedback on external auditor performance • Private meeting with external auditor • Review of the second quarter report of Group Internal Audit Report • Review of cyber security dashboard	• External audit plan finalised and agreed, and fee structure reviewed and approved • Following year's Internal Audit Plan agreed • Strategic Risk Register and Principal Risks review • Review of Committee Terms of Reference • Review of the third quarter report of Group Internal Audit Report • Review of cyber security dashboard	• Review of Annual Report, including disclosures on viability and going concern • Assessment of whether the Annual Report is fair, balanced and understandable • Review of external audit results and report • Assessment of internal control effectiveness / appropriateness • Private meeting with external auditor • Assessment of independence of the auditor • Review of the final report of Group Internal Audit • Review of cyber security dashboard	• Private meeting with the Group Internal Audit Manager • Shared equity loan receivables status • Group tax status report **At least triannually** • Provision of non-audit services from external auditor

This approach has been retained in 2021, with ongoing focus on the evolution in the Covid-19 pandemic's impacts on the Group's financial position, the effective operation of risk management and internal control, and the work of both external and internal audit functions.

Priorities and main activities during the year

The Audit Committee's priorities and main activities for the 2021 financial year are set out below.

1. Business environment and uncertainty

Throughout the year, the Committee has remained focused on the situation within the UK economy and ongoing uncertainties within the business environment driven by the ongoing impacts of the Covid-19 pandemic, the UK's departure from the European Union and the supply chain and inflationary pressures that have resulted. Particular emphasis has been placed on the effects of this heightened economic uncertainty on financial reporting considerations, such as accounting estimates and judgements. Similarly, the changes in the way we work as a result of the Covid-19 pandemic have been also been considered by the Committee. This has included obtaining update reports from the Group's Health, Safety & Environment Director on the implementation of the Group's Covid-19 Safe Operating Procedures (SOPs), and additional ongoing assurance reports on the Group's cyber and information security controls, ensuring these remain appropriate to mitigate potential risks associated with increased home and hybrid working patterns.

The considerations associated with uncertainties in the business environment and effects of Covid-19 are outlined further within each of the key priority areas below.

2. Financial Reporting

The Audit Committee is responsible for the integrity of financial reporting, including the review of the Group's Annual Report, the Half Year Report and related regulatory announcements. Financial reports are prepared by senior management, with appropriate verification procedures in place to ensure the accuracy of the information presented. Within 2021, the Committee's responsibility in this area has included particular focus on the impacts of Covid-19 and broader economic uncertainty, and the need to ensure that all accounting estimates and areas of judgement were suitably tested and robust.

At the request of the Board, the Audit Committee considered whether the 2021 Annual Report taken as a whole is fair, balanced and understandable, and whether it provides the necessary information to enable shareholders to assess the Group's position, performance, business model and strategy. Following their review, the Audit Committee is satisfied that, taken as a whole, the 2021 Annual Report is fair, balanced and understandable and meets the required expectations of shareholders. In reaching this decision, the Committee took into consideration a range of information received through its normal duties. This including the internal processes governing financial reporting, and the feedback and assurances from both operational teams and external advisors, concerning quality of information and adherence to requirements under the Companies Act, the UK Corporate Governance Code, Listing Rules and other relevant reporting regulations.

Assessment of Significant Financial Judgements

The assessment of significant financial judgements facing the Group, and identification of risks of potential misstatement of the Group's financial statements is one of the Audit Committee's key responsibilities. The Audit Committee has assessed that the material financial issues of the Group for 2021, and their associated risks and controls, as follows:

Revenue recognition

The Group's revenue for 2021 was £3,610m. The analysis of total Group revenues is found at note 5 to the Financial Statements.

The risk of misstatement in relation to revenue recognition could materially affect the revenue in the income statement, particularly if revenue were to be recorded in the wrong period, due to cut off errors or management bias. In order to ensure the accuracy of revenue recognition and associated disclosures, the Committee routinely challenges management to demonstrate the effectiveness of the internal controls employed by the Group, including those for recording of revenue from housing associations under development agreements. Revenue recognition is also a key focus for the external auditors, who have deployed data analytics tools and detailed transactional testing to provide positive assurance on the accurate recording of revenue and cut-off controls. The Committee is satisfied that the Group's processes and controls over revenue recognition are operating effectively, and that revenues are reported accurately.

Carrying value of land and work in progress, including the accuracy of cost recoveries

At 31 December 2021, the carrying value of the Group's land was £1,798m, the carrying value of work in progress on-site was £1,054m and the cost of sales was £2,527m.

There is a risk that the carrying value of land and work in progress could be subject to impairment should the assessments that underpin them, such as management estimates of market conditions and anticipated selling prices, prove to be inaccurate, or if market conditions were to deteriorate significantly. The Committee has reviewed the Group's rigorous internal processes for monitoring land and work in progress valuations and profit recognition. This includes reviewing the outputs of the bi-monthly valuation meetings held in each Operating Company to review the valuation of work in progress at each site. These meetings are chaired by the Group's independent Commercial department, and are attended periodically by the Group Internal Audit department, who monitor and report to the Risk and Audit Committees on management's adherence to the Group's policies and procedures. The Committee has again reviewed management's assessment of the net realisable value of the Group's land and work in progress held at 31 December 2021, and concluded that the approach adopted by management supported the asset carrying values.

Legacy buildings provision

As reported in 2020, in response to evolving practices in relation to fire safety on multi storey, multi occupancy buildings, the Group made a provision for possible future remediation works of £75.0m.

There is a risk that the value of this provision could be inaccurate, should the assessment of affected properties or estimations on possible future remediation works prove to be different from the actual costs incurred. As such, the Committee has taken time to review and challenge management's interim findings and supporting evidence regarding the scope and quantum of this obligation. The Committee reviewed and agreed the basis on which the legacy buildings provision has been utilised, treated and disclosed within the financial statements.

The Committee has also considered the recent amendments introduced to the Building Safety Bill and is satisfied that the carrying value of the provision remains appropriate. The matter has also been discussed in detail with the Group's external auditor.

Directors' report
Audit committee report continued

Defined benefit pension schemes
The Group has defined benefit pension schemes with a combined surplus on an accounting-funding basis of £148.8m at 31 December 2021 (2020: £50.6m surplus). See note 27.

The funding position of the Group's defined benefit pension schemes is dependent on a range of assumptions, including life expectancy of the pension scheme members, future rates of inflation and long-term discount rates, which could prove to be inaccurate. In addition to the work of the external auditors, and in order to provide further assurance on the accuracy of the funding position, the Audit Committee obtains six monthly updates and presentations from the Group's pension scheme actuary. The Committee remains satisfied that the financial statements accurately reflect the funding position of the schemes.

Viability Statement
The Group's Viability Statement (see pages 68 and 69) is also reviewed by the Committee. Viability is assessed based on a range of comprehensive stress testing scenarios, focusing on the potential impact of severe market disruption, such as could arise from the ongoing pandemic or other significant events, on the short to medium term demand for new homes. The basis of these scenarios, which assume substantial reductions in sales over a relatively short period, coupled with reduced average selling prices and asset impairments have been reviewed and challenged by the Committee. Based on the outcome of these detailed assessments, the Committee considers that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to the end of 31 December 2026.

3. External audit oversight
The Audit Committee has responsibility for ensuring the Company's external auditor provides a high quality audit, whilst maintaining the required levels of independence and objectivity in the performance of their work. The Committee also manages the process of agreeing the audit fee structure and the assessment of the auditor's overall performance. Further details are outlined below:

Audit reporting
The Audit Committee receives routine reports from EY as external auditor throughout the year, before receiving a final report and presentation of the audit results. EY presented their 2021 audit results to the Committee meeting in February 2022. The significant financial risks identified were consistent with the prior year, including revenue recognition, the carrying value of the Group's land and work in progress (including the accuracy of cost recoveries) and the carrying value of the Group's shared equity receivables. As in the previous years, audit focus included other key areas such as the impairment of goodwill and intangible assets, the accuracy of the Group's current tax accrual and deferred tax balances, valuation of the Group's defined benefit pension scheme obligations, and share-based payments.

In addition, the Audit Committee has reviewed EY's assessments as to whether the Group should properly be considered as a going concern, their evaluation of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code (see independent auditor's report on pages 134 to 139).

Audit quality and effectiveness
The Audit Committee has maintained its focus on ensuring a high quality and effective external audit as a key priority. This has been a particular area of attention in the context of the ongoing pandemic and the resulting economic uncertainty, and the Committee's continued desire for scrutiny on areas of financial judgement and estimates. Furthermore, the Committee has been mindful of the need to maintain high audit quality despite the continued disruptions on working practices imposed by Covid-19 within the year.

Ensuring high audit quality is a consideration throughout the Audit Committee cycle (see page 100), starting early in the year with the Committee's review and approval of the auditor's audit strategy for the year. Before commencing their audit, EY prepared a detailed draft audit plan for review by the Committee, including the strategy for the auditor's review of the Half Year Report. The 2021 plan was informed by the experience gained from the audits in prior years, which helped to form the basis of the audit strategy for the year. The Committee reviewed the draft plan and agreed the scope of the audit and of the Half Yearly review with EY. The 2021 plan identified EY's assessment of the key risks for audit review in the year and overall Group materiality, taking into account the Committee's request for further ongoing scrutiny on areas of key accounting judgements and estimates.

The Committee has well-established processes to obtain robust and detailed feedback on auditor performance from internal stakeholders. The Committee reviews the feedback from these processes in detail, and uses it to inform discussions on further quality improvements with the auditor. Other measures focused on maintaining an effective dialogue with the auditor, including routine engagement between the Audit Committee Chair and the lead partner, have been maintained within 2021.

In addition to the Committee's ongoing focus on audit quality and effectiveness, EY have maintained investments in technology and staffing to support the continued high quality of their audit. These increased costs have been recognised in an increase in the audit fee, which was reviewed and approved by the Audit Committee. The fee paid to EY for their audit work for the 2021 financial year was £360,000, further details of which are set out on page 152. Further audit related fees of £65,000 were paid to the auditor for their work on their review of the Group's 2021 Half Year Report. In addition, the Company paid £5,000 for the audit of the 2020 annual report of the Persimmon Charitable Foundation. The ratio of audit fees to non-audit fees for the year was 5:2:1.

Auditor independence and objectivity
EY have been the Group's auditor since April 2016, having been appointed following a competitive tender exercise involving three leading audit firms. The lead audit partner is Victoria Venning, who has held the role since April 2021, replacing Peter McIver in line with the Group's policy to rotate the lead external audit partner every five years.

The Committee routinely monitors the independence and objectivity of the lead audit partner on an ongoing basis, with a formal review annually. In assessing these matters, the Committee places great emphasis on the auditor continuing to demonstrate an appropriate professional scepticism in the performance of their work. The Committee's assessment is further informed by private meetings with the EY audit team without management present. Within these meetings, the Committee reviews the auditor's assessment of the business risks and management's mitigation of those risks, the transparency and openness of the auditor's interactions with management, and seeks confirmation that there has been no restriction in scope or other hindrance placed upon them.

The Committee formulates and oversees the Company's policy on provision of non-audit services. This policy was reviewed in detail in 2020, with the next formal review scheduled for 2023. The policy represents a key control to ensure that the nature of any non-audit services performed by the auditor, and the fee earned for that work relative to the fees earned for the audit, do not compromise, and are not seen to compromise the auditor's independence, objectivity or integrity.

Under the terms of the policy, the auditor is excluded from undertaking a range of work on behalf of the Group. The auditor may be commissioned to provide audit related services and permitted non-audit related services with the specific approval of the Audit Committee. The Committee has confirmed that this policy was adhered to within the year.

Following the most recent formal review of auditor independence, which took into consideration a further report from EY on the auditor's own independence controls and the level of audit fees and non-audit fees paid to the auditor, the Committee continues to consider that EY, and Victoria Venning as lead audit partner, remain independent.

Auditor challenge, assessment and reappointment

The Audit Committee challenges the external auditor and assesses their performance on an ongoing basis. Within 2021, the Committee has sought to challenge the auditors to provide the Committee with more detailed breakdown of their methodology and testing approaches on various key audit matters, such as revenue recognition. A formal review is conducted annually, using a survey framework that takes into consideration factors such as the quality and depth of the auditor's reporting, their planning and strategy for undertaking the audit and the quality of the personnel undertaking the audit. The Committee also considers the feedback obtained from surveys of senior management on the performance of EY, including any highlighted opportunities to enhance the audit process. Following the formal review of auditor performance for the 2021 audit, the Audit Committee considers that EY remain independent and objective, and continue to deliver a high quality of audit. As such, the Committee has recommended to the Board that EY be re-appointed auditor.

The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014. In line with the provisions of this Order, the Group is not required to re-tender its audit provision until the full year audit for 2026; however, the Audit Committee will monitor the performance of EY continuously, and will make recommendations on future tendering plans on an annual basis.

The Committee considers this approach to tendering to be in the best interests of all stakeholders given the high quality of audit being delivered by EY and their detailed understanding of the Group's operations.

4. Review of the work of the Group Internal Audit department

The Group Internal Audit Manager attends all meetings of the Committee in full, and presents for approval the annual risk-based internal audit plan, results of all completed internal audits, the follow-up status of agreed actions, and performance indicators for the department. The Group Internal Audit department continues to work in line with the Professional Standards of the Chartered Institute of Internal Auditors (IIA) and the IIA's Internal Audit Code of Practice, verified through periodic External Quality Assessments. To ensure the continuous improvement of the internal audit provision, the Committee has reviewed and approved the Group Internal Audit Development Plan, and receives regular progress reports on its implementation.

The Audit Committee members meet with the Group Internal Audit Manager at least annually without management present, to ensure that independence and objectivity of the Group Internal Audit department is being maintained, and to consider the appropriateness of the department's available skills and resources. Following the 2021 meeting, the Committee confirmed it was satisfied that the overall level of resource in place remains appropriate but that it would be kept under review to ensure it remains sufficient to support any changes in the expectations placed on Group Internal Audit. The Committee recognised that for some specialist assurance work, the department's skills should continue to be supplemented with co-sourced resource from external providers.

Within the year, the Group Internal Audit department has delivered its annual audit plan effectively, through a combination of remote auditing and physical site visits (where permissible under the Group's Covid-19 SOPs). Audit reports were provided on a range of topics, including the Group's anti-bribery and corruption controls, waste management processes, payroll controls, sub-contractor appointment processes and professional advisor engagement controls.

The Committee is satisfied that the Group Internal Audit department remains effective in its provision of independent assurance to the Board, and continues to meet the expectations placed on it through the Group Internal Audit Charter.

Whistleblowing

The Group Internal Audit department also reviews all whistleblowing reports, conducting investigations where necessary, and provides detailed reporting to the Committee. Having reviewed the reports provided on whistleblowing matters within the year, the Committee is satisfied that the Group's approach to whistleblowing is appropriate, and that investigations have been conducted swiftly and with the necessary competence and sensitivity. There were no material issues or control weaknesses raised in the whistleblowing reports received within 2021 that were found to require any major management actions.

In the spirit of continuous improvement, the Committee has agreed for the Group to enter a partnership with Protect, the whistleblowing charity, for 2022. This will allow the Group to draw on Protect's expertise in this area, and ensure the Group's whistleblowing provision remains in line with accepted good practice.

5. Risk Management, Internal Control and BEIS Consultation

The effective management of risk is central to the achievement of the Group's objectives and the long-term sustainability of our business. The Audit Committee monitors the Group's systems of risk management and internal control and reports to the Board on their effectiveness on an annual basis. The key aspects of these systems and related considerations within 2021 are as follows:

Principal risk identification and risk management

In line with the provisions of the UK Corporate Governance Code, the Board routinely assesses the principal and emerging risks facing the Group (see pages 55 to 61). The assessment is supported by a detailed survey of the Board and senior management, facilitated by the Group Internal Audit department. The conclusions of this assessment, including the identification of new risk areas and movements in assessment of risk impacts and probabilities, are reported to the Board at its annual strategy day. The assessment feeds into the Group's overall strategy, which is agreed by the Board and implemented operationally by senior management within the Group. Thereafter, the approach to risk management and strategy undergo a continuous and iterative process of implementation, review and adaptation at Board meetings, and in response to the evolution of conditions in which the Group operates.

The Strategic Risk Register, including the principal risks faced by the Group, was presented to the Main Board at its annual 2021 strategy meeting, and was formally reviewed, and accepted by the Risk and Audit Committees in December 2021. The risk register in its entirety (including operational and departmental risk registers) is updated on an ongoing basis in response to the work of the Group Internal Audit department, and subject to a detailed annual review in consultation with senior staff from across the Group, facilitated by Group Internal Audit. The registers are presented to the Risk and Audit Committees for their review and approval.

System of Internal Controls

The Group's internal control environment is based upon the widely recognised 'three lines' model. The first line is the routine management oversight of operations, performed within a framework of standardised controls developed and overseen by second line functions operating at Group level. The Group Internal Audit department operates as the third line of defence, providing independent and objective assurance on the effectiveness of all aspects of risk and internal control through the delivery of their risk-based annual audit plan. The Risk Committee

Directors' report

Audit committee report continued

monitors the effectiveness of the system of internal controls, including the review of reporting provided by the Group Internal Audit department.

As noted elsewhere within this report, the onset of the Covid-19 pandemic resulted in changes in some working practices, with Covid-19 SOPs introduced and an increase in home and hybrid working. The Audit Committee has sought to challenge management to ensure that the Group's robust internal control environment was not compromised through these changes in working practices. The Committee has focused specifically on cyber and information security controls, and has obtained detailed reporting of cyber risk and performance from the Group IT department. The Committee has also obtained reporting on staff training regarding awareness of the risks associated with home working, such as safeguarding of data and physical records, and the identification and prevention of attempted phishing and social engineering attacks.

Risk Committee oversight

The Risk Committee reports to the Audit Committee, which oversees its activities. The primary focus of the Risk Committee is to review the work of Group Internal Audit in providing assurance on the effective management of risk and the effectiveness of the Group's system of internal controls. In addition to the review of internal audit activities, the Committee reviews all whistleblowing reports and investigations, updates to the Group's risk registers and presentations and reports from operational functions relating to risk and internal controls. The Risk committee is chaired by Dean Finch (Group Chief Executive). The other members of the Risk Committee include Shirine Khoury-Haq (Audit Committee Chair) and Julia Nichols (Group Strategy and Regulatory Director), Mike Killoran (Group Finance Director), served on the Committee until his retirement in January 2022. The Group Internal Audit Manager also attends all meetings of the Risk Committee as an advisor and as secretary to the Committee. There were five meetings of the Risk Committee in 2021, ensuring there has been an ongoing and robust process for the identification, evaluation and management of the main risks faced by the Group and the effectiveness of the controls in place to mitigate them.

Review of the effectiveness of Internal Control

In line with the provisions of the UK Corporate Governance Code, the Audit Committee reviews the Company's internal control and risk management systems on a continuous basis, through its review of the work of the external auditor and the Group Internal Audit department, and the review of other reports requested from internal and external partners. A formal annual assessment of internal controls is performed by the Committee on behalf of the Board, drawing on an independent assessment produced by Group Internal Audit, produced in line with the Guidance on Risk Management Reporting, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014. The 2021 assessment concluded that controls were generally operating effectively.

BEIS consultation 'restoring trust in audit and corporate governance'

The Audit Committee has paid close attention to the BEIS consultation on 'restoring trust in audit and corporate governance' and is supportive of many of the consultation's recommendations, particularly those associated with greater transparency and disclosure on internal controls. The Committee has engaged with management on the key issues within the consultation, and reviewed the Group's response to BEIS, prepared in conjunction with The 100 Group. The Group's internal Control over Financing Reporting (ICoFR) Steering Group is overseeing the preparations for implementing the various actions foreseen from the consultation, including enhanced formalisation of reporting on internal controls and the development of an Audit and Assurance Policy.
To support these preparations, the Group engaged external support to challenge the approach being taken in addressing the consultation's potential outcomes, and share good practices observed in jurisdictions that have adopted control frameworks aligned to Sarbanes-Oxley requirements. The Committee receives regular updates from the ICoFR Steering Group as part the Group Internal Audit Manager's routine reports to the Committee, and will keep this area under review through 2022.

Other key actions

In addition to its routine activities, over the course of 2021 the Audit Committee has reviewed a range of presentations on other key issues for the Group:

Cyber Security and the Group's Cyber Risk Action Plan

In 2021, the Committee has reviewed as a standing item a 'Cyber Dashboard', provided by the Group IT Director. This report provides updates on the Group's Cyber Risk Action Plan and measures progress against the '10 steps to cyber security' framework issued by the National Cyber Security Centre. In order to provide additional assurance on the effectiveness of the Group's Cyber Risk Action Plan, the external service provider previously engaged to review the Group's controls has been further engaged to conduct a follow up of their initial 2020 Cyber Security Review.

Presentation on Health & Safety

The Committee has received an update report from the Group Health, Safety & Environment Director. This provided an overview of the evolution in the Group's Safe Operating Procedures in relation to the Covid-19 pandemic, and an update on the status of development plans within the department.

Modern Slavery Transparency Statement

At the February meeting, the Committee reviewed the Group's 2020 Modern Slavery Transparency Statement prior to publication. This included a presentation with an overview of the Group's controls and development plans to mitigate possible exposure to modern slavery and human trafficking within the Group's operations and supply chain.

Conflicts of interest policy

The Committee has reviewed the Group's conflicts of interest policy, which was enhanced within 2021 to strengthen controls around the identification, recording, management and prevention of potential conflicts of interest in the Group's operational activities.

Shared Equity Loan Portfolio

Status reports on the performance of the Persimmon shared equity loan portfolio are provided to the Committee twice each year. The reports provide updates on portfolio valuation, loan redemptions and performance of the outsourced partner managing the portfolio on the Group's behalf. Within 2021, the Committee has focused in particular on loan redemptions, in the context of the economic disruption caused by Covid-19 and its potential impact on loan defaults.

Group Tax Status

The Group's tax status, including all significant tax matters and overall tax strategy, is reported to the Committee twice per year for review. The Group's Head of Tax presents this report, ensuring the Committee members have the opportunity to discuss the report's content and other tax matters as appropriate.

OTHER DISCLOSURES

Persimmon Plc (the 'Company') is the holding company of the Persimmon Group of companies (the 'Group') and is a public company listed in the UK and traded on the London Stock Exchange.

The Group's main trading companies are Persimmon Homes Limited and Charles Church Developments Limited. The Group trades under the brand names of Persimmon Homes, Charles Church, Westbury Partnerships, Space4 and FibreNest.

The subsidiary undertakings which principally affect the profits and assets of the Group are listed in note 31 to the Financial Statements. A complete list of the Company's subsidiaries and residents' management companies under its control are contained on pages 173 to 181.

Strategic Report

The management report for the purposes of the Disclosure Guidance and Transparency Rule 4.1.8.R is included in the Strategic Report on pages 2 to 75 and in the Directors' Report on pages 76 to 107. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and important events affecting the Group since 31 December 2021 are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 22 to the Financial Statements.

The Board has taken advantage of s.414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report including: the principal risks and uncertainties, future development, performance and position of the Group; the financial position of the Group, greenhouse gas emissions, R&D activities, and engagement with employees, customers, suppliers and other stakeholders.

Results and return of cash

The Group's revenue for 2021 was £3.61bn and its consolidated profit before taxation was £966.8m.

The Company may by ordinary resolution declare dividends not exceeding the amount recommended by Directors subject to statute. The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment.

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names are on the register of members on the record date, notwithstanding any subsequent transfer or transmission of shares.

As set out in the Chairman's Statement an interim dividend of 125p per share will be paid on 1 April 2022 to shareholders on the register on 11 March 2022 under the Company's Capital Return Programme. A second interim dividend of 110p per share is intended to be made in July 2022, subject to continuous assessment in line with our strategy. Further details of the Board's ongoing assessment of its Capital Return Programme will be provided as part of Persimmon's normal market updates (2021: return of cash of 235p per share).

Going concern

After completing a full review, the Directors have satisfied themselves that the going concern basis for the preparation of the accounts continues to be appropriate and there are no material uncertainties to the Group's and Company's ability to do so for the period up to 30 June 2023.

Further details are provided in note 2 to the Financial Statements.

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on pages 78 to 79. Information on Dean Finch's service contract and the Non-Executive Directors' letters of appointment are given in the Remuneration Report on page 121. All of the Directors served for the whole of the year, with the exception of Shirine Khoury-Haq who was appointed to the Board on 1 July 2021. Rachel Kentleton resigned from the Board on 31 August 2021. Mike Killoran retired from the Board on 14 January 2022. Jason Windsor was announced as the Group's new Chief Financial Officer on 13 January 2022. Jason is expected to join in the summer and will become an Executive Director on the Board at that time.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2021 and as at the date of this report are disclosed in the Remuneration Report on page 122. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 122 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

Directors' report
Other disclosures continued

In accordance with the UK Corporate Governance Code 2018 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the Articles') in any event provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last reappointment.

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all powers of the Company, subject to the Articles, the Companies Act 2006 and any directions given in general meetings. In particular, the Directors may exercise all the powers of the Company to borrow money, issue and buy back shares with the authority of shareholders, appoint and remove Directors and recommend and declare dividends.

Capital structure

The following description summarises certain provisions of the Articles and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and the Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Company Secretary at the registered office.

Amendments to the Articles of the Company may be made by way of special resolution in accordance with the provisions of the Companies Act 2006.

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each, which carry no right to fixed income. During 2021 135,213 ordinary shares were issued with a nominal value of £13,521 to employees exercising share options. The Company received consideration of £2.6m for options exercised under the Group's savings-related share option scheme. At 31 December 2021 the issued share capital of the Company was 319,206,474 ordinary shares with a nominal value of £31,920,647. At 1 March 2022 the issued share capital of the Company was 319,223,712 ordinary shares with a nominal value of £31,922,371. Further details are provided in note 24 to the Financial Statements.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, or voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights.

There are no securities carrying special rights with regard to control of the Company.

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM held on 28 April 2021 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,636,306, representing approximately one third of the Company's issued share capital as at 16 March 2021. Shareholders also gave Directors authority to disapply pre-emption rights on the issue of shares up to 5% of the issued share capital, being an aggregate nominal amount of £1,595,445. These authorities will expire at the conclusion of the AGM on 27 April 2022. Resolutions to renew these authorities will be put to shareholders at the forthcoming AGM.

Votes of members

All issued shares in the Company are fully paid and there are no restrictions on voting rights. Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting.

To attend and vote at a meeting a shareholder must be entered on the register of members at a time that is not more than 48 hours before the time of the meeting, calculated using business days only.

On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member. On a vote on a show of hands, each member being an individual present in person or a duly authorised representative of a corporation has one vote. Each proxy present in person who has been appointed by one member entitled to vote on a resolution has one vote. If a proxy has been appointed by more than one member and has been given the same voting instructions by those members, the proxy has one vote. If the proxy has been appointed by more than one member and has been given conflicting instructions, or instructions to vote for or against by one member and discretion by another, the proxy has one vote for and one vote against a resolution.

Details of employee share schemes are set out in note 29 of the Financial Statements. The Trustee of the Persimmon Employee Benefit Trust may vote or abstain on shareholder resolutions as it sees fit.

Transfer of shares

There are no restrictions on the transfer of securities in the Company. Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the UK Listing Authority. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has granted an indemnity in favour of its Directors and former Directors, against liability that they may incur in the course of performing their duties as Directors of the Company. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 and remained in force on the date of approval of this report. Prior to granting the indemnity appropriate legal advice was sought by the Company.

The Company has not issued any qualifying pension scheme indemnity provision.

Change of control provisions

One significant agreement contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company. Under the £300m credit facility for Persimmon Plc dated 1 April 2011 (as amended) disclosed in note 22 of the Financial Statements, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.

Emissions

The Group's greenhouse gas emissions are set out in the Strategic Report on page 43.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group. The Group publishes an employee newsletter and other communications regularly to ensure employees are kept well informed of the Group's operations.

As mentioned on pages 84 to 88 of this report, the Group has an Employee Engagement Panel and a Diversity and Inclusion Council as part of its commitment to employee engagement, diversity and corporate governance best practice. The Group regularly updates its employment policies and staff handbooks, to which all employees have on-line access through the HR Information System, to keep them up-to-date with information relating to their employment. Details of how we engage with our employees are set out on page 34 and pages 70 to 71.

The Company makes various benefit schemes available to employees, including a savings-related share option scheme which encourages the awareness and involvement of employees in the Group's performance. All employees are encouraged to participate.

In addition, information concerning the financial performance of the Group is sent to each operating business for circulation.

Equal opportunities

Persimmon is an equal opportunities employer. We are committed to encouraging equality, diversity and inclusion among our workforce and eliminating unlawful discrimination. Our aim is for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best.

Persimmon is committed to being inclusive for individuals with disabilities, and will support candidates and employees with adjustments to support them to perform at their best and fulfil their potential.

Financial instruments

Details of the Group's financial instruments are set at in note 22 to the Financial Statements.

Acquisition of own shares

At the AGM held on 28 April 2021 shareholders granted the Company authority to purchase up to an aggregate of 31,908,918 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2021 the authority remained outstanding. This authority expires on 27 April 2022 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2021 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Wednesday 27 April 2022 at York Racecourse, Knavesmire Road, York, YO23 1EX. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which has been sent to shareholders.

Due to the ongoing pandemic, shareholders are advised to regularly check for any updates concerning physical attendance at the AGM on the Company's website at www.persimmonhomes.com/corporate.

Listing Rule Disclosures

The disclosures required under Listing Rule 9.8 can be found in the tables below. As at 31 December 2021 and as at 1 March 2022, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in the voting rights of the Company:

	As at 31 December 2021		As at 1 March 2022		
Name	Number of voting rights[1]	% of total voting rights	Number of voting rights[1]	% of total voting rights	Nature of holding
Black Rock Inc	16,718,253	5.43	16,718,253	5.43	Indirect

1. Represents the number of voting rights last notified to the Company by the shareholder in accordance with D.T.R.5.1.

Item	**Further information**
Statement of Directors' share interests	Read more on page 122
Details of the authority for the Company to purchase its own shares	Read more on page 107
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company	Read more on page 118

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that 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 and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit Committee. Further details are provided on page 101.

By order of the Board

Tracy Davison
Company Secretary
1 March 2022
Persimmon Plc
Company registration number 1818486

Remuneration

REMUNERATION COMMITTEE CHAIR'S STATEMENT

"I am pleased to present the Group's Remuneration Report for the year ended 31 December 2021."

ANNEMARIE DURBIN
Chair of the Remuneration Committee

Remuneration Committee Members and meeting attendance 2021

	Meetings attended	Percentage of meetings attended
Annemarie Durbin (Chair)	4/4	100%
Nigel Mills	4/4	100%
Joanna Place	4/4	100%

Our focus and approach in 2021

Following a second year in which business and personal life has been disrupted by the Covid-19 pandemic I'm pleased that we have delivered such strong Group performance, while remaining focused on the health, safety, and wellbeing of our customers, our workforce, and our communities.

During the year we have continued to ensure our approach to remuneration for all employees is aligned to our strategy and supports the delivery of long-term sustainable performance, to benefit all stakeholders.

- We have continued to improve the quality of our homes and our customer care, which has seen us improve our score to 92% under the HBF survey recommend a friend survey.
- The continued focus on treating our employees fairly has led to our formal accreditation as a Living Wage Employer.
- We have developed an environmental target for the 2022 bonus awards to support the achievement of our long-term sustainability targets, reflecting the importance of this to Persimmon.
- We reviewed the pay and competitive positioning of remuneration for the Senior Executive Group.
- Following Mike Killoran's decision to retire after more than 25 years with the Group and the appointment of Jason Windsor as our new Chief Financial Officer, the Committee agreed the leaving remuneration for Mike and the remuneration arrangements for Jason. We conducted a thorough search of the market and we were very mindful of the need to offer a remuneration package that would attract a high quality candidate with an appropriate level of experience. We also recognised that to secure such an individual it would very likely be necessary to compensate them for the forfeit of awards at their existing employer. However, throughout the process we applied the principles that the overall remuneration package should be competitive but not excessive and that any compensation due should not result in an outcome where the individual received more than would have been due had they remained in post. Further information is set out below in this statement with additional detail on page 128.
- All of this is underpinned by strong financial results. Further details on our strategy can be located in our Strategic Report on pages 12 and 13.

"During the year we have continued to ensure our approach to remuneration for all employees is aligned to our strategy to build homes with quality our customers can rely on at a price they can afford. This supports the delivery of long-term sustainable performance, to benefit all stakeholders."

ANNEMARIE DURBIN
Chair of the Remuneration Committee

2021 Remuneration outcomes

The annual bonus opportunities for the Chief Executive and Group Finance Director in respect of 2021 were based on a mix of financial metrics (60%) and cultural metrics (40%). Reflecting the strong performance which has been delivered, as set out on page 112 the annual bonus outcomes for the Chief Executive Officer and Group Finance Director were 92% of maximum (185% of salary) and 90% of maximum (136% of salary) respectively. Full details of the targets and performance achieved can be found on pages 118 and 119. This is consistent with annual bonus outturns across the Group.

When considering the outturns, the Committee has taken a holistic view, including in relation to the employee and wider stakeholder experience, in addition to performance relative to the targets and objectives set. The Committee believes that the outcomes are an appropriate reflection of wider performance and the Committee has not exercised any discretion in relation to remuneration outcomes for Executive Directors.

155 employees hold PSP awards which were granted in 2019 and which vest by reference to performance over the three years ended 31 December 2021. Reflecting performance over that three year period, the awards will vest at 75.82% of the maximum, and then be subject to a two year holding period before the shares are released to the participants. Neither of the Executive Directors participates in the 2019 PSP awards.

Remuneration arrangements associated with Mike Killoran's retirement

We announced Mike Killoran's retirement in July 2021. At that time it was agreed that he would remain in post until January 2022 and leave after the announcement of our Trading Update. Mike received his normal remuneration for 2021 (details of which are included in the single total figure of remuneration table) and no payments have been made in respect of loss of office. The normal deferral arrangements apply to his 2021 bonus.

Having regard to Mike's long service and retirement, the Committee exercised its discretion to grant "Good Leaver" status for the purpose of his 2020 and 2021 PSP awards. The awards remain subject to the rules of the PSP and the applicable performance conditions and have been reduced pro-rata to reflect the proportion of the performance period which had elapsed at Mike's leaving date. Subject to the satisfaction of the performance conditions, the awards will vest at the usual time and remain subject to a two year holding period after the end of the performance period. Full details are set out on page 121.

New Chief Financial Officer Remuneration

The Committee agreed the remuneration arrangements for Jason Windsor, our new Chief Financial Officer, who is expected to join the Group in summer 2022.

We are delighted to have secured someone of Jason's calibre. He is a proven CFO with a strong track record of working in a large and complex FTSE 100 business, Aviva is more than twice as large as Persimmon in terms of market capitalisation, and Jason will add significant further strength to the Persimmon Board. In line with the objectives set out above, the overall package is set to match his existing package at his current employer. While we appreciate that Jason's remuneration will exceed that of his predecessor at Persimmon, we believe it is appropriate, being at a level to match but not exceed his current remuneration arrangements.

The total remuneration package provides:

- Lower total fixed pay than Jason's current package at Aviva;
- Lower on-target annual bonus opportunity (both as a percentage of salary and an absolute amount) than his current package;
- The same overall incentive opportunity: Persimmon annual bonus and PSP: 375% of salary (i.e. 175% of salary bonus + 200% of salary PSP as detailed in the table). Jason's maximum incentive opportunity at his current employer was also 375% of salary (150% of salary bonus + 225% of salary PSP).

Buy-out awards

In line with usual practice, Jason will receive awards to compensate for the remuneration arrangements he forfeits on leaving his current employer. Further information in relation to these is set out on page 128. We applied the following principles in agreeing these buy-out awards.

- The awards will not exceed the actual value forfeited. As set out on page 128, we will buy-out Jason's forfeited 2019 and 2020 Aviva LTIP in part, not in full.
- The awards will vest on the same timescales as the forfeited awards.
- Where the buy-out is to replace an Aviva share award, it will be delivered as an award over Persimmon shares. In addition, 75% of the buy-out of the 2021 bonus will be delivered in Persimmon shares. To ensure ongoing alignment with Persimmon shareholders Jason will be required to retain shares he acquires from the buy-out awards in satisfaction of the shareholding requirements in our Directors' Remuneration Policy.
- The awards remain subject to performance conditions where appropriate and will be adjusted to reflect the actual vesting of the relevant Aviva awards. This approach avoids a situation where Persimmon potentially overpays: compared to the outcome that would have arisen had Jason stayed at Aviva.
- The awards will be subject to continued employment and be subject to the malus and clawback conditions as approved in our current Remuneration Policy.

Remuneration

Remuneration committee chair's statement continued

Ongoing remuneration from 2022

Element	Quantum
Salary	£675,000 p.a. This is the same salary as Jason was receiving in his current role for 2021 and before any increase that would otherwise have applied for 2022.
Pension	9% (in line with the monthly workforce; lower than Jason's pension at his current employer).
Annual Bonus	Jason is eligible for consideration for a bonus for the year 2022. The maximum bonus for 2022 will be calculated by reference to 150% of salary for the period prior to Jason joining Persimmon (to reflect the bonus forfeited from his current employer) and by reference to 175% of salary for the period after Jason joins Persimmon. The opportunity of 175% of salary represents an increase on our former CFO bonus, but is in line with our approved Recruitment Policy for the year of recruitment. As part of our triennial Policy review, we will seek shareholder approval at our 2023 AGM to allow an annual bonus opportunity of 175% of salary to continue be awarded to the CFO from 2023 onwards. Whilst the maximum bonus (175% of salary) is greater than the maximum bonus Jason could earn at his current employer (150% of salary), his PSP award will be lower than the maximum at his current employer (see below). The maximum bonus will be earned only for delivery of stretching performance targets. In line with the Persimmon policy, the bonus for target performance at Persimmon will be 87.5% of salary (50% of the maximum) compared to 100% of salary at his current employer. Half of any bonus earned will be deferred for 3 years in shares.
Performance Share Plan ('PSP')	200% of salary This represents a lower maximum opportunity than the 225% of salary PSP award Jason had at his current employer. Our PSP has a 3-year performance period, plus a 2-year holding period. For the 2022 grant, the performance period will run from 1 January 2022 to 31 December 2024, and the two year holding period will end in 2027 (two years after the award vests following the announcement of Persimmon's 2024 results).
Benefits	In line with the former Group Finance Director's benefits this includes life assurance, private health cover, income protection and a car/car allowance.
Shareholding Requirement	400% of salary This is a significant increase on the requirement at his current employer. A holding of at least 200% of salary will be expected to be achieved within 5 years of appointment, with a timescale to achieve 400% to be agreed with the Chairman. The post-employment shareholding requirement is 2 years.

2022 Implementation

Salary

Previously, we have reviewed salaries for the wider workforce with effect from 1 July, with the corresponding review of the Executive Directors' salaries deferred and taking effect from the following January. For 2022, Dean Finch has been awarded a 3% base salary increase effective 1 January, in line with the increase received by salaried employees in 2021. This will be the first increase Dean has received since joining the Company in September 2020.

The normal effective date for salary increases for Executive Directors has now been moved to 1 July, in line with other employees. We retain the principle that any increase will typically be in line with that received by the wider workforce.

Should the increase awarded to salaried employees in July 2022 be in excess of 3%, the Remuneration Committee has agreed that Dean Finch will receive an incremental increase from 1 July 2022 so that this reflects the increase above 3% given to salaried employees. If the increase awarded in July 2022 is 3% or less then Dean will not receive any further increase before July 2023.

As set out above, Jason Windsor's salary has been set at £675,000, the same salary as he was receiving in his prior role and before any increase that would have applied for that role in respect of 2022. The first salary review for the new Chief Financial Officer will take effect from 1 July 2023.

Annual bonus

The maximum bonus quantum for Dean Finch will remain at 200%. As set out above, the bonus opportunity for Jason Windsor has been agreed at 175% of salary for the period after he joins Persimmon. He will be able to earn a bonus for the period in 2022 prior to his joining Persimmon based on 150% of his salary, reflecting the forfeiture of his bonus opportunity at his current employer for that period. The performance measures applying to Jason Windsor's bonus opportunity related to the part of the year before he joins Persimmon will depend upon the date on which he joins Persimmon. Details will be included in the 2022 Directors' Remuneration Report.

The performance measures applying to all of Dean Finch's bonus and to Jason Windsor's bonus related to the part of the year after he joins Persimmon have been subject to a minor change for 2022. The previous 10% element relating to personal objectives has been replaced with a 5% additional weighting on the customer care measures and a 5% weighting for a new environmental metric. 60% of the bonus remains subject to financial performance (profit before tax and cash generation). The non-financial metrics are customer care (20%), build quality (15%) and environmental (5%). The environmental target will be focused on steps taken to support achievement of our Scope 1 and 2 science based targets.

Further details are set out on page 126. The financial targets are commercially sensitive and therefore will be disclosed in the 2022 Remuneration Report. A range of +3%/-7% around the target level of performance has been set. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. Vesting is at 10% of the maximum for threshold performance.

PSP

The maximum PSP award for each Executive Director will remain at 200% of salary. The metrics for PSP awards to be granted in 2022 remain unchanged. These are relative TSR (40%), cash generation (40%) and a cultural metric (20%). For 2022 the cultural metric will again be the HBF customer 'recommend a friend' score based on the 9 month HBF survey results.

The Board believes in the importance of ESG and cultural metrics and this is reflected in our use of customer care and quality in both the annual bonus and PSP. The Committee has considered the introduction of a specific environmental metric in the PSP but at this time recognises that further analysis of more robustly calibrated meaningful metrics, linked to our strategic approach to sustainability, is needed before meaningful long-term targets can be set. We are addressing this through the annual bonus as noted above. In line with our Sustainability Policy and goals as set out on pages 42 to 62 we will be tracking several potential measures during 2022 to allow the Committee to incorporate specific environmental targets in 2023. The Committee recognises that shareholders are supportive of the use of such measures provided that meaningful data exists and as such is committed to delivering this at the appropriate time

The Committee considers the overall executive remuneration approach is fair, balanced and reasonable taking into account the interests of all stakeholders.

Non-Executive Directors

Information in relation to the approach to Non-Executive Director fees is set out on page 118. The Committee determines the Chairman's fee and the Board (excluding the Non-Executive Directors) determines the Non-Executive Directors' fees.

We explained last year that the fees for the Non-Executive Directors and Chairman had not been reviewed since 2017 and 2018 respectively, but that it was not considered appropriate to increase them in 2021. During 2021, the Committee and the Board reviewed the fees and approved increases to apply with effect from 1 January. The revised fees were determined having regard to market rates for the roles, and details are set out on page 128.

Looking ahead – key focus areas for the Committee for 2022

Our Remuneration Policy was approved by shareholders at the April 2020 AGM, receiving a high level of shareholder support at 97.8%. During the course of 2022 we will be reviewing our Directors' Remuneration Policy, in advance of its renewal at the 2023 AGM, to ensure that it continues to support our strategic priorities and provide an appropriate level of reward to attract and retain high calibre individuals in an increasingly competitive market. Our aim is to always consider the wider workforce, our shareholders and other stakeholders and to remunerate executives fairly and responsibly.

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration Report demonstrates. We believe the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of 2021 was appropriate, taking into account Group performance, personal performance, and the experience of shareholders, employees, and our customers.

As always, I am happy to meet or speak with shareholders if there are any questions or feedback on our approach to executive remuneration, and I hope that we will earn your support at the forthcoming AGM.

Annemarie Durbin
Chair of the Remuneration Committee
1 March 2022

Remuneration

REMUNERATION AT A GLANCE

2021 actual remuneration

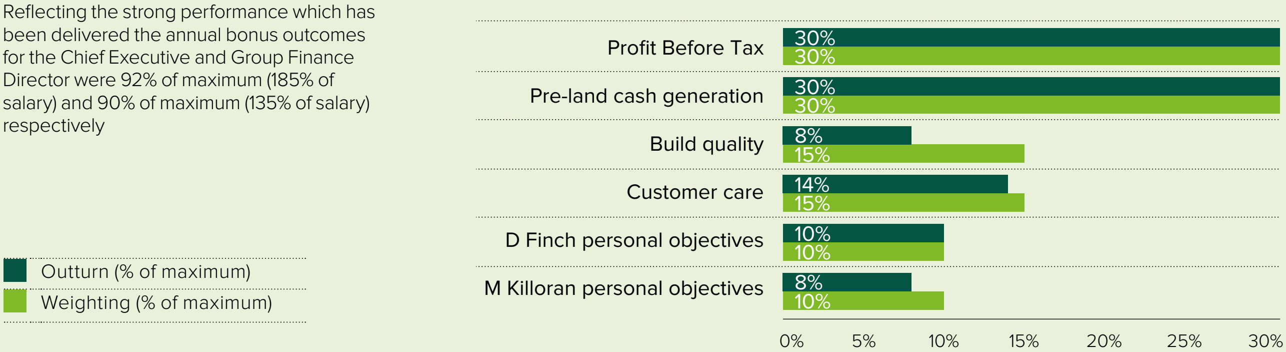
	CEO Dean Finch	FD Mike Killoran
Salary	£725,000	£532,270
Pension/salary supplement	9% of salary in line with wider workforce	9% of salary in line with wider workforce
Annual Bonus Maximum opportunity	200% of salary	150% of salary
LTIP Maximum opportunity	200% of salary	200% of salary
Single Figure Total for 2021	£2,578,902*	£1,336,439

* Single figure total for 2021 includes an award of shares granted to Dean Finch in March 2021 with a value of £404,384 as compensation for a deferred bonus forfeited when he joined Persimmon as disclosed in our 2020 Directors' Remuneration Report. The award is due to vest on 19 March 2022.

2021 variable pay outturns

Annual bonus earned for 2021

Reflecting the strong performance which has been delivered the annual bonus outcomes for the Chief Executive and Group Finance Director were 92% of maximum (185% of salary) and 90% of maximum (135% of salary) respectively



Performance Share Plan

No PSP Awards were due to vest for Executive Directors in respect of 2021.

Implementation in 2022

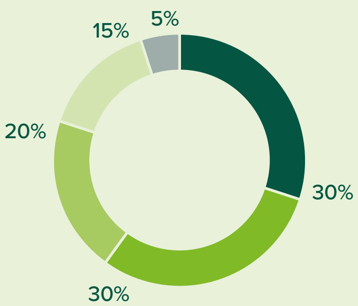
	CEO Dean Finch	CFO Jason Windsor*
Salary	£746,750 (3% increase in line with wider workforce)	£675,000
Pension/salary supplement	9% of salary in line with wider workforce	9% of salary in line with wider workforce
Annual Bonus Maximum opportunity	200% of salary	150% of salary for the period prior to Jason joining Persimmon (to reflect the bonus forfeited from current employer) 175% of salary for the period after Jason joins Persimmon.
LTIP Maximum opportunity	200% of salary	200% of salary

* Jason Windsor will succeed Mike Killoran, Persimmon's long standing Group Finance Director, who retired on 14 January 2022 after more than 25 years with the Group. As detailed in Remuneration Committee Chair's Statement we are delighted to have secured someone of Jason's calibre. Jason's overall package has been set at a level to match but not exceed his current remuneration arrangements. A bonus opportunity of 175% of salary is in line with our Policy for the year of recruitment. At the 2023 AGM we will seek approval for a continuing bonus opportunity at this level.

Alignment to strategy

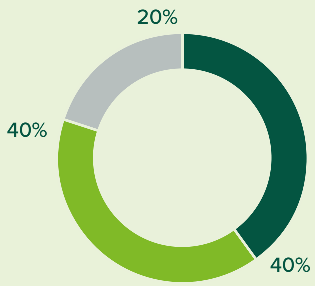
Place customers at the heart of our business with a compelling brand	A diverse and talented workforce	Working safely, responsibly and efficiently	Support and create sustainable communities	Investing in high quality land	Maintaining financial strength through the housing cycle
• Customer care and quality metrics included as performance conditions for incentives	• Living Wage Foundation accreditation	• Failure of acceptable health and safety standards explicitly included in recovery provisions for incentives	• Quality and environmental metrics included in annual bonus	• Financial metrics included as performance conditions for incentives Profit Before Tax Pre-land Cash Total Shareholder Return	

Annual Bonus Performance measures 2022



- Profit Before Tax
- Pre-land cash generation
- Customer care
- Quality
- Environmental

Performance Share Plan Performance measures 2022



- Relative Total Shareholder Return
- Pre-land cash generation
- Customer care

Ensuring shareholder alignment

50% of any bonus earned is deferred into shares for three years

Subject to performance targets being met, all PSP shares vest after three years and **vested shares are then subject to a further two-year holding period**

Shareholding requirement guidelines are set at 400% of salary for the Executive Directors, with 200% of salary expected to be achieved within 5 years of appointment

Dean Finch CEO

- Progress toward holding requirement
- Balance of 200% holding requirement expected to be achieved within 5 years of appointment

As is usual practice, Jason Windsor will receive awards to compensate for the remuneration arrangements he forfeits on leaving Aviva. In all cases, the buy-out awards we make will be delivered as awards over Persimmon shares where the buy-out is to replace a share award forfeited as a result of joining Persimmon. In addition, 75% of the buy-out of the 2021 bonus will be delivered in Persimmon shares. To ensure ongoing alignment with Persimmon shareholders Jason will be required to retain shares he acquires from the buy-out awards in satisfaction of the shareholding requirements in Persimmon's Directors' Remuneration Policy.

Investment in our people and communities

No. of employees participating in SAYE

2,010

As at 31 December 2021

Donations by the Persimmon Charitable Foundation

£1.8m

No. of employees granted PSP Awards in 2021

253

All permanent salaried employees are eligible to participate in a bonus or commission scheme

We are a Living Wage Employer

During 2021 Persimmon became a Living Wage Foundation accredited employer

ANNUAL REPORT ON REMUNERATION

Role of the Remuneration Committee

The role of the Committee is set out in its terms of reference, which are reviewed annually and were last reviewed in December 2021. These can be found on our website at www.persimmonhomes.com/corporate. The Committee meets on at least four occasions a year and otherwise as required. In 2021 the Committee met on four occasions with additional calls as necessary. The attendance at meetings can be located on page 98.

The Committee determines the remuneration policy for the Group's Chairman, Executive Directors, and the Senior Executive Group, which consists of the Regional Chairmen, the Group Transformation and Land Strategy Director, Chief Customer Experience Officer, Group Strategy and Regulatory Director and the Company Secretary. Some changes in roles within the Senior Executive Group have been announced for 2022. The new roles are within the Committee's remit. This is a responsibility which has been delegated from the Board. The policies and practices are designed to support strategy and promote the long-term sustainable success of the Group. When setting and implementing the Policy for Executive Directors, the Committee has reviewed and taken into account workforce related policies and the alignment of incentives and rewards with culture. The Committee carefully considered the Group's strategy to increase customer focus and has aligned the variable remuneration metrics to meet this.

Further information regarding the members of the Committee, including their biographies, can be located on pages 78 to 79.

Alignment of the Policy with UK Corporate Governance Code 2018 (the 'Code')

In determining the Policy, the Committee took into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the Code.

The annual bonus and PSP performance metrics are aligned with the Group's purpose and strategy to build high quality homes for our customers, deliver growth and return cash to shareholders and provide sustainable value for all stakeholders through the housing cycle.

Directors are not involved in the setting of their own remuneration, and are excused from any conversations on their own pay. If Directors offer or volunteer to take reductions, this is something that is then considered and decided upon by the Committee.

Principle	Alignment to the Code
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We have taken a fully transparent approach to our Remuneration Policy and arrangements. Our full Policy can be located in our 2019 annual report at www.persimmonhomes.com/corporate/investors/results-reports-and-presentations/2019/#tabs. We continue to engage with shareholders as appropriate and listen to any feedback received. We liaise with workforce representatives via the Employee Engagement Panel and the Committee Chair attends meetings as appropriate. We track and discuss a number of workforce related statistics via the workforce remuneration dashboard that is presented at each Committee meeting. The annual report is circulated to all employees, which has details of directors' remuneration.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	We consider that our remuneration structures are clear and easily understandable. We welcome feedback and listen to stakeholder comments regarding the Policy and its implementation. In determining the incoming Chief Financial Officer's remuneration, the Committee applied the principle that the overall remuneration package should be competitive but not excessive and that any compensation due should not result in an outcome where the individual received more than would have been due had they remained in post. Details of his remuneration were explained to major shareholders and leading proxy advisors.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	There are malus and clawback provisions included in the Policy to reflect best practice to override formulaic outcomes, where appropriate. These provisions are now capable of application in a range of circumstances including corporate failure, serious reputational damage and material failure of risk management. Appropriate discretion can be applied, in the case of the annual bonus for three years from the date on which the amount of the bonus is determined. For PSP awards discretion extends until the fifth anniversary of the grant date.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	For the Group Chief Executive annual bonus and PSP awards are 200% of base salary. For the Chief Financial Officer, the annual bonus maximum award quantum for 2022 is up to 175% (with further information in the Committee Chair's statement on page 109 to 110), and the PSP award quantum is 200% of base salary. Maximum bonus is only payable if stretching targets are met and excellent Group performance is achieved. Half of the annual bonus and the whole of the PSP vesting is in shares. The Executive Directors have shareholding requirements, and for awards made from 1 January 2020 this includes a two-year post-cessation shareholding requirement. The value of share awards are less predictable than cash due to potential fluctuations in the share price. However, it means that Directors' remuneration is better aligned to the shareholder experience.

Principle	Alignment to the Code
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Both the annual bonus and PSP include financial and cultural metrics which are key to our strategy and future success. Subject to the Committee's discretion to override formulaic outturns, annual bonus awards will result in payment at threshold performance of up to 10% of the maximum. Up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. Half of annual bonus that vests will be paid in cash, with the remaining 50% deferred into shares for a period of three years. The PSP award granted in 2021 was based on performance measures over a three-year period, and a further two-year holding period before the shares can be released. In relation to shareholding requirements whilst in employment, the Group Chief Executive and Chief Financial Officer have a requirement of 4 times salary. The Executive Directors are expected to build up their shareholding over a period of time. The Committee has discretion to override formulaic outcomes. Directors' pension contributions/salary supplement are in aggregate, up to 9% of base salary, in line with the Group's salaried employees (who make up the majority of Group employees).
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	Our annual bonus and PSP schemes each contain non-financial cultural metrics to measure improvements in customer care and build quality. The aim is to focus upon improving customer experience, customer satisfaction, and build quality. Ultimately, the strategy is to create and protect superior and sustainable levels of value for the benefit of our customers, workforce, suppliers and shareholders through the housing cycle and with a clear priority of putting customers before volume. Further information on our culture can be located on pages 82 to 83. Further information on the non-financial metrics can be located on pages 118 and 119.

What the Committee has focused upon during the year

Key areas of focus	Remuneration Committee activities in 2021
Executive Directors and Senior Management Remuneration	• Set the remuneration framework for the Executive Directors and Senior Executive Group. • Agreed a salary increase of 3%, reflecting the increase for the wider salaried workforce in July 2021. • Agreed to align, in normal circumstances, future pay review dates for Executive Directors and the Senior Executive Group to 1 July, in line with other employees. Previously reviews for the wider workforce have taken effect from 1 July, with the corresponding review of the Executive Directors' salaries deferred and taking effect from the following January. • Having regard to the alignment of salary review dates, agreed a salary increase for the Group Chief Executive of 3% with effect from 1 January 2022, with any further increase in July 2022 being determined as set out in the Committee Chair's letter on pages 109 to 110.
New Chief Financial Officer remuneration	• Agreed the remuneration arrangements for Jason Windsor, including awards to compensate for the remuneration forfeited on leaving his previous employer. • Communicated with shareholders regarding the remuneration arrangements for Jason Windsor.
Departing Group Finance Director remuneration	• Agreed the remuneration arrangements for Mike Killoran in connection with his retirement, details of which are set out on page 109.
Governance and engagement	• Remuneration Committee Chair attended one meeting of the Employee Engagement Panel to discuss Executive Remuneration and alignment with broader workforce reward. • Reviewed the Committee's terms of reference and agreed minor changes for approval by the Board. • Confirmed the continuing independence of the remuneration consultants. • Considered and approved the Annual Report on Remuneration.
Annual bonus and PSP awards	• Agreed the structure and performance conditions for the 2021 annual bonus and 2021 PSP awards made to Executive Directors and senior management. • Agreed the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group.
Workforce Remuneration	• Noted salary increases for salaried employees and pay practices for employees during the year. • Reviewed HR dashboard which sets out key workforce data at each meeting and considered the impact on decisions relating to Executive Directors and Senior Executive Group.

Remuneration
Annual report on remuneration continued

What the Committee is focusing on for 2022

Key areas of focus	Remuneration Committee priorities for 2022
ESG Metric	• In line with our Sustainability Policy and goals as set out on pages 42 and 62 we will be tracking several potential measures during 2022 to allow the Committee to incorporate specific environmental targets in the PSP in 2023.
Executive Directors and Senior Management Remuneration	• Agree the remuneration framework for the Executive Directors and Senior Executive Group. • Take note of reward decisions for the wider workforce and consider any impact on and alignment of executive pay.
Annual Bonus	• Agree performance conditions for 2022 awards.
PSP Awards	• Agree performance conditions for 2022 PSP awards. • Agree the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group.
Remuneration Policy review	• Review the approved Remuneration Policy, consider and agree changes where appropriate to reflect strategy and best practice, and to put these forward for shareholder approval at the 2023 AGM.

Advisors
The Committee sought advice during the year on remuneration matters in relation to implementation of the remuneration policy; remuneration for the incoming Chief Financial Officer and in particular in relation to his buy-out awards; and leaving arrangements for Mike Killoran. The advice was sought from Deloitte LLP, who act as the Group's independent remuneration consultants. Deloitte were appointed by the Remuneration Committee in 2016 and were selected due to their expertise in executive remuneration. During the year Deloitte also provided Financial Advisory forensic services to the Group. Deloitte LLP are not connected to any Group company or individual directors.

The Committee considers that the advice provided by Deloitte as professional remuneration consultants was appropriate, objective and independent. The advice provided by Deloitte did not affect the judgements made by the Committee, which remained independent at all times. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK.

The amount of fees the Group paid to Deloitte for the services they provided to the Remuneration Committee in 2021 was £53,300, charged on a time spent basis.

2021 Directors' Remuneration Report – audited

The auditor is required to report on the following information up to and including the Statement of Directors' shareholding requirements and share interests.

Single total figure of remuneration for the year ended 31 December 2021

The figures set out in the tables below are the actual amounts of salary or fees earned in the year to 31 December 2021.

Executive Remuneration (Fixed)

	Fixed remuneration							
	Salary		Benefits		Salary supplement in lieu of pension		Total fixed remuneration	
Executive	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £
D Finch[1]	**725,000**	189,614	**43,492**	11,647	**65,250**	17,065	**833,742**	218,326
M H Killoran[2]	**532,270**	519,838	**33,966**	48,799	**47,904**	46,557	**614,140**	615,194
Total	**1,257,270**	709,452	**77,458**	60,446	**113,154**	63,622	**1,447,882**	833,520

Executive Remuneration (Variable)

	Variable remuneration									
	Annual bonus		Value of long-term Awards Vesting		Value of SAYE options vesting		Value of buy-out award		Total variable remuneration	
Executive	**2021 £**	2020 £	**2021[3] £**	2020[3] £	**2021 £**	2020 £	**2021[4] £**	2020 £	**2021 £**	2020 £
D Finch[1]	**1,340,776**	–	**–**	–	**–**	–	**404,384**	–	**1,745,160**	–
M H Killoran[2]	**722,299**	–	**–**	–	**–**	7,648	**–**	–	**722,299**	7,648
Total	**2,063,075**	–	**–**	–	**–**	7,648	**404,384**	–	**2,467,459**	–

	Total	
Executive	**2021 £**	2020 £
D Finch[1]	**2,578,902**	218,326
M H Killoran[2]	**1,336,439**	622,842
Total	**3,915,341**	841,168

1. 2020 figures are from 28 September 2020, the date Dean Finch was appointed to the Board.
2. In 2020, Mike Killoran elected to take a temporary 20% reduction in base salary, until such time as the Group was able to recommence work on-site. The salary stated in the table above is after this reduction.
3. No long-term awards were due to vest in respect of 2021 or 2020.
4. The buy-out award reflects the value of the award granted to Dean Finch in 2022 in respect of remuneration forfeited when he left his previous employer, as referred to in the 2020 Directors' Remuneration Report. It is valued as the product of the number of Persimmon shares over which the award was granted (13,694) and £29.53 (being the closing share price on the day before the grant of the award).

Remuneration

Annual report on remuneration continued

Non-Executive Remuneration

As Non-Executive Directors only receive fees and benefits as part of their remuneration package, only these elements are shown in the table below.

	Fixed remuneration					
	Salaries and fees		Benefits		Total	
Chairman	**2021[6] £**	2020[7] £	**2021 £**	2020 £	**2021 £**	2020 £
R Devlin	**300,000**	285,000	**–**	–	**300,000**	285,000
Non-Executive						
N Mills	**75,000**	71,250	**–**	–	**75,000**	71,250
S Litherland	**60,000**	57,000	**–**	–	**60,000**	57,000
J Place[1]	**–**	4,066	**–**	–	**–**	4,066
A Durbin[2]	**75,000**	37,500	**–**	–	**75,000**	37,500
A Wyllie[3]	**59,616**	–	**–**	–	**59,616**	–
S Khoury-Haq[4]	**35,000**	–	**–**	–	**35,000**	–
R Kentleton[5]	**50,000**	71,250	**–**	–	**50,000**	71,250
Total	**654,616**	526,006	**–**	–	**654,616**	526,006

1. Figures for 2020 are from 1 April 2020, the date Joanna Place was appointed to the Board, to 30 April 2020. Joanna waived her fee from 1 May 2020 and continued to do so during 2021. The Company has chosen to make a payment to the Persimmon Charitable Foundation, equivalent to her waived fees.
2. Figures for 2020 are from 1 July 2020, the date Annemarie Durbin was appointed to the Board.
3. Figures are from 4 January 2021, the date Andrew Wyllie was appointed to the Board.
4. Figures are from 1 July 2021, the date Shirine Khoury-Haq was appointed to the Board.
5. Figures are to 13 August 2021, the date Rachel Kentleton resigned as Non-Executive Director.
6. Non-Executive Director fees can vary based on whether additional duties are required to chair a committee or perform the senior independent role. A more detailed explanation of this can be found on page 128.
7. Fees for Non-Executive Directors decreased by 20% from 1 April 2020 to 30 June 2020, due to voluntary reductions as a result of the circumstances created by the Covid-19 pandemic.

Additional information for single total figure remuneration table

Benefits

Benefits include car or car allowance, private medical scheme membership, life assurance benefits, income protection scheme membership, professional subscriptions and phone costs. This is in line with other senior employees across the Group.

Directors' pension entitlements

Dean Finch and Mike Killoran received a salary supplement in lieu of pension, equal to 9% of their base salary.

Annual Bonus 2021

Each of Dean Finch and Mike Killoran was eligible to earn a bonus of in respect of 2021, up to 200% of salary in the case of Dean Finch and up to 150% of salary in the case of Mike Killoran.

We have set out below details of the performance measures and targets and the extent to which they were satisfied.

Our financial KPIs (accounting for 60% of the total) reflect the strong underlying financial health of the Group.

Non-financial KPIs (accounting for 40% of the bonus opportunity in total) are important to help the Group to assess our activities in achieving our strategic objectives. The non-financial KPIs help drive long-term shareholder value and reflect our values of being customer focused, value driven and delivering excellence.

Measure	Weighting	Threshold (10% achievement)	Target (50% achievement)	Maximum (100% achievement)	Outturn	Extent Bonus Measure Met (% of maximum bonus)
PBT[1]	30%	£804m	£883m	£963m	£973m	30
Pre-land cash generation[2]	30%	£868m	£954m	£1,040m	£1,210m	30
Customer Care	15%	See below[3]			Met in part	14
Build Quality	15%	See below[4]			Met in part	8
Personal objectives	10%	See below[5]			CEO-Met in full	10
					FD-Met in part	8

1. Profit before tax (before exceptional items and goodwill impairment).
2. Pre-land cash generation (being net cash inflow before Capital Return Programme and net land payments) with the outturn calculated as:

Cash at 31 December 2020:	1,234.1m
Cash at 31 December 2021:	1,246.6m
Increase in cash:	12.5m
Add: Dividends paid:	749.6m
Net land spend:	447.7m
	1,209.8m

3. 10% of the customer measure was achieved by reference the fraction of those operating businesses in the Group rated as 90% and above as measured by the results of the HBF 8 week Customer Satisfaction Survey Question "would you recommend Persimmon to a friend?" for the year to 30 September 2021. The outturn shows that 28 of the 31 operating businesses achieved a score of 90% or above. 5% of the customer measure was achieved by reference to the Group overall operating at the level required to attain classification as a five-star builder by the HBF.
4. The quality score is based on the results of independent assessments carried out on Persimmon sites by the Group's warranty providers from 1/ 1/21 to 31/12/21. Targets were set for each warranty provider and the scores weighted based on the proportion of inspections completed by each provider. The targets were set such that an improvement on prior year of between 10% and 20% was required for target performance, with the level of improvement required based on the warranty provider's scoring system. A summary of outturns is shown in the table below.

Provider	Weighting	% of operating companies achieving threshold but below target	% of operating companies achieving target or above	outturn (% of maximum opportunity available)
NHBC	33.6	3.3	56.6	
LABC	4.8	25	75	53.3
Premier	61.6	46.6	33.3	

5. Personal objectives. Specific metrics were set by the Committee for Dean Finch and Mike Killoran and these were assessed by the Committee at the end of the year. Each of these metrics was linked to delivery of a strategic KPI: The Committee assessed the outputs delivered against the measures set for each objective and also considered the overall performance achieved on a holistic basis. Further information is set out below.

Dean Finch

Objective	Measures	Performance	Assessment
To reduce carbon footprint and set new sustainability policies.	By the end of 2021, zero carbon targets and milestones published. Become an accredited Living Wage Employer. Targets for workforce diversity published.	Science based carbon reduction targets, in line with the Paris Agreement, fully accredited by the Science Based Target Initiative. Clear interim milestones set for our pathway to 'net zero' homes in use by 2030. Strong progress made on our carbon reduction roadmap. Introduced electric vehicle options our fleet. Purchasing 100% renewable energy for our offices and manufacturing facilities and is investigating methods of reducing the Group's red diesel consumption and increasing the use of alternative fuels. The Company became an accredited Living Wage Employer in November 2021, reflecting our commitment to ensure that all our employees feel valued and fairly paid for the work they do. Appointment of a Director of Talent & Diversity. A talent review has commenced with a view to providing focused management development and robust succession planning. Targets for workforce diversity have been published and a D&I audit has been undertaken.	Achieved in full
To build right first time every time, delivering what the customer wants. To enhance trust in the Persimmon brand.	To ensure the commitment to industry-leading standards is supported by the necessary resources. To strengthen the Group's care procedures to ensure a consistent approach across all operating businesses.	The expansion of the Group's team of Independent Quality Controllers is delivering the anticipated benefits of strengthening site supervision, assisting site management teams in monitoring build at key construction stage. External verification of our processes in progress with the aim of covering all the Group's operating companies by summer 2022. Over 92% of customers that have moved into their new home since 1 October 2020 for the 2020/2021 HBF survey year say they would recommend Persimmon to a friend. The Group has continued to trend ahead of the 90% HBF survey five star threshold since January 2020. Persimmon Pathways introduced for Site, Sales and Customer Care (5.5% overall increase in Site, Sales and CC Training year-on-year) and significant increase in training undertaken including delivery of site manager NVQs (Site Managers holding relevant NVQs increased to 425 from 171 in December 2020). Customer care procedures strengthened. Chief Customer Experience Officer with responsibility for Customer Care appointed. Customer portal being developed and rolled out nationally.	Achieved in full
To deliver industry leading performance and sustained shareholder value. To expand the business.	Complete land department restructuring. Increase in number of operating businesses using own manufactured bricks and tiles, group commercial team established to improve strategic focus of procurement.	Land department restructured to take advantage of market and find new and alternative sources of land with a view to increasing the number of active sites. Over 20,500 new plots were brought into the business in 2021 representing in excess of 140% of current consumption levels. Operating businesses using Brickworks product: volume increased 5% year-on-year. Operating businesses using Tileworks product; volume increased 196% year-on-year.	Achieved in full

Mike Killoran

Objective	Measures	Performance	Assessment
To contribute to the financial success of the Group through financial risk and cash management.	Extend the Group's RCF by one year through taking advantage of the documented request process in 2021.	Extended RCF concluded. The Group's balance sheet and liquidity remain robust. The Group held £1.25bn of cash at 31 December 2021 with deferred land commitments of c.£400m. In addition, the Group has an undrawn £300m Revolving Credit Facility which extends out to 31 March 2026.	Achieved in full
Create and maintain investor buy-in of our strategic objectives. To contribute to the Group's business objectives by providing strategic advice and guidance on financial policy.	Engage regularly with analysts and shareholders as well as other stakeholders, promoting understanding of the Group's operations and strategy. Maintain the necessary policies, procedures and reporting protocols to ensure sound financial management and control.	Multiple meetings held with all analysts and material developed in to support investment attraction of Persimmon. Promoted meetings with analysts and investors to clearly communicate the Group's plans and actions to decarbonise the business, the supply chain, and homes in use. 2020 Annual Report highlighted by FRC in a number of areas as providing concise visibility of key areas of review – highlighted to investors and sell side via inclusion in formal RNS releases. Facilitated a strong working relationship with the FRC. HMRC Senior Accounting Officer obligations met in full. Effectively managed the legacy DB Pension Investment Committee requirements as Chair through a period of significant market turbulence retaining the Group's positive funding position.	Achieved in full
To deliver industry-leading performance and sustained shareholder value. To contribute effectively to the Group's continuing development.	Assist the CEO to identify margin improvements across the business and optimising operational efficiency, including the contribution from our factories. Support the CEO in delivering the Group's objectives and support his five key priorities; to improve build quality, enhance our brand, grow the business, maintain strong financial performance and create sustainable communities.	Optimised use of the Group's manufactured product, and the continued evolution and expansion of FibreNest to a larger proportion of home owners, with FibreNest now serving c.20,500 new households across c.260 of our developments. Provided advice to the Chief Executive and the wider senior executive team to ensure the Group's strategy is executed effectively.	Achieved in part

Half of the bonus earned by each Executive Director is paid in cash with half deferred into shares for three years. The amount deferred into shares is not subject to any further performance condition. In the case of Dean Finch, the deferred share award will ordinarily be subject to continued employment. Having regard to Mike Killoran's long service and retirement, he will retain his deferred share award, which will vest at the end of the usual three year deferral period.

Remuneration

Annual report on remuneration continued

Savings-Related Share Option Scheme ('SAYE')

The SAYE Scheme is an HMRC approved all employee savings related share option scheme. Invitations are issued annually to all employees to apply for the grant of an option under the SAYE. There are no performance conditions attached to options granted under the SAYE. No options matured and became exercisable in 2021.

CEO buy-out award

This was granted to Dean Finch on 19 March 2021 as compensation for a deferred bonus forfeited when he joined Persimmon as disclosed in our 2020 Director's Remuneration Report. This award is not subject to performance conditions and therefore the value at grant is included in the Single Figure for 2021 in line with the regulations. The award is due to vest on 19 March 2022.

Performance share plan awards made during the year

PSP awards were granted on 19 March 2021 to Dean Finch and Mike Killoran.

	Type of award	Basis of award	Threshold level of vesting	Face value of award £000[1]	Performance period[2]	Shares subject to option
Dean Finch	Nil-cost option	Percentage of salary – 200%	25%	1,450	1/1/21 – 31/12/2023	49,103
Mike Killoran[3]	Nil-cost option	Percentage of salary – 200%	25%	1,065	1/1/21 – 31/12/2023	36,049

1. The face value of the award is based on the closing share price on the day before the grant of the award (£29.53).
2. The awards will vest in 2024 based on the achievement of the performance conditions but are then subject to a further two-year holding period before the shares can be released.
3. Mike Killoran's share awards were reduced post 31 December 2021. See page 118 for more details.

Each award is subject to the performance conditions set out below.

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Relative TSR[1]	40%	Median	–	Upper quartile or above
Average pre land cash generation over the three year performance period[2]	40%	£833m	£1,111m	£1,389m
Underpin applying to the pre-land cash measure – An average ROCE[3] of 20% over the three-year performance period				
Customer Care[4]	20%	Group HBF Score is 75%	–	Group HBF Score is 80% or above

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Countryside Properties PLC; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC.
2. Net cash inflow before capital return and net land payments.
3. ROCE = annual underlying profit from operations/average capital.
   Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;
   Average Capital Employed = average of Capital Employed during the relevant calendar year; and
   Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.
4. The Customer Care measure is based on the HBF 9 month 'recommend a friend' question. Awards vest on a straight-line basis for a score between 75% and 80%. The customer care metric is subject to an underpin that the Group is a four-star builder in each of the three years of the performance period.

Payments for loss of office

There were no payments for loss of office.

Payments to past directors

There were no payments to past Directors for the year ended 31 December 2021 where the total payment to the former Director exceeded the threshold set by the Group of £20,000.

Mike Killoran retired from the Board and the Group on 14 January 2022. His remuneration for the year ended 31 December 2021 is included in the single total figure table. Amounts earned by Mike in 2022 will be disclosed in the 2022 Directors' Remuneration Report.

As noted in the statement from the Committee's Chair on page 109, having regard to Mike's long service and retirement, the Committee exercised its discretion to grant "Good Leaver" status for the purpose of his outstanding PSP awards. The awards remain subject to the rules of the PSP and the applicable performance conditions and have been reduced pro-rata to reflect the proportion of the performance period which had elapsed at Mike's leaving date. Subject to the satisfaction of the performance conditions, the awards will vest at the usual time and remain subject to a two year holding period after the end of the performance period, as set out below.

Award	Shares originally subject to award	Shares subject to award after pro-rata reduction	Performance Period	Vesting	End of holding period
2020 PSP	49,530	33,667	1 January 2020 – 31 December 2022	Spring 2023	Spring 2025
2021 PSP	36,049	12,477	1 January 2021 – 31 December 2023	Spring 2024	Spring 2026

Service contracts

The Chief Executive Dean Finch has a service contract with a 12-month rolling notice period, while the new CFO Jason Windsor will have a 6-month rolling notice period. The Board recognises that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, they must first seek approval from the Chairman. Dean Finch was appointed as a non-executive director of Diploma Plc in May 2021.

The Chairman and Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities. They do not have service contracts. Their letters of appointment are available for inspection at the Group's registered office. A Non-Executive's appointment is initially for a three-year term, subject to re-election at each AGM but their appointment may be terminated on one month's notice.

Name	Service Contract/ Letter of Appointment commencement date	Unexpired term remaining as at 31 December 2021
Dean Finch	28 September 2020	Terminable on 12 months' notice
Roger Devlin	1 June 2018	Terminable on three months' notice and subject to reappointment at the AGM each year
Nigel Mills	4 April 2016	Terminable on one month's notice and subject to reappointment at the AGM each year
Simon Litherland	3 April 2017	Terminable on one month's notice and subject to reappointment at the AGM each year
Joanna Place	1 April 2020	Terminable on one month's notice and subject to reappointment at the AGM each year
Annemarie Durbin	1 July 2020	Terminable on one month's notice and subject to reappointment at the AGM each year
Andrew Wyllie	4 January 2021	Terminable on one month's notice and subject to reappointment at the AGM each year
Shirine Khoury-Haq	1 July 2021	Terminable on one month's notice and subject to reappointment at the AGM each year

Remuneration

Annual report on remuneration continued

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2020	Granted in year	Acquired in year	Lapsed in year	Exercise price/ market price at date of award	Interests without performance conditions	Interests with performance conditions	**Total interests outstanding at 31 December 2021**	Options vested but unexercised	Latest vesting date
D Finch	Buy-Out Award	–	13,694	–	–	2953p	13,694	–	**13,694**	–	March 2022
	PSP 2017	17,917	–	–	–	2411p	–	17,917	**17,917**	–	Spring 2023
	PSP 2017	–	49,103	–	–	2953p	–	49,103	**49,103**	–	Spring 2024
M Killoran[1]	PSP 2017	49,530	–	–	–	2128p	–	49,530	**49,530**	–	Spring 2023
	PSP 2017	–	36,049	–	–	2953p	–	36,049	**36,049**	–	Spring 2024
	SAYE	970	–	–	–	1854p	970	–	**970**	–	December 2023

1. Mike Killoran's PSP awards were reduced following the end of the year in connection with his retirement as set out on page 109.

All of the above represent share options and were granted for no financial consideration.

Statement of Directors' shareholding requirements and share interests

The share ownership requirements for the Executive Directors serving during the year and the share interests of the Directors and of their connected persons in the ordinary share capital of the Group are as shown below. The shareholding requirements set out below are the requirements from 1 January 2020:

			Beneficial holdings (including interests of the Director's connected persons)	
Director	Shareholding requirement	**Value of base salary held at 31 December 2021 (including shares held by connected persons but excluding vested awards which have not yet been exercised)[1]**	**31 December 2021 (or if earlier, date of leaving the Board)**	31 December 2020 (or if later, date of joining the Board)
D Finch	4 times salary[2]	**62%[3]**	**15,708**	6,600
M H Killoran	5 times salary	**10,362%**	**1,931,192**	1,931,192
Chairman				
R Devlin	N/A	**N/A**	**12,575**	12,575
Non-Executives				
J Place	N/A	**N/A**	**3,408**	–
N Mills	N/A	**N/A**	**716**	716
S Litherland	N/A	**N/A**	**–**	–
A Durbin	N/A	**N/A**	**–**	–
A Wyllie	N/A	**N/A**	**1,012**	–
S Khoury-Haq	N/A	**N/A**	**355**	–
Total			**1,957,708**	1,951,083

1. Calculated based on the closing price of £28.56 at 31 December 2021 and on base salary at 31 December 2021.
2. The Committee expects that a holding with a value equal to 2x salary will be achieved within five years of appointment, with the balance of the requirement acquired within a period agreed with the Chairman.
3. This includes a buy-out award which vests on 19 March 2022.

The Directors' beneficial holdings at 31 December 2021 were 1,957,708 shares, representing 0.6% of the Group's issued share capital as at that date. There have been no changes in these interests between 31 December 2021 and 1 March 2022, other than an acquisition by Joanna Place of 3,907 shares on 18 January 2022.

The Committee has an agreed Post-Employment Shareholding requirement pursuant to which it is a condition of any PSP or deferred bonus award granted to an Executive Director on or after 1 January 2020 that:

- any shares acquired pursuant to the award (including any shares acquired as part of a 'dividend equivalent') may be held in a nominee arrangement reasonably determined by the Remuneration Committee; and
- the Remuneration Committee may determine that the award will lapse if the Executive Director does not comply with the post-employment shareholding requirement.

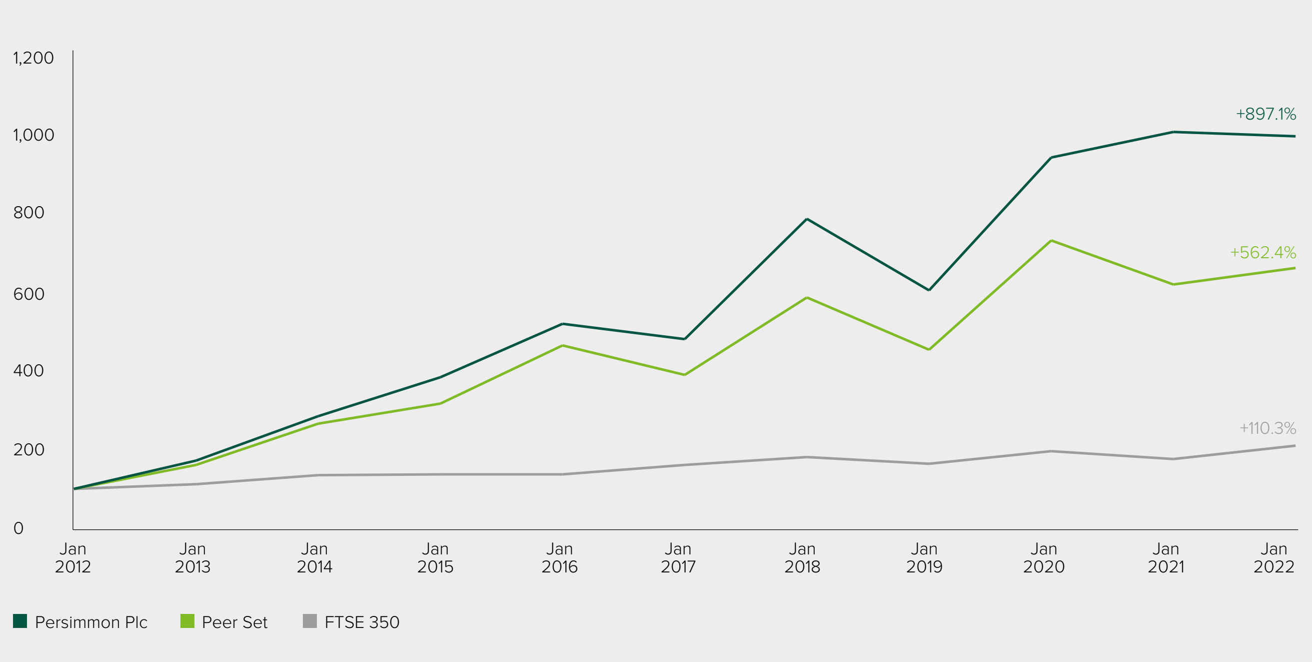
There are no share ownership requirements for the Chairman and Non-Executive Directors.

An Executive Director may be asked to agree to the post-employment shareholding requirement as part of their settlement agreement or similar at the time of leaving. The Executive Director will be asked to confirm annually that they still comply with the post-employment shareholding requirement. The Remuneration Committee retains the discretion, in exceptional circumstances (such as serious illness), to determine that the post-employment shareholding requirement shall not apply or that its application shall be relaxed. The post-employment shareholding requirement shall not apply if an Executive Director's cessation of employment is by reason of death.

Should the Executive Director wish to sell shares which are subject to the post-employment shareholding requirement then they may request dispensation to sell from the Chairman. In determining whether to grant permission to sell, the Chairman will take into account such factors as they consider relevant which may include, but are not limited to, the underlying performance of the business since the Executive Director left the Group and the individual's conduct.

Total Shareholder Return

We have chosen to compare the Group's total shareholder return performance with that of the FTSE 350, being a broad index of the UK's largest companies and with the largest UK listed house builders, being the Group's peer group. The graph shows a hypothetical £100 holding in the Group's shares over ten years, relative to the FTSE 350.



Group Chief Executive Remuneration 2012 to 2021

Year	Chief Executive	Single total figure of remuneration £	Annual bonus paid against maximum opportunity	PSP/LTIP awards vesting against maximum opportunity
2021*	D Finch	2,578,902	92%	n/a
2020	D Finch/D Jenkinson**	658,212	n/a	n/a
2019	D Jenkinson	672,998	n/a	n/a
2018	J Fairburn	38,967,197	n/a	100%
2017	J Fairburn	45,739,514	95.7%	100%
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013***	M P Farley/J Fairburn	5,957,479	100%	100%
2012	M P Farley	4,989,127	100%	100%

* The increase in the CEO single total figure of remuneration between 2020 and 2021 reflects: (1) that Executive Directors' bonuses for 2020 were forgone; and (2) the inclusion in the 2021 single total figure of remuneration of a buy-out award granted to Dean Finch.

** This is the total remuneration for Dave Jenkinson, who was Group Chief Executive until 20 September 2020, and remuneration for Dean Finch from 28 September 2020, the date he became Group Chief Executive.

*** This is the total remuneration for Mike Farley, who was Group Chief Executive until 18 April 2013, and remuneration for Jeff Fairburn from 18 April 2013, the date he became Group Chief Executive.

Remuneration
Annual report on remuneration continued

The Wider Workforce
When making decisions about reward for the Executive Directors and Senior Executive Group the Remuneration Committee take account of the reward principles which apply across the Group. Fundamental to this are our beliefs that all employees should be treated fairly, as evidenced by our status as a Living Wage Employer, and that all employees should have the opportunity to share in the success of the business as shown through extensive participation in bonus, commission and share plans. We also continue to invest in our wider employee population through training and development opportunities and through the work being carried out by our D&I Council. All of this together is aimed at improving the overall experience of being a Persimmon employee. Further information on this can be found on page 34.

An overview of our reward policy for salaried employees and how this cascades down the business is shown below.

	Executive Directors	Senior Executive Group	Senior management	Management	Salaried Employees
Competitive base salary	✓	✓	✓	✓	✓
Annual bonus	✓	✓	✓	✓	✓
PSP	✓	✓	✓	✓	
All employee share plan	✓	✓	✓	✓	✓
Pension	✓	✓	✓	✓	✓
Car/car allowance	✓	✓	✓	✓	✓*
Private health cover	✓	✓	✓	✓	✓*

* Dependent on role and/or job grade

Employee Engagement
When setting Executive Remuneration Policy the Committee engaged with the Employee Engagement Panel. Engagement is made with employees to explain how executive remuneration aligns with wider Group pay policy. The Employee Engagement Panel outcomes are reported to the Board and meetings are attended by the Non-Executive who has responsibility for workforce engagement. The Committee Chair met with the Engagement Panel during 2021. We publish an employee newsletter, called 'HQ', regularly throughout the year. The Committee tracks a number of workforce related statistics via a workforce remuneration dashboard of Group wide workforce pay statistics and trends. The Committee and Board are informed of the outcomes of Employee Engagement Surveys which are undertaken annually.

The remuneration policy for the workforce is given due consideration when determining the remuneration of the Executive Directors.

Pay ratios
The table below compares the 2021 and 2020 Single Total Figure of Remuneration for the Group Chief Executive with that of employees who are paid at the 25th percentile, 50th percentile and 75th percentile of the Group's employee population and also shows the total pay and benefits at quartile points.

Year	Method	25th percentile pay ratio	Median ratio	75th percentile ratio
2021	Option B	99:1	60:1	45:1
2020[1]	Option B	28:1	17:1	14:1
2019	Option B	23:1	20:1	15:1

1. The pay ratio for 2020 is based on the aggregate of the remuneration earned by Dave Jenkinson and Dean Finch for the period each was CEO during 2020.

The median ratio for 2021 is 60:1. The Company considers that the median pay ratio for 2021 is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole (albeit that the total remuneration pay ratio is expected to increase going forward due to the grant of bonus and PSP awards to Executive Directors). The increase in the pay ratio between 2020 and 2021 is impacted by the inclusion in the CEO's 2021 remuneration of the buy-out award granted to him in 2021 in connection with a deferred bonus forfeited at his previous employer and the fact that 2020 bonus was forgone.

The Company adopted 'Option B' from The Companies (Miscellaneous Reporting) Regulations 2018. The latest available gender pay gap data (i.e. from April 2021) was used to identify the best equivalents in respect of each year for three Group employees whose hourly rates of pay were at the 25th, 50th and 75th percentiles of all Group employees. The Company adopted Option B because it was the most practical approach to total calculation of these ratios taking into account the availability of data, and because it means that the data used to calculate the Company's gender pay gap and CEO ratios is applied on a consistent basis. The full time equivalent total pay and benefits figures for the three employees at each percentile were determined with reference to the relevant year ended 31 December. No adjustments were made, other than approximate pro-rating to achieve full-time equivalent, or leaver data where relevant, and no components of pay have been omitted. The Committee understands that the three employees represent the relevant percentiles, and each was remunerated in line with the Group remuneration policies.

A small number of employees at either side of the quartile points identified from the gender pay gap data were also considered, together with their corresponding full time equivalent total pay and benefits figures to ensure that the employees identified at each of the three percentile points are reasonably representative of each quartile.

The CEO pay is the single total figure of remuneration for the relevant year, as stated in the Group Chief Executive Remuneration 2012 to 2021 table on page 123.

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

Year	CEO	25th percentile pay ratio	Median ratio	75th percentile ratio
2021 Total pay and benefits	833,742	£26,005	£43,306	£57,485
2021 Salary	725,000	£21,178	£33,551	£46,000
2020 Total pay and benefits	£658,212	£23,748	£39,645	£47,828
2020 Salary	£561,842	£21,608	£36,297	£38,300
2019 Total pay and benefits	£672,998	£29,500	£33,409	£44,728
2019 Salary	£511,625	£26,667	£19,425	£27,726

Gender Pay Gap

At the year end the median Gender Pay Gap for the Group was 18.1% (2020: 12.7 %). Our median gender pay gap is driven by the composition of our workforce with a higher proportion of men in skilled construction roles (such as bricklaying and site management) the market for which is competitive. Further information on gender pay gap reporting can be located in the Strategic Report, on page 35, and in the Nomination Committee Report on page 94. Whilst there is a higher proportion of men working in the Group, we are focusing on attracting a more diverse workforce, especially women, who are under-represented in the industry as a whole. The Group has set gender diversity targets, details of which can be found on page 35.

We currently do not record and calculate ethnicity pay data. The Group has appointed a Director of Talent & Diversity, and she is working with the D&I Council to develop and then implement our strategy in this area. As part of this we will be reviewing relevant pay data with a view to publishing ethnicity pay ratios in the future.

Further information on our interaction with the workforce can be located in the Strategic Report on page 34.

Directors' change in remuneration

Set out below is a comparison of the change in remuneration of each of the Company's Directors from 2019 to 2021, with the change in remuneration of Persimmon Plc's employees. Andrew Wyllie and Shirine Khoury-Haq were appointed to the Board in 2021 and, accordingly, they have been excluded from the table below. As Persimmon Plc has a relatively small number of employees, we have also chosen to compare the change in remuneration with the Group's salaried employees (the same comparator group as we have used in previous years).

	Salary/fees		Bonus		Benefits	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Average of Persimmon Plc's employees	5%	5%	21%	-19%	2	18%
Average of Group salaried employees	5%	2%	21%	-19%	2%	0%
R Devlin	5%	–	N/A	N/A	–	–
D Finch*	–	N/A	N/A***	N/A	-7%	N/A
M H Killoran	2%	1.6%	N/A***	N/A****	-30%	-15%
N Mills	5%	–	N/A	N/A	–	–
S Litherland	5%	–	N/A	N/A	–	–
J Place	–	N/A	N/A	N/A	–	N/A
A Durbin	5%	N/A	N/A	N/A	–	N/A
R Kentleton**	5%	–	N/A	N/A	–	–

* The 2020 remuneration for Dean Finch has been "annualised" for the purposes of the above table to enable a valid comparison.

** The figures have been calculated on the pro-rated equivalent of a full year's fees for R Kentleton. She retired from the Board on 31 August 2021.

*** Executive Directors' bonuses for 2020 were forgone such that the percentage change between 2020 and 2021 is not considered a meaningful comparison.

**** No bonus was payable for 2019 and bonus was forgone for 2020.

Salaried staff generally received a 3% salary increase in July 2021, their normal salary review date, although there were also a number of promotional increases during the year. Due to timing issues the bonus comparison for employees is based on the actual amount paid in 2021 versus the actual amount paid in the 2020 financial year.

Relative importance of spend on pay

Set out below is the amount spent on remuneration for all employees of the Group (including for Executive Directors) and the total amounts paid in distributions to shareholders over the year.

	2021 £m	2020 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees*	**224.0**	204.2	19.8	10%
Total Capital Return Programme payments made	**749.6**	350.7	398.9	114%

* Figures are taken from note 7 of the accounts relating to staff and employee costs except that employer social security costs and IFRS2 Share-based payment charges have been removed.

Remuneration
Annual report on remuneration continued

Statement of voting at general meeting

The Directors' Remuneration Policy, effective from 29 April 2020 was put to shareholders for approval at the 2020 AGM. The 2020 Annual Report on Remuneration was put to shareholders for approval at the 2021 AGM. The voting at each AGM was conducted on a poll. The table below summarises the result of the poll vote on the 2020 Directors' Remuneration Policy and the 2020 Annual Report on Remuneration.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy – 29 April 2020	196,105,834	97.80	4,403,134	2.20	200,508,968	63,556 (representing 0.02% of the issued share capital)
Approval of the Annual Report on Remuneration – 28 April 2021	212,361,086	99.17	1,785,058	0.83	214,146,144	1,503,379 (representing 0.471% of the issued share capital)

Statement of Remuneration Policy implementation 2022

A summary of the 2022 remuneration for each Executive Director is set out below, including for the Chief Financial Officer who is expected to commence his role in summer 2022.

Group Chief Executive pay

- Base salary of £746,750 (3% increase in line with the wider workforce increase awarded with effect from July 2021);
- Pension salary supplement of 9% (in line with the pension of salaried employees);
- Benefits including life assurance, car allowance and phone costs;
- Maximum annual bonus opportunity of 200% of base salary; and
- Maximum PSP award of 200% of base salary.

Chief Financial Officer pay

- Base salary £675,000
- Pension salary supplement of 9% (in line with the pension of the salaried employees);
- Benefits including life assurance, car allowance and phone costs;
- Maximum annual bonus opportunity of up to 175% of base salary[1]; and
- Maximum PSP award of 200% of base salary.

1. As reported in the Committee Chair's Statement, for the period from 1 January 2022 to the date of joining Persimmon the CFO's maximum annual bonus will be capped at 150% of base salary, in line with the opportunity forgone at Aviva. From the date of joining until 31 December 2022 the bonus maximum will be 175% of base salary.

Annual bonus

Each Executive Director will be eligible for consideration of a bonus in respect of 2022, with maximum opportunities as referred to above. In line with the 2021 metrics, the majority of the bonus will be based on financial metrics, being profit before tax and cash generation. As these financial targets are commercially sensitive they will be disclosed in next year's Remuneration Report. . As we continue to take action to improve our build quality and customer care, we have applied an appropriate level of non-financial cultural and ESG metrics which are key to our future success. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. 50% of any bonus earned will be deferred into shares for three years.

In 2022 there will be three non-financial metrics; 20% of bonus will be based on customer care measures, 15% will be based on quality and 5% will be based on an environmental measure. The customer care metric will be based on the strategy to score 90% or above under the HBF 8 week customer satisfaction survey which is the equivalent of a five star rating. The quality measure will be based on the results of independent warranty provider inspections and the HBF 8 week quality survey, to drive continued improvement in build quality. The environmental measure will be based on developing an annualised glide-path with targets, key actions and milestones to support us in achieving our Scope 1 and 2 science based carbon reduction targets; updating and embedding more efficient processes for data capture, tracking and reporting and delivery of actions needed to improve energy efficiency and reduce carbon emissions.

Performance Share Plan awards

The Remuneration Committee intends to make PSP awards to the Executive Directors of 200% of base salary, with vesting subject to the performance conditions set out below. The three-year performance period will run from 1 January 2022 to 31 December 2024 (as regards the financial measures) and from October 2021 to September 2024 for the cultural measure, reflecting the periods applicable to the HBF survey. Awards will vest in 2025 subject to meeting the performance conditions, with a further two-year holding period before the shares can be released to the Executive Director.

PSP performance metrics are aligned with the Company's strategy to return cash to shareholders through the housing cycle and with relative TSR performance to link Executive Directors' reward to outperformance of sector peers. In addition, as we continue to drive cultural change in the business, there is a cultural measure based on the HBF customer care survey linked to the Company's purpose to build high quality homes for our customers. Collectively, these are important factors in ensuring overall business performance, sustainability and reputation. The performance conditions remain the same as for 2021 awards, and details are provided below.

PSP performance metrics and targets – financial measures

Financial metrics will be based on relative TSR (40% of the overall award) and cash generation subject to a ROCE underpin (40% of the overall award). No change is proposed to the relative TSR measure, where performance will continue to be assessed against a comparator group consisting of other listed housebuilders.

We will continue to use a pre-land measure for cash generation. This is directly linked to strategy, encourages optimisation of sales volumes and prices of homes and encourages good cost control. It is also a measure which is easily understood by our management teams and therefore has a strong line of sight for them as participants in the PSP. We recognise that pre-land cash generation continues to be a measure in the annual bonus. However, we considered that the merits of using a pre-land measure referred to above warranted its inclusion in the PSP, and in reaching this decision we had regard to the fact that it is measured over a three year period for PSP purposes and is subject to a ROCE underpin. The ROCE underpin that we introduced for the 2020 PSP awards taking into account shareholder feedback will operate in the same way for the 2022 awards. Our pre-land cash targets have been set based on strategy of investing in work in progress and accelerating cladding remediation work, both of which will impact our cash generation. In addition the targets for the 2022 awards reflect increases to taxation which take effect in 2022 and 2023. These additional charges were not taken into account when setting 2021 targets, and the Committee has decided not to adjust the 2021 targets for these factors, however it is important that they are recognised when setting the forward-looking targets for 2022 to ensure that the targets for the 2022 PSP grant are appropriately stretching.

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
TSR Ranking[1]	40%	Median	–	Upper quartile or above
Average pre-land cash generation[2] over the three year performance period	40%	£949m	£1,117m	£1,285m
Underpin applying to the pre-land cash measure – An average ROCE[3] of 20% over the three year performance period				

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Countryside Properties PLC; Crest Nicholson Holdings plc; Redrow plc; Taylor Wimpey plc; The Berkeley Group Holdings plc; Vistry Group PLC.
2. Net cash inflow before capital return and net land payments.
3. ROCE = annual underlying profit from operations/average capital, where:
   Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;
   Average Capital Employed = average of Capital Employed during the relevant calendar year; and
   Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.

PSP performance metrics and targets – cultural measure

As with the 2021 PSP awards, the metric we use to measure customer care will continue to be based on the HBF Survey.

The HBF survey operates in the 8 week period following completion of a sale, the results of this survey are used by the HBF to determine a house builder's star rating. The HBF also operates a survey in the 9 month period following completion. For the 2022 PSP awards we will continue to use the 9 month survey results.

Measurement basis and targets

For the 2022 awards, we will assess the measure by reference to the overall Group scores because this aligns all participants with an improvement in Group performance.

The Group 9 month survey score for the year to 30 September 2021 is currently 66.5% and the targets for the 2022 awards require an improvement on this for all performance levels. An underpin will continue to apply that the Group scores at least 80% in the 8 week score in each of the three years of the performance period.

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Customer care	20%	Group HBF 9 month score in February 2025 for the 2023/24 year is 75%	Group HBF 9 month score in February 2025 for the 2023/24 year is 80%

Discretion

The Remuneration Committee has discretion to override formulaic outcomes in relation to annual bonus awards and PSP awards. In line with market practice this includes the ability to adjust for exceptional or unforeseen items in order that performance is assessed on a fair and consistent basis. Any such exercise of discretion would be disclosed in the subsequent Directors' Remuneration Report.

Remuneration
Annual report on remuneration continued

New CFO – Joining arrangements

As referred to in the statement from the Committee's Chair and in line with usual practice, the Committee has agreed that, in recognition of Jason Windsor's forfeiture of remuneration on leaving his current employer, he will receive the following buy-out awards:

Remuneration Forfeited	Replacement
Annual bonus for 2021	The bonus buy-out will not exceed the amount of the bonus in respect of Aviva's financial year ended 31 December 2021 that would have been received if Jason had not resigned. We will pay the buy-out bonus 50% in cash and 50% in shares, which will be deferred for 3 years in line with the Persimmon 2020 Deferred Bonus Plan. 50% of the amount received in cash (net of income tax and national insurance) will be used to purchase Persimmon shares.
2019, 2020, 2021 Deferred Bonus	These will be replaced with awards of Persimmon shares to be granted as soon as practicable after Jason begins employment with Persimmon. The number of Persimmon shares will be calculated to reflect the value of the forfeited Aviva shares, including any adjustment to those awards that would have been made to reflect Aviva dividends and capital returns before Jason joins Persimmon. The awards will vest as follows: • the award in respect of the 2019 award will vest immediately as the Aviva award would have vested in March 2022 • the award in respect of the 2020 award will vest half immediately and half in March 2023 in line with the forfeited award • the award in respect of the 2021 award will vest 1/3 immediately, 1/3 in March 2023 and 1/3 in March 2024, in line with the forfeited award. These awards will not be subject to performance conditions which reflects the fact the Aviva deferred bonus shares forfeit are not subject to performance conditions.
2019 Restricted Stock	This will be replaced with an award of Persimmon shares to be granted as soon as practicable after Jason begins employment with Persimmon. The number of Persimmon shares will be calculated to reflect the value of the forfeited Aviva shares, including any adjustment to those awards that would have been made to reflect Aviva dividends and capital returns before Jason joins Persimmon. This award vests immediately as the Aviva award would have vested in March 2022.
2020 and 2021 LTIP	These awards will be replaced with awards of Persimmon shares to be granted as soon as practicable after Jason begins employment with Persimmon. We will buy-out 2/3rds of the 2020 award (which was 2/3rds of the way through its performance period) and 1/3rd of the 2021 award (which was 1/3rd of the way through its performance period). The number of Persimmon shares will be calculated to reflect the value of the time reduced Aviva awards, including any adjustment to those awards that would have been made to reflect Aviva dividends and capital returns before Jason joins Persimmon. The awards will vest as follows: • the award in respect of the 2020 award will vest in March 2023 • the award in respect of the 2021 award will vest in March 2024 In addition to the time based reduction to the number of shares to be granted, both of these awards remain subject to performance conditions and will be adjusted to reflect the actual vesting of the relevant Aviva LTIP awards, thus ensuring no windfall gain or loss to Jason.

Chairman and NED fees

The Board as a whole determines the fees of the Non-Executive Directors, with the Non-Executive Directors being recused from that discussion and decision. The Remuneration Committee determines the Chair's fees. The Non-Executive Director and Chairman fees have not been revised since 2017 and 2018 respectively. The Board and the Remuneration Committee have carried out a review during the year to establish how the competitive market has changed taking into account the impact of increasing regulation and responsibilities. Given the movement in the external market since the fees were last increased, meaning that the fees had fallen significantly behind our FTSE 100 competitors it was agreed (by the Remuneration Committee for the Chair and by the Board for the NEDs) that increases will be applied for 2022 as set out below. This moves the fees to a market positioning around the median, but with the fees remaining below those at other FTSE 100 housebuilders. The new fees remain below for the NEDs and broadly in line for the Chair with what the fee level would have been if an increase in line with the wider workforce had been given each year since the last review.

The fees for 2022 are set out below, together with a comparison to 2021.

Position	Fees for 2022	Fees for 2021
Chairman	**£330,000**	£300,000
Non-Executive Director	**£65,000**	£60,000
Senior Independent Director	**£17,000**	£15,000
Audit Committee Chair	**£17,000**	£15,000
Nomination Committee Chair	**£17,000**	£15,000
Remuneration Committee Chair	**£17,000**	£15,000
Workforce Engagement NED fee	**£10,000**	N/A

Annemarie Durbin
Chair of the Remuneration Committee
1 March 2022

SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Group's Remuneration Policy for Executive Directors and Non-Executive Directors was approved by shareholders at the AGM on 29 April 2020, and took effect from that date for a period of three years. The Policy received 97.8% votes in favour. A summary of the Policy for the Executive Directors, Chairman and Non-Executive Directors is set out below.

The entire Policy, as approved by shareholders, may be found on the Group's website at https://www.persimmonhomes.com/corporate/investors/results-reports-and-presentations/ in the 2019 Annual Report on pages 101 to 109. The Policy is forward-looking and intended to last for three years from its approval by shareholders, with a new policy intended to be submitted to shareholders at the 2023 AGM.

During the year there were no deviations from the Policy.

Remuneration Policy for Executive Directors

Purpose	How it operates	Maximum payable	Performance framework
Base salary Core element of fixed remuneration reflecting individual's role and experience.	Usually reviewed annually with any increases normally taking effect from 1 January. When reviewing salaries, consideration is given to business and market conditions, any increases awarded to the Group's salaried employees and any change in a Director's role and experience. Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an adjustment is appropriate.	The Committee does not consider it appropriate to set maximum salary levels. Any increases will generally be in line with increases applied to the Group's salaried employees (in percentage terms). Increases may be made either above or below that level in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.	Although performance conditions do not apply, the individual's performance is taken into account in determining the level of any salary increase.
Pension/ Salary supplement Provide a competitive means of saving to deliver appropriate income in retirement.	Base salary is the only component of remuneration which is pensionable. The Group operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board. A Director may receive a salary supplement in lieu of some or all of the pension benefits available under either of the schemes.	Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year. The maximum DC pension contribution or salary supplement (or combination of those two elements) is 9% of base salary, subject to any increase to take account of changes to the pension/ salary supplement provided to the Group's salaried employees.	None
Benefits Provided on a market competitive basis.	The benefits include: a fully financed car or cash car allowance, group medical scheme membership, life assurance, provision of a mobile phone (or reimbursement of mobile phone costs), and income protection scheme membership. The Committee does not currently expect to change the range of benefits offered to Executive Directors but retains the discretion to add to the benefits available in appropriate circumstances, which may include providing relocation allowances where appropriate.	The Committee has not set a maximum value of benefits for Executive Directors, but the value will be set at a level which the Committee considers to be appropriately positioned, taking into account the nature and location of the role and individual circumstances.	None

Remuneration

Summary of directors' remuneration policy continued

Purpose	How it operates	Maximum payable	Performance framework
HMRC qualifying all-employee scheme HMRC qualifying all employee share schemes are to encourage employees to take a stake in the business, which aligns their interest with that of shareholders.	Executive Directors are eligible to participate in all-employee schemes on the same basis as other qualifying employees.	Maximum is subject to limits in the applicable tax legislation.	None
Annual bonus The annual bonus rewards Executive Directors for performance in the relevant year against targets and objectives linked to the delivery of the Company's strategy.	50% of any annual bonus earned is paid in cash. To further link the Executive Director's pay to the interests of shareholders, 50% of any bonus earned (subject to a de minimis limit of £5,000) is deferred into shares for three years. The Committee has the discretion to override the formulaic outturn of the bonus, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. Vesting of deferred bonus awards is not subject to further performance conditions. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of vesting. Recovery provisions apply, as referred to on page 131.	The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 150% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met and excellent Company performance is achieved.	Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective. Financial metrics such as profit, and cash generation will have the majority weighting. Non-financial metrics such as customer care and quality, where applied, will have a minority weighting. Financial metrics: Subject to the Committee's discretion to override formulaic outturns, payment at threshold performance is up to 10% of the maximum, up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. Non-financial strategic or individual metrics: Subject to the Committee's discretion to override formulaic outturns, payment of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% of that element based on the Committee's assessment of the extent to which a non-financial performance metric has been met.
The PSP To provide a link between the remuneration of Executive Directors and the creation of shareholder value by rewarding Executive Directors for the achievement of longer term objectives aligned to shareholder interests.	Under the PSP, the Committee may grant awards as conditional shares, nil-cost options or in such other form as the Committee determines has a substantially similar economic effect. Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years. The Committee has the discretion to reduce the formulaic vesting outturn applying to any PSP award, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Awards are granted subject to a holding period of two years following the end of the performance period, with the awards usually only released to the Executive Director (so that the Executive Director can acquire the shares subject to the award) following the end of the holding period. PSP awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of release. Recovery provisions apply, as referred to on page 131.	The usual maximum award level in respect of any financial year of the Company is 200% of base salary. However, in exceptional circumstances (such as on recruitment of an Executive Director), awards may be granted in respect of any financial year of the Company at the level of up to 300% of base salary.	Performance conditions applying to awards under the PSP will be based on financial and/or strategic measures aligned to the Company's long-term strategy, which may include, but is not limited to, cash generation, relative TSR, and a cultural metric. Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Choice of performance conditions

Annual bonus conditions	Rationale for selection and how performance targets are set
Profit before tax and cash generation	Aligned with the Company's strategy to deliver high quality growth and return cash to shareholders. These are important factors in ensuring overall business performance, sustainability and reputation.
Customer satisfaction, quality, or other non-financial, strategic, or personal measure	Annual bonus performance measures and targets are reviewed annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective.

PSP	Rationale for selection and how performance targets are set
Cash generation (subject to Return of Capital Employed underpin) Relative TSR A cultural metric	Performance conditions for the PSP will be determined by the Committee and aligned with the Company's strategy. The rationale for the proposed performance conditions is as follows. • Cash generation: Ensures generation of cash to fund returns to shareholders is the result of long-term sustainable financial performance which is a core element of the strategy. Return on Capital Employed underpin ensures that returns to shareholders are the result of long-term sustainable financial performance. • Relative TSR: Provides a means of comparing the Company's performance with that of peers. Aligns the rewards received by executives with the returns received by shareholders. Ensures rewards are linked to outperformance of sector peers. Aligned with market practice in wider FTSE 100 and sector peers. • Cultural metric: Performance against cultural metrics is key to our future success.

The Committee retains the right to adjust or set different performance measures if events occur (such as, but not limited to, a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Share ownership guidelines

In-service requirement

During employment, Executive Directors in office at the date on which the 2020 Policy is approved are required to acquire and retain shares with a value equal to 500% of base salary. The guideline for any Executive Director appointed on or after the date on which the 2020 Policy is approved is 400% of base salary. The Committee expects that a holding with a value equal to 200% of salary will be achieved within five years of appointment, with the balance of the guideline acquired within a period agreed with the Chairman; progress towards the guideline will be reviewed regularly.

Post-employment requirement

Following employment, Executive Directors are required to retain for a period of two years such number of shares as they were required to acquire and retain during employment (or, if fewer, the number of shares they held at the date of cessation of employment); shares which the Executive Director purchases or acquires pursuant to the Company's SAYE scheme and shares acquired pursuant to any other share plan awards granted before 1 January 2020 will not be subject to any post-employment holding requirement.

Recovery provisions (malus and clawback)

Recovery provisions may be applied in the event of the following:

- a material misstatement of any Group member's financial results;
- gross misconduct on the part of the participant which affects substantially the financial performance or reputation of a Group member;
- an error in assessing a performance condition;
- a material failure of risk management;
- serious reputational damage to any Group member;
- serious misconduct or material error on the part of the participant;
- a material corporate failure;
- a failure of acceptable health and safety standards, which may include a fatality; or
- any other circumstances considered to be similar in their nature or effect to those set out above.

The recovery provisions may be applied in the case of the annual bonus for three years from the date on which the amount of the bonus is determined and, in the case of PSP awards, until the fifth anniversary of the grant date.

Differences between the Executive Directors' and general employees' remuneration policy

Performance-related pay makes up a significantly higher proportion of remuneration for the Executive Directors and senior employees than for employees generally, reflecting the role of these individuals in managing the business to achieve the Company's strategic objectives. The Committee considers that the emphasis on performance related pay for Executive Directors and senior employees closely aligns the Directors' interests with those of shareholders and helps to deliver excellent long-term Company performance. However all salaried employees do participate in a bonus plan and have the opportunity to acquire shares through the all-employee share plan.

Remuneration
Summary of directors' remuneration policy continued

Non-Executive Directors

Purpose	How it operates	Maximum payable	Performance framework
Fees Fees are the principal element of Non-Executive Directors' remuneration and set at a level appropriate to attract Non-Executive Directors with a broad range of skills and experience to complement the Board. Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation. Benefits relevant to the role may also be provided.	Fees for the Chairman are determined by the Committee and fees for other Non-Executive Directors are determined by the Board as a whole. They are set at levels, commensurate with the individual's duties and responsibilities for a company of our size and complexity. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing fees consideration is given to market conditions, the size of the business and any increases awarded to the Group's salaried employees. Non-Executive Directors do not receive bonus, pension or salary supplement payments or share scheme awards. Benefits may be provided in connection with the undertaking by a Non-Executive Director of their duties.	Increases to Non-Executive Directors' fees will be determined having regard to increases applied to the Group's salaried employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. Additional fees are payable to Non Executive Directors for extra responsibilities, such as chairing a Board committee, holding the office of Senior Independent Director or any other additional responsibilities.	N/A

Recruitment and promotion policy

Ongoing remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates with the appropriate skills for the housebuilding industry. The Committee retains discretion to include other elements of remuneration which are not included in the provisions of the 2020 Policy set out above should business needs require. However, this discretion is subject to the following principles and limitations, and the commercial rationale for taking such action will be disclosed in the following Annual Report on Remuneration.

- The salary for a new Executive Director may be set below the normal market rate, with increases over such period as the Committee determines as the Director gains experience in their new role.
- Pension/salary supplement benefits will be provided in line with the provisions of the 2020 Policy set out above.
- The variable remuneration that may be awarded will be subject to the limit set out below.
- Without prejudice to the ability to offer additional cash and/or share-based elements to take account of remuneration relinquished when leaving the former employer as discussed below, the discretion will not be used to make non-performance related incentive payments.

Examples of the circumstances in which these other elements may be provided include:

- An interim appointment being made to fill an Executive Director role on a short term basis;
- If exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short term basis; and
- If an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or a PSP award for that year as there would not be sufficient time to assess performance, subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

The Committee may alter the performance measures and vesting/deferral/holding period of annual bonus and PSP awards to take account of the circumstances of the recruitment.

The maximum level of variable remuneration which may be granted to a new Executive Director on appointment (excluding any award to take account of remuneration relinquished when leaving the former employer) will be 450% of salary and, for a new Chief Executive, 500% of salary.

As described in the policy tables above, it may also be necessary to offer relocation benefits for external and internal appointments.

'Buy-out' awards

The Committee may offer additional cash and/or share-based elements at recruitment when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would take account of the nature, time horizons and performance requirements attaching to that remuneration. These awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining the Company, although the Committee will retain discretion to not apply forfeiture or clawback in appropriate circumstances.

Internal appointments

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms.

Non-Executive Director appointments

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and the financial statements

The current Directors are listed on pages 78 to 79 and are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.
Such law requires the preparation of the Group financial statements in accordance with UK adopted International Accounting Standards and the preparation of the Parent Company financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006.

Company law requires that Directors prepare Group and Parent Company financial statements for each financial year. However, 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 and prudent;
- state whether for the Group financial statements they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards, and for the Parent Company financial statements that they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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 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 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 and Accounts, 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.

On behalf of the Board,

Dean Finch
Group Chief Executive
1 March 2022

Independent Auditor's Report to the members of Persimmon Plc

Opinion

In our opinion:

- Persimmon plc's group financial statements and parent company financial statements (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 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Persimmon plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Group balance sheet as at 31 December 2021	Company balance sheet as at 31 December 2021
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in shareholders' equity for the year then ended
Group statement of changes in shareholders' equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 32 to the financial statements including a summary of significant accounting policies
Related notes 1 to 32 to the financial statements including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period to 30 June 2023. Management has prepared three downside scenarios. Firstly, a scenario which reflects a similar downturn to the impact of the Global Financial Crisis that took place in the late 2000s. This scenario assumes a decrease in revenue through to 30 June 2023 of c. 57% compared to the prior year. The second scenario assumes a more severe downside scenario, with a decrease in revenue through to 30 June 2023 of c. 67% compared to the prior year. The last scenario assesses the impact of a complete shutdown of the housing market up to 30 June 2023. This scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.
- In all of these scenarios, the Group maintains a positive cash balance throughout the Going Concern period to 30 June 2023 with no requirement to access the Group's £300m Revolving Credit Facility. For more detail on the assumptions in the three models, please refer to Note 2 to the financial statements.
- We assessed the appropriateness of the scenarios modelled by management and considered them to be reasonable.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriate to be able to make an assessment for the entity.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenants during the going concern period.

- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 June 2023.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach	
Audit scope	• We performed an audit of the Persimmon Plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets • This is consistent with our approach to the prior year audit
Key audit matters	• Revenue recognition • Inventory valuation and profit recognition
Materiality	• Overall group materiality of £48.3m which represents 5% of profit before tax

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

We performed an audit of the Persimmon plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets.

This is consistent with our approach to the prior year audit.

All audit work performed for the purposes of the audit was undertaken by the same audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on its operations will be from various factors, that are explained on pages 64 to 68 in the required Task Force for Climate related Financial Disclosures and on page 61 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on ensuring that the effects of the physical climate risk of flooding have been appropriately reflected in inventory asset values. Details of our procedures and findings on inventory are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Independent Auditor's Report to the members of Persimmon Plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inventory valuation and profit recognition *Refer to the Audit Committee Report (page 104); Accounting policies (page 156); and Note 17 of the Consolidated Financial Statements (page 166).* At 31 December 2021, the Inventory balance includes WIP of £1,054.1m (2020 – £1,091.6m) and Land of £1,798.2m (2020 – £1,722.1m). There is a risk that the margin used to recognise profit on each development is incorrect and that the carrying value of Inventory could be subject to impairment write downs. The carrying value of Inventory is determined by reference to a number of assumptions inherent in the site forecasts, such as costs to complete and expected selling price. These are used to calculate the expected margin on each development and the cost of sale recorded when a plot is sold. There is a risk that these assumptions may be subject to management override and that costs incurred are not allocated to the appropriate developments due to either override or error	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We performed testing on the Group's controls over the bi-monthly valuation process. In testing these controls we attended two regional valuation meetings virtually to observe the level of rigour and the tolerances applied by management in challenging the assumptions within the site valuations. We inspected a sample of valuation meeting minutes in respect of the valuation meetings held throughout the year to ensure that matters were appropriately considered and followed up. This included ensuring that the appropriate individuals were in attendance at the meeting, understanding the process which is undertaken to challenge the margin, cost to complete forecasts and any other factors that could impact on the margin, and confirming that any updates were made to the forecasts; • For a sample of development sites with unusual margins we compared the estimated and actual costs and margin across the development lifecycle, validating the key drivers for significant changes • We selected a sample of costs incurred from within inventory and agreed them to source documentation, ensuring that the costs had been appropriately allocated to sites; • We tested the appropriateness of any provisions included within the calculations, including those in relation to net realisable value and specific site provisions. We compared movements to prior periods, re-computed calculations and performed sensitivity analysis on sites where the margin was close to breakeven; and • For a sample of land assets, we considered their location within the UK and assessed whether there was any impairment risk due to potential flooding	Based on our audit procedures we have concluded that the inventory balance and profit recognised in the year are not materially misstated.
Revenue recognition *Refer to Accounting policies (page 154); and Note 5 of the Consolidated Financial Statements (page 158).* The Group has reported revenues for the year of £3,610.5m (2020 – £3,328.3m). There is potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management override.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We tested whether revenue was recorded in the correct period by selecting a sample from the housing sales recorded within 2 weeks either side of the year end and testing that the sales selected had legally completed and settled in cash in the period in which they were accounted for; • We performed procedures using EY bespoke data analytics tools to test the appropriateness of journal entries recorded in the general ledger by correlating sales postings with cash receipts throughout the year; and • We tested all material manual journals posted to revenue to assess for any evidence of management override by checking to supporting documentation.	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management override.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £48.3 million (2020: £42.9 million), which is 5% (2020: 5%) of Profit Before Tax (2020: Profit Before Tax adjusted for the legacy buildings provision charge). We believe that Profit Before Tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

We determined materiality for the Parent Company to be £22.3 million (2020: £22.2 million), which is 1% (2020: 1%) of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £36.3m (2020: £32.2m). We have set performance materiality at this percentage based on our assessment of the control environment of the Group and expectation of errors.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.4m (2020: £2.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 141, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of Persimmon Plc continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 111;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 111;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 111;
- Directors' statement on fair, balanced and understandable set out on page 141;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57 to 63;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 109; and;
- The section describing the work of the audit committee set out on page 104.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 141, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) tax compliance legislation, employment law and building safety legislation.
- We understood how Persimmon plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.
  Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company on 14 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.
  The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2016 to 31 December 2021.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
1 March 2022

Financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	**2021 Total £m**	2020 Total £m
Revenue	5	**3,610.5**	3,328.3
Cost of sales		**(2,526.7)**	(2,433.9)
Gross profit		**1,083.8**	894.4
Analysed as:			
Underlying gross profit		**1,083.8**	969.4
Legacy buildings provision	21	**–**	(75.0)
Other operating income		**6.4**	5.4
Operating expenses		**(129.7)**	(116.3)
Profit from operations	9	**960.5**	783.5
Analysed as:			
Underlying operating profit		**966.7**	862.8
Legacy buildings provision	21	**–**	(75.0)
Impairment of intangible assets	13	**(6.2)**	(4.3)
Finance income	8	**9.9**	8.9
Finance costs	8	**(3.6)**	(8.6)
Profit before tax		**966.8**	783.8
Analysed as:			
Underlying profit before tax		**973.0**	863.1
Legacy buildings provision	21	**–**	(75.0)
Impairment of intangible assets	13	**(6.2)**	(4.3)
Tax	10.1	**(179.6)**	(145.4)
Profit after tax (all attributable to equity holders of the parent)	12	**787.2**	638.4
Other comprehensive income/(expense)			
Items that will not be reclassified to profit:			
Remeasurement gain/(loss) on defined benefit pension schemes	27	**83.3**	(42.5)
Tax	10.2	**(24.8)**	6.5
Other comprehensive income/(expense) for the year, net of tax		**58.5**	(36.0)
Total recognised income for the year		**845.7**	602.4
Earnings per share			
Basic	12	**246.8p**	200.3p
Diluted	12	**245.6p**	199.6p

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement.

Balance Sheets
As at 31 December 2021

	Note	**Group 2021 £m**	Group 2020 £m	**Company 2021 £m**	Company 2020 £m
Assets					
Non-current assets					
Intangible assets	13	**175.6**	181.8	**0.5**	0.7
Property, plant and equipment	14	**99.0**	90.4	**2.8**	3.2
Investments accounted for using the equity method	15.1	**0.3**	2.1	**–**	–
Investments in subsidiaries	15.2	**–**	–	**3,205.7**	3,205.7
Shared equity loan receivables	16	**35.7**	41.7	**–**	–
Trade and other receivables	18	**0.6**	4.0	**–**	–
Deferred tax assets	23	**9.7**	7.7	**4.7**	2.9
Retirement benefit assets	27	**148.8**	50.6	**148.8**	50.6
		469.7	378.3	**3,362.5**	3,263.1
Current assets					
Inventories	17	**2,920.7**	2,901.3	**–**	–
Shared equity loan receivables	16	**9.9**	14.5	**–**	–
Trade and other receivables	18	**123.9**	86.6	**1,969.8**	1,863.7
Cash and cash equivalents	25	**1,246.6**	1,234.1	**1,054.9**	1,010.9
Current tax assets		**21.4**	8.3	**–**	–
		4,322.5	4,244.8	**3,024.7**	2,874.6
Total assets		**4,792.2**	4,623.1	**6,387.2**	6,137.7
Liabilities					
Non-current liabilities					
Trade and other payables	20	**(203.4)**	(179.3)	**(1.8)**	(1.0)
Deferred tax liabilities	23	**(54.6)**	(22.9)	**(37.4)**	(9.6)
Partnership liability	28	**(23.8)**	(27.8)	**–**	–
		(281.8)	(230.0)	**(39.2)**	(10.6)
Current liabilities					
Trade and other payables	20	**(807.0)**	(794.2)	**(4,133.9)**	(3,896.7)
Partnership liability	28	**(5.5)**	(5.5)	**–**	–
Legacy buildings provision	21	**(72.7)**	(75.0)	**–**	–
		(885.2)	(874.7)	**(4,133.9)**	(3,896.7)
Total liabilities		**(1,167.0)**	(1,104.7)	**(4,173.1)**	(3,907.3)
Net assets		**3,625.2**	3,518.4	**2,214.1**	2,230.4
Equity					
Ordinary share capital issued	24	**31.9**	31.9	**31.9**	31.9
Share premium		**24.9**	22.3	**24.9**	22.3
Capital redemption reserve		**236.5**	236.5	**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8	**–**	–
Retained earnings		**3,055.1**	2,950.9	**1,920.8**	1,939.7
Total equity		**3,625.2**	3,518.4	**2,214.1**	2,230.4

The profit for the year dealt with in the accounts of the Company is £665.0m (2020: £666.7m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 140 to 183 were approved by the Board of Directors on 1 March 2022 and were signed on its behalf by:

D Finch
Group Chief Executive

Statement of changes in shareholders' equity
For the year ended 31 December 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Group						
Balance at 1 January 2020	31.9	19.2	236.5	276.8	2,693.9	3,258.3
Profit for the year	–	–	–	–	638.4	638.4
Other comprehensive expense	–	–	–	–	(36.0)	(36.0)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(350.7)	(350.7)
Issue of new shares	–	3.1	–	–	–	3.1
Exercise of share options/share awards	–	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	–	7.7	7.7
Net settlement of share-based payments	–	–	–	–	(2.4)	(2.4)
Satisfaction of share options from own shares held	–	–	–	–	0.2	0.2
Balance at 31 December 2020	**31.9**	**22.3**	**236.5**	**276.8**	**2,950.9**	**3,518.4**
Profit for the year	–	–	–	–	787.2	787.2
Other comprehensive income	–	–	–	–	58.5	58.5
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(749.6)	(749.6)
Issue of new shares	–	2.6	–	–	–	2.6
Share-based payments	–	–	–	–	8.1	8.1
Balance at 31 December 2021	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**

The other non-distributable reserve arose prior to transition to IFRSs and relates to the issue of ordinary shares to acquire the shares of Beazer Group Plc in 2001.

The Board have decided to net settle the withholding tax obligations associated with the exercise of the Persimmon Plc 2012 Long Term Incentive Plan option. There are currently no plans to extend this decision to other share options.

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Company					
Balance at 1 January 2020	31.9	19.2	236.5	1,656.3	1,943.9
Profit for the year	–	–	–	666.7	666.7
Other comprehensive expense	–	–	–	(36.0)	(36.0)
Transactions with owners:					
Dividends on equity shares	–	–	–	(350.7)	(350.7)
Issue of new shares	–	3.1	–	–	3.1
Exercise of share options/share awards	–	–	–	(0.2)	(0.2)
Share-based payments	–	–	–	5.8	5.8
Net settlement of share-based payments	–	–	–	(2.4)	(2.4)
Other reserve movements	–	–	–	0.2	0.2
Balance at 31 December 2020	**31.9**	**22.3**	**236.5**	**1,939.7**	**2,230.4**
Profit for the year	–	–	–	665.0	665.0
Other comprehensive income	–	–	–	58.5	58.5
Transactions with owners:					
Dividends on equity shares	–	–	–	(749.6)	(749.6)
Issue of new shares	–	2.6	–	–	2.6
Share-based payments	–	–	–	7.2	7.2
Balance at 31 December 2021	**31.9**	**24.9**	**236.5**	**1,920.8**	**2,214.1**

During the year the Company received dividends from wholly owned subsidiary undertakings of £700.0m (2020: £700.0m).

Retained earnings include £4.4m of non-distributable items (2020: £8.1m).

The other non-distributable reserve arose prior to transition to IFRSs.

Cash flow statements
For the year ended 31 December 2021

	Note	**Group 2021 £m**	Group 2020 £m	**Company 2021 £m**	Company 2020 £m
Cash flows from operating activities:					
Profit for the year		**787.2**	638.4	**665.0**	666.7
Tax charge/(credit)	10.1	**179.6**	145.4	**(8.2)**	(8.0)
Finance income	8	**(9.9)**	(8.9)	**(0.7)**	(3.3)
Finance costs	8	**3.6**	8.6	**0.6**	2.3
Depreciation charge	14	**14.5**	14.1	**1.1**	1.3
Amortisation of intangible assets	13	**–**	–	**0.2**	0.3
Impairment of intangible assets	13	**6.2**	4.3	**–**	–
Legacy buildings provision	21	**–**	75.0	**–**	–
Share-based payment charge		**6.4**	6.4	**6.4**	6.4
Net imputed interest income/(expense)		**6.1**	(1.4)	**–**	–
Other non-cash items		**(7.9)**	(7.3)	**2.3**	2.7
Cash inflow from operating activities		**985.8**	874.6	**666.7**	668.4
Movements in working capital:					
(Increase)/decrease in inventories		**(9.8)**	265.0	**–**	–
Increase in trade and other receivables		**(59.5)**	(45.8)	**(122.7)**	(107.5)
Increase/(decrease) in trade and other payables		**37.4**	(116.9)	**239.4**	158.2
Decrease in shared equity loan receivables		**18.9**	16.4	**–**	–
Cash generated from operations		**972.8**	993.3	**783.4**	719.1
Interest paid		**(3.7)**	(4.1)	**(2.1)**	(2.3)
Interest received		**1.9**	4.7	**0.1**	1.7
Tax (paid)/received		**(186.2)**	(228.4)	**10.3**	19.5
Net cash inflow from operating activities		**784.8**	765.5	**791.7**	738.0
Cash flows from investing activities:					
Joint venture net funding movement		**1.8**	–	**–**	–
Purchase of property, plant and equipment	14	**(20.9)**	(18.9)	**(0.5)**	(0.5)
Proceeds from sale of property, plant and equipment		**0.9**	0.8	**–**	–
Net cash outflow from investing activities		**(18.2)**	(18.1)	**(0.5)**	(0.5)
Cash flows from financing activities:					
Lease capital payments		**(3.3)**	(3.6)	**(0.2)**	(0.3)
Payment of Partnership liability		**(3.8)**	(3.6)	**–**	–
Share options consideration		**2.6**	3.1	**2.6**	3.1
Net settlement of share-based payments		**–**	(2.4)	**–**	(2.4)
Dividends paid	11	**(749.6)**	(350.7)	**(749.6)**	(350.7)
Net cash outflow from financing activities		**(754.1)**	(357.2)	**(747.2)**	(350.3)
Increase in net cash and cash equivalents	25	**12.5**	390.2	**44.0**	387.2
Cash and cash equivalents at the beginning of the year		**1,234.1**	843.9	**1,010.9**	623.7
Cash and cash equivalents at the end of the year	25	**1,246.6**	1,234.1	**1,054.9**	1,010.9

Notes to the financial statements
For the year ended 31 December 2021

1 Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The following relevant UK endorsed new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021:

- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – phase 2
- Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021

The effects of the implementation of these amendments have been limited to disclosure amendments where applicable.

The Group has not applied the following new amendments to standards which are not yet effective:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17

The Group is currently considering the implication of these amendments with the expected impact upon the Group being limited to disclosures if applicable.

2 Accounting policies

Statement of compliance

The consolidated Group financial statements are prepared in accordance with UK adopted International Accounting Standards ('IAS'). This constitutes a change from International Accounting Standards as it applied in the EU and a change in accounting framework. There has been no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. Parent Company financial statements are prepared in accordance with UK adopted IAS in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing the Group financial statements management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate Related Disclosures. This included an assessment of Inventories and Goodwill and Intangible Assets and how they could be impacted by measures taken to address global warming.

Recognising that the environmental impact on the Group's operations is relatively low, no issues were identified that would impact the carrying values of such assets or have any other impact on the financial statements.

Going concern

The Group has performed well in the twelve months ended 31 December 2021. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered a strong trading performance in the twelve months to 31 December 2021, completing the sale of 14,551 new homes (2020: 13,575; 2019: 15,855) and generating a profit before tax of £966.8m (2020: £783.8m; 2019: £1,040.8m). At 31 December 2021, the Group's strong financial position included £1,246.6m of cash (2020: £1,234.1m; 2019: £843.9m), high quality land holdings and land creditors of £407.6m (2020: £329.3m; 2019: £435.2m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which extends out to 31 March 2026.

The Group's forward order book, including legal completions taken so far in 2022, is 3% weaker than year on year with new home forward sales of c.£2.2bn. We have over 6,200 new homes sold forward into the private owner occupier market with an average selling price of over £259,350. The cumulative average private sales reservation rate for the first 8 weeks of the year is c.2% ahead of last year.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described on page 54. The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses, covering the period to 30 June 2023, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors. For further detail regarding the approach and process the Directors follow in assessing the long-term viability of the business, please see the Viability Statement on page 68.

The scenarios emphasise the potential impact of severe market disruption, for example including the effect of a pandemic, on short to medium term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause a c.45% reduction in volumes and a c.11% reduction in average selling prices through to 30 June 2023. The combined impact results in a c.57% fall in the Group's housing revenues. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worst recession seen in the housing market since World War Two.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market causing a reduction of c.47% in new home sales volumes and a c. 37% fall in average selling prices through to 30 June 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c.67% during this period.

In addition, the Directors have assessed the impact of a complete shutdown of the housing market from the date of this announcement to 30 June 2023 on the resilience of the Group. This scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

Throughout this scenario, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility.

The Group has been increasingly assessing climate related risk and opportunities that may present to the Group. During the period assessed for going concern no significant risk has been identified that would materially impact the Group's ability to generate sufficient cash and continue as a going concern.

Notes to the financial statements
For the year ended 31 December 2021

2 Accounting policies continued

Having considered the continuing strength of the UK housing market, the sales rates being achieved by the Group, the resilience of the Group's average selling prices, the Group's scenario analysis as detailed above and significant financial headroom, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles as the Group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded income stream.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Revenue recognition

Revenue is recognised as the fair value of the consideration received or receivable on legal completion of a newly built residential property sale. Revenue also includes the fair value of the consideration received or receivable on the sale of part exchange properties and amounts contractually due under a development agreement at the balance sheet date relating to the stage of completion of the agreement as verified by surveys performed by the relevant customer as this reflects the performance obligations delivered by the Group at the balance sheet date.

Revenue relating to the provision of internet services is recognised as the service is provided.

Government grants

Grants are included within work in progress in the balance sheet and are credited to the statement of comprehensive income over the life of the developments to which they relate. Grants related to income are deducted from the related expense in the statement of comprehensive income.

Other operating income

Other operating income comprises profits from the sale of land holdings, freehold reversions, rent receivable, and other incidental sundry income.

Operating expenses

Operating expenses represent the administration costs of the business, which are written off to the statement of comprehensive income as incurred.

Borrowing costs

Interest bearing bank loans, overdrafts and Partnership liabilities are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, including direct issue costs are accounted for and taken to the statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as major restructuring and significant impairment of assets.

Share-based payments

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2 Share-based Payment, to spread the fair value of the grant over the anticipated vesting period.

2 Accounting policies continued

The fair value of such options has been calculated using generally accepted option pricing models, based upon publicly available market data at the point of grant. Share options include both market and non-market conditions. Market conditions are considered in the establishment of the initial valuation of the options. In the event of failure to meet market conditions share-based payment charges are not reversed. In the event of failure to meet non-market conditions share-based payment charges are reversed.

Where options are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to HMRC are accounted for as a deduction from equity for the shares withheld, except to the extent (if any) that the payment exceeds the fair value of shares withheld, in which case the excess will be charged to the statement of comprehensive income.

Share-based payments are charged wholly in the ultimate Parent Company.

Retirement benefit costs

The Group operates two defined benefit pension schemes. It also operates two defined contribution schemes for employees who are not members of a defined benefit scheme. The asset/liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the schemes' assets, together with adjustments for remeasurement gains and losses. Where a net asset results it is limited to the present value of economic benefits available in the form of future refunds from the scheme or reductions in future contributions, subject to any minimum funding requirements. Further details of the schemes and the valuation methods applied may be found in note 27.

Interest cost on the scheme liabilities and finance returns on scheme assets are recognised at the applicable discount rate as net finance income/costs in the statement of comprehensive income and remeasurement gains and losses via the statement of other comprehensive income.

Subsidiary entities bear a charge for current employees based upon their current pensionable salaries. Differences between this charge and the current service cost are borne by the Company as the legal sponsor, as are all experience gains and losses. There is no contractual arrangement or stated policy for recharging the other Group entities involved in the Scheme.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made, the Group has no further payment obligations.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates applicable, or expected to be applicable at the date of settlement, based on enacted rates at the reporting date.

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

The Group recognises a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets are recognised at the commencement date of the lease and are measured at cost. The right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group recognises lease liabilities at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group applies the short-term lease exemption and the low value asset recognition exemption to leases that have a lease term of 12 months or less from commencement date or are considered to be low value. Lease payments on short-term leases or leases of low value assets are charged to work in progress or operating expenses on a straight line basis over the lease term.

Property, plant and equipment

It is the Group's policy to hold property, plant and equipment at cost less accumulated depreciation, subject to the requirement to test assets for impairment.

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following bases:

Plant and equipment – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Owned utility infrastructure – 15 to 40 years.

Freehold buildings – 50 years.

No depreciation is provided on freehold land.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial year end. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Investments

Interests in subsidiary undertakings are valued at cost less impairment. Other investments are stated at fair value.

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For the year ended 31 December 2021

2 Accounting policies continued

Joint ventures
A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity, and where the arrangements entitle the Group to a share of the net assets of the entity.

Investments in joint ventures are accounted for under the equity method of accounting.

Joint operations
A joint operation is an arrangement or entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the operation and where the arrangements entitle the Group to rights over specific assets or obligations of the operation. The Group recognises its share of revenue, costs, assets and liabilities for its joint operations.

Shared equity loan receivables
Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property. The loans are classified as financial assets held at fair value through profit or loss and are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income as described in note 16.

Inventories
Inventories are stated at the lower of cost and net realisable value. Land with planning includes undeveloped land and land under development and is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the statement of comprehensive income over the period of settlement. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads. Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof. Provision is made to reflect any irrecoverable amounts.

Expenditure relating to forward land, including options and fees, is held at cost. If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date.

Impairment of financial assets
The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

Inter-Group guarantees
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Trade and other payables
Trade payables on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
Provisions are recognised when the Group has a present commitment as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that commitment. Provisions are measured at the Directors' best estimate of the expenditure required to settle the commitment at the balance sheet date and are discounted to present value where the effect is material.

Deposits
New property deposits and on account contract receipts are held within current trade and other payables until the legal completion of the related property or cancellation of the sale.

Cash and cash equivalents
Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value.

Interest bearing borrowings
Interest bearing borrowings and Partnership liabilities are carried at amortised cost.

Dividends
Dividends receivable by the Parent Company from subsidiaries are accounted for on a cash basis, or once formally approved by the shareholders of the subsidiary companies.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

Own shares held
The Group may acquire holdings in its own shares either directly or via employee benefit trusts. The acquisition cost of such shares (including associated purchase costs) is treated as a deduction from retained earnings. Such shares may be used in satisfaction of employee options or rights, in which case the cost of such shares is reversed from the profit reserves on a 'first in first out' basis.

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings. The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the UK. The carrying amount of goodwill at the balance sheet date was £115.6m with an impairment of £6.2m recognised during the year.

Brand intangibles

The intangible brand assets have been assessed against the discounted cash flows arising. These are based upon estimated returns from the related businesses, which may be impacted by various factors, most notably government social housing policy and further deterioration in the economic conditions in the UK. The carrying amount of indefinite life brands at the balance sheet date was £60.0m, with no impairment recognised during the year ended 31 December 2021.

Shared equity loan receivables

Shared equity loan receivables comprise loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The fair value of these receivables is determined by taking into account factors such as the length of time that the loan has been outstanding, market conditions, including those in respect of house price inflation, forced sale discount and probability of borrower default. The variables used are kept under regular review to ensure that as far as possible they reflect current economic circumstances; however changes in house prices, redemption dates, interest rates, unemployment levels and bankruptcy trends in the UK could result in actual returns differing from reported valuations. At 31 December 2021 the loan recognised on the balance sheet was £45.6m (2020: £56.2m).

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension assets/liabilities. However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension asset/liability may differ from that included in the financial statements.

Land and work in progress

Given the high quality of the Group's inventory asset base, the sensitivity of the assumptions used in assessing the Net Realisable Value ('NRV') of the Group's inventories is relatively low. As such no reasonably possible change in assumptions is likely to result in a material impact to the carrying value of the Group's land and work in progress balance within the next twelve months. The disclosure below provides additional insight into the carrying value of the Group's land and work in progress.

Valuations of the Group's developments, which include an estimation of costs to complete and anticipated revenues, are carried out at regular intervals throughout the year. The valuations allocate total expected site development costs between units built in the current year and those to be built in future years. These valuations therefore include a degree of uncertainty when estimating the profitability of a site and in assessing any impairment provision which may be required.

During the year ended 31 December 2021, the Group conducted reviews of the NRV of its development land and work in progress carrying values. The reviews were conducted on a site by site basis, using assumptions surrounding anticipated selling prices and the level of future development costs, based on local management and the Board's assessment of market conditions existing at the balance sheet date. As noted above, the sensitivity of these assumptions to inventory carrying value is relatively low. However, the most sensitive assumption relates to the consideration of the Group's average selling price prognosis – for example, the Directors have modelled a scenario involving an immediate and enduring reduction in Group average selling price of 20% across each plot in the Group's land holdings (it is important to note that the enduring nature of this assumption would present unusually unique circumstances when considered in the context of the UK housing market). Such a scenario would not result in a material adjustment to the carrying value of the Group's inventory. Given these factors, the Board does not believe that a reasonably possible change in the assumptions could result in a material impairment of land and work in progress carrying values in the next twelve months.

If there are significant movements in UK house prices or developments costs, beyond management's reasonably possible expectations, then further impairments of land and work in progress may be necessary.

Provisions

The Group carries a provision of £72.7m (2020: £75.0m) based on management's best estimates of the costs of completing works to ensure fire safety on affected buildings under direct ownership, and to work with and support owners and other relevant stakeholders on buildings it has developed, in order to reach positive solutions where these buildings are affected. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of remedial works to be incurred.

4 Principal activities

The Group has only one reportable operating segment, being housebuilding within the UK, under the control of the Executive Board. The Executive Board has been identified as the Chief Operating Decision Maker as defined under IFRS 8 Operating Segments.

Notes to the financial statements
For the year ended 31 December 2021

5 Revenue
An analysis of the Group's revenue is as follows:

	2021 £m	2020 £m
Revenue from the sale of new housing	3,449.7	3,129.5
Revenue from the sale of part exchange properties	155.4	196.2
Revenue from the provision of internet services	5.4	2.6
Revenue from the sale of goods and services as reported in the statement of comprehensive income	3,610.5	3,328.3
Other operating income	6.4	5.4
Finance income	9.9	8.9
	3,626.8	3,342.6

Sale of goods includes £126.5m (2020: £161.3m) in respect of the value of properties accepted in part exchange by the Group on the sale of new housing.

6 Key management remuneration
Key management personnel, as disclosed under IAS 24 Related Party Disclosures, have been identified as the Board of Directors. Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Annual Report on Remuneration on pages 108 to 128. A summary of key management remuneration is as follows:

	2021 £m	2020 £m
Short-term benefits	3.1	1.9
Termination benefits	–	0.2
Share-based payments	2.4	0.2
	5.5	2.3

Total gains on exercise of options by key management in the year amount to £nil (2020: £4.5m).

7 Employees
Group
The average monthly number of persons (including Executive Directors) employed by the Group during the year was 5,121 (2020: 5,156).

	2021 £m	2020 £m
Staff costs (for the above persons):		
Wages and salaries	217.1	198.3
Social security costs	23.0	21.4
Pensions charge	6.9	5.9
Share-based payments	6.0	6.4
	253.0	232.0

The Group also uses the services of a substantial number of self-employed labour only site operatives.

7 Employees continued

Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 353 (2020: 282).

	2021 £m	2020 £m
Staff costs (for the above persons):		
Wages and salaries	24.9	19.4
Social security costs	3.0	3.0
Pensions charge	2.3	1.7
Share-based payments	6.0	6.4
	36.2	30.5

8 Net finance income

	2021 £m	2020 £m
Recognised in profit after tax		
Interest receivable on bank deposits	0.2	1.4
Gains on shared equity loan receivables	7.9	4.0
Net interest on pension asset	0.7	1.7
Other interest receivable	1.1	1.8
Finance income	9.9	8.9
Interest expense on bank overdrafts and loans	–	1.0
Imputed interest on deferred land payables	1.8	5.4
Interest on Partnership liability	1.5	1.7
Other interest payable	0.3	0.5
Finance costs	3.6	8.6
Net finance income	6.3	0.3

9 Profit from operations

	2021 £m	2020 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	253.0	232.0
Profit on sale of land holdings	(2.2)	–
Government grants	(0.3)	(0.3)
Rent receivable	(2.9)	(3.6)
Profit on sale of property, plant and equipment	(0.9)	(0.6)
Depreciation of owned assets	14.5	14.1
Impairment of intangible assets	6.2	4.3

The Group did not receive any new government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Notes to the financial statements
For the year ended 31 December 2021

9 Profit from operations continued

Amounts receivable by the auditor, Ernst & Young LLP, and their associates in respect of:

	2021 £'000	2020 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	335	290
The audit of the Company's subsidiaries pursuant to legislation	25	25
Total fees for the audit of the Company and its subsidiaries	360	315
Non-audit fees		
Audit related assurance services	65	60
Total non-audit fees	65	60
	425	375

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities for non-audit services amounted to £206,176 (2020: £70,576).

10 Tax

10.1 Analysis of the tax charge for the year

	2021 £m	2020 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	181.2	148.5
Adjustments in respect of prior years	(8.3)	(6.4)
	172.9	142.1
Deferred tax relating to origination and reversal of temporary differences	5.4	2.6
Adjustments recognised in the current year in respect of prior years deferred tax	1.3	0.7
	6.7	3.3
Tax charge for the year recognised in Statement of Comprehensive Income	179.6	145.4

The tax charge for the year can be reconciled to the accounting profit as follows:

	2021 £m	2020 £m
Profit from continuing operations	966.8	783.8
Tax calculated at UK corporation tax rate of 19% (2020: 19%)	183.7	148.9
Accounting base cost not deductible for tax purposes	0.2	0.3
Goodwill impairment losses that are not deductible	1.2	0.8
Expenditure not allowable for tax purposes	0.2	0.2
Effect of change in rate of corporation tax	2.7	0.9
Enhanced tax reliefs	(1.3)	–
Adjustments in respect of prior years	(7.1)	(5.7)
Tax charge for the year recognised in Statement of Comprehensive Income	179.6	145.4

The Group's overall effective tax rate of 18.6% has been reduced from the mainstream rate of 19.0% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate remains at 19% in line with corporation tax rates effective from 1 April 2017. On 10 June 2021, the Finance Act 2021 was enacted into law, introducing a new higher rate of corporation tax of 25% coming into effect from 1 April 2023. Consequently, the expected tax rate for the full year includes the effect of revaluing deferred tax assets and liabilities at this higher rate where these are expected to be realised or settled on or after 1 April 2023.

Following consultation by HM Treasury to implement a Residential Property Developer Tax ("RPDT") on profits arising from residential property activity, on 27 October 2021, the Chancellor of the Exchequer announced new legislation and an RPDT rate of 4% on all annual residential property profits in excess of £25m, effective from 1 April 2022. This additional rate once enacted will add to the standard rate of corporation tax of 25% effective from 1 April 2023, as noted above.

As the RPDT was not substantively enacted prior to 31 December 2021, the additional 4% tax rate is not reflected in the valuation of the Group's deferred tax assets and liabilities at that date. The estimated impact on the Group's deferred tax balances as at 31 December 2021 would be to increase the net deferred tax liability by £7m with a corresponding charge to the Statement of Comprehensive Income/Statement of Shareholders Equity.

10 Tax continued

10.2 Deferred tax recognised in other comprehensive income (note 23)

	2021 £m	2020 £m
Recognised on remeasurement gain/(loss) on pension schemes	24.8	(6.5)

10.3 Tax recognised directly in equity

	2021 £m	2020 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	0.1	(1.1)
Deferred tax related to equity settled transactions (note 23)	(1.8)	(0.2)
	(1.7)	(1.3)

11 Dividends/Return of capital

	2021 £m	2020 £m
Amounts recognised as distributions to capital holders in the period:		
2019 dividend to all shareholders of 40p per share paid 2020	–	127.5
2019 dividend to all shareholders of 70p per share paid 2020	–	223.2
2020 dividend to all shareholders of 125p per share paid 2021	398.7	–
2020 dividend to all shareholders of 110p per share paid 2021	350.9	–
Total capital return	749.6	350.7

The Directors propose to return 125p of surplus capital to shareholders for each ordinary share held on the register on 11 March 2022 with payment made on 1 April 2022 as an interim dividend in respect of the financial year ended 31 December 2021. The Directors intend to return surplus capital of 110p per ordinary share as an interim dividend with respect to the financial year ended 31 December 2021. This distribution to shareholders is anticipated to be made in July 2022 subject to continuous Board assessment in line with the Group's strategy. The total anticipated distributions to shareholders is 235p per share (2020: 235p per share) in respect of the financial year ended 31 December 2021.

The Parent Company received £700.0m dividends from wholly owned subsidiary undertakings during 2021 (2020: £700.0m).

12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trusts (see note 24) and any treasury shares, all of which are treated as cancelled, which were 319.0m (2020: 318.8m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 320.2m (2020: 319.9m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

	2021	2020
Basic earnings per share	246.8p	200.3p
Underlying basic earnings per share	248.7p	220.7p
Diluted earnings per share	245.6p	199.6p
Underlying diluted earnings per share	247.6p	219.9p

Notes to the financial statements
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12 Earnings per share continued

The calculation of the basic and diluted earnings per share is based upon the following data:

	2021 £m	2020 £m
Underlying earnings attributable to shareholders	**793.4**	703.5
Legacy buildings provision (net of tax)	**–**	(60.8)
Goodwill impairment	**(6.2)**	(4.3)
Earnings attributable to shareholders	**787.2**	638.4

13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2020, 1 January 2021 and 31 December 2021	**408.8**	**60.0**	**1.9**	**470.7**
Accumulated impairment losses/amortisation				
At 1 January 2020	282.7	–	1.9	284.6
Impairment losses for the year – utilisation of strategic land holdings	4.3	–	–	4.3
At 1 January 2021	**287.0**	**–**	**1.9**	**288.9**
Impairment losses for the year – utilisation of strategic land holdings	6.2	–	–	6.2
At 31 December 2021	**293.2**	**–**	**1.9**	**295.1**
Carrying amount				
At 31 December 2021	**115.6**	**60.0**	**–**	**175.6**
At 31 December 2020	121.8	60.0	–	181.8

Goodwill brought forward at the start of the year of £121.8m includes £100.5m (2020: £104.0m) which arose on acquisitions before the date of transition to IFRSs and is retained at the previous UK GAAP amounts, subject to being tested for impairment. £37.0m (2020: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001.

Acquired brand values, including the brand value of Charles Church which is classified as goodwill as this was acquired before the date of transition to IFRSs, are calculated based on discounted cash flows and are tested annually for impairment. The remainder of goodwill is allocated to acquired strategic land holdings and is tested annually for impairment.

The recoverable amounts of the intangibles are determined from value in use calculations. Goodwill is allocated for impairment testing purposes down to a lower level than the Group's single operating segment, being to Charles Church and to the portfolios of strategic land holdings throughout the UK acquired with Beazer and Westbury. The key assumptions for value in use calculations are those regarding discount and growth rates. Growth rates incorporate volume, selling price and direct cost changes.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated for four years, to form the basis of the Group's five-year business plan. When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between 0% to 3% (2020: 0% to +2%), reflecting the potential economic uncertainties associated with the UK's withdrawal from the EU.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between 0% to +3% (2020: 0% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between 1 and 2% (2020: nil and 2%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long-term average growth rates for the industry.

Management used pre-tax discount factors between 2% and 8% (2020: 2% and 7%) over the forecast periods.

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment of £6.2m (2020: £4.3m). This charge reflects ongoing consumption of the acquired strategic land holdings. The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot for which management expects to receive a satisfactory planning permission is sold.

On concluding the annual impairment testing, there remains £58.5m (2020: £63.5m) and £20.1m (2020: £21.3m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2020: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2020: £60.0m) of carrying value in relation to the Westbury brand.

13 Intangible assets continued

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2020, 1 January 2021 and 31 December 2021	**5.0**
Amortisation	
At 1 January 2020	4.0
Charge for the year	0.3
At 1 January 2021	4.3
Charge for the year	0.2
At 31 December 2021	**4.5**
Carrying amount	
At 31 December 2021	**0.5**
At 31 December 2020	0.7

14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2020	45.6	103.3	29.3	178.2
Additions	4.1	17.3	1.4	22.8
Disposals	(0.5)	(3.7)	(1.0)	(5.2)
At 1 January 2021	49.2	116.9	29.7	195.8
Additions	1.1	20.0	2.1	23.2
Disposals	(0.2)	(10.9)	(2.2)	(13.3)
At 31 December 2021	**50.1**	**126.0**	**29.6**	**205.7**
Accumulated depreciation				
At 1 January 2020	6.8	73.4	16.0	96.2
Charge for the year	1.6	10.0	2.5	14.1
Disposals	(0.3)	(3.7)	(0.9)	(4.9)
At 1 January 2021	8.1	79.7	17.6	105.4
Charge for the year	1.5	9.9	3.1	14.5
Disposals	(0.1)	(10.9)	(2.2)	(13.2)
At 31 December 2021	**9.5**	**78.7**	**18.5**	**106.7**
Carrying amount				
At 31 December 2021	**40.6**	**47.3**	**11.1**	**99.0**
At 31 December 2020	41.1	37.2	12.1	90.4

At 31 December 2021, the Group had £2.8m contractual commitments for the acquisition of property, plant and equipment (2020: £nil).

At 31 December 2021, the Group had £nil held for sale (2020: £nil).

Within additions for the year are £2.2m of 'Right of Use' assets (2020: £3.9m). At 31 December 2021 a 'Right of Use' asset of £8.6m is reported within Property, plant and equipment (2020: £9.4m).

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14 Property, plant and equipment continued

Company	Land and buildings £m	Plant £m	Computer equipment, fixtures and fittings £m	Total £m
Cost				
At 1 January 2020	2.0	0.6	5.6	8.2
Additions	0.1	0.3	0.4	0.8
Disposals	–	–	(0.8)	(0.8)
At 1 January 2021	2.1	0.9	5.2	8.2
Additions	–	0.3	0.5	0.8
Disposals	–	(0.1)	–	(0.1)
At 31 December 2021	**2.1**	**1.1**	**5.7**	**8.9**
Accumulated depreciation				
At 1 January 2020	0.6	0.2	3.7	4.5
Charge for the year	0.1	0.3	0.9	1.3
Disposals	–	–	(0.8)	(0.8)
At 1 January 2021	0.7	0.5	3.8	5.0
Charge for the year	–	0.2	0.9	1.1
Disposals	–	–	–	–
At 31 December 2021	**0.7**	**0.7**	**4.7**	**6.1**
Carrying amount				
At 31 December 2021	1.4	0.4	1.0	2.8
At 31 December 2020	1.4	0.4	1.4	3.2

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2020 and 1 January 2021	**2.1**
Distributions	(1.8)
At 31 December 2021	**0.3**

Investments in joint ventures are accounted for under the equity method of accounting. All principal joint ventures have a single external partner holding a 50% interest giving an equal interest in the trade and net assets of the joint ventures. There are no significant restrictions on these entities.

During the year the Group disposed of all its significant joint venture investments.

The Group's share of assets and liabilities of joint ventures is shown below:

	2021 £m	2020 £m
Non-current assets	**0.1**	0.5
Current assets	**0.2**	4.3
Current liabilities	**–**	(2.7)
Net assets of joint ventures	**0.3**	2.1

15 Investments continued

15.2 Investments in subsidiaries

Company	2021 £m	2020 £m
Cost		
At 1 January 2020, 31 December 2020 and 31 December 2021	3,540.7	3,540.7
Impairment		
At 1 January 2020, 31 December 2020 and 31 December 2021	335.0	335.0
Net book value		
At 31 December	3,205.7	3,205.7

The annual review of the carrying value of the investment in subsidiaries identified £nil impairment issues (2020: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

16 Shared equity loan receivables

Group	2021 £m	2020 £m
At 1 January	56.2	68.6
Settlements	(18.9)	(16.4)
Gains	8.3	4.0
At 31 December	45.6	56.2

All gains/losses have been recognised in the statement of comprehensive income. Of the gains recognised in finance income for the period £4.2m (2020: £1.5m) was unrealised.

Shared equity loan receivables, comprise loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. Loans are repayable at the borrower's option, on sale or transfer of the related property or other redemption of the first legal charge or at the end of the fixed term. The loans are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment.

The Directors revisit the future anticipated cash receipts from the loans at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the loan increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the Directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to loans are set out in note 22.

17 Inventories

	2021 £m	2020 £m
Land	1,798.2	1,722.1
Work in progress	1,054.1	1,091.6
Part exchange properties	24.8	40.9
Showhouses	43.6	46.7
	2,920.7	2,901.3

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2021. Our approach to this review has been consistent with that conducted at 31 December 2020. This review gave rise to a reversal of £nil (2020: £nil) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £nil (2020: £nil). This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Net realisable provisions held against inventories at 31 December 2021 were £18.6m (2020: £25.4m).

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17 Inventories continued

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2021 review, £4.1m (2020: £5.9m) of inventories are valued at net realisable value rather than at historical cost.

Land with a carrying value of £811.4m (2020: £667.1m) was used as security for land payables (note 20).

The value of inventories expensed in 2021 and included in cost of sales was £2,443.6m (2020: £2,256.1m).

18 Trade and other receivables

	Group 2021 £m	Group 2020 £m	**Company 2021 £m**	Company 2020 £m
Non-current assets				
Other receivables	**0.6**	4.0	**–**	–
Current assets				
Trade receivables	**87.9**	52.7	**0.7**	0.9
Other receivables	**26.0**	27.3	**27.0**	21.1
Amounts owed by Group undertakings	**–**	–	**1,940.4**	1,840.5
Prepayments and accrued income	**10.0**	6.6	**1.7**	1.2
	123.9	86.6	**1,969.8**	1,863.7

Trade and other receivables are non-interest bearing, and the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Directors consider that the carrying value of trade receivables approximates to their fair value.

No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

	2021 £m	2020 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	**13.7**	17.1
Over 3 months	**6.3**	5.7
	20.0	22.8

The carrying value of trade and other receivables are stated after the following allowance for expected credit losses:

	2021 £m	2020 £m
Group		
At 1 January	**2.0**	2.1
Allowance for expected credit losses charged	**0.1**	0.2
Amounts written off during the year as uncollectable	**(0.1)**	(0.3)
Allowance for expected credit losses reversed	**–**	–
At 31 December	**2.0**	2.0

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 22. There are £nil borrowings at 31 December 2021 (2020: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	**2021 £m**	2020 £m
Bank overdrafts	GBP	Base +1%-3.25%	2022	**31.0**	31.0
Syndicated loan	GBP	SONIA +0.90%-0.93%	2026	**300.0**	300.0
Available facilities				**331.0**	331.0

The interest rate applicable to the syndicated loan may increase dependent upon the Group's gearing level. The discount rate applies to current and forecast gearing levels.

20 Trade and other payables

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Non-current liabilities				
Land payables	190.2	167.7	–	–
Other payables	13.2	11.6	1.8	1.0
	203.4	179.3	1.8	1.0

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Current liabilities				
Trade payables	227.2	206.5	0.7	0.6
Land payables	217.4	161.6	–	–
Deposits and on account contract receipts	25.8	47.8	–	–
Other payables	48.6	47.6	9.2	13.2
Accrued expenses	288.0	330.7	9.9	15.0
Amounts owed to Group undertakings	–	–	4,114.1	3,867.9
	807.0	794.2	4,133.9	3,896.7

Trade payables subject to payment terms were 14 days (2020: 13 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

21 Legacy buildings provision

	Group 2021 £m	Group 2020 £m
At 1 January	75.0	–
Additions to provision in the year	–	75.0
Provisions utilised in the year	(2.3)	–
At 31 December	72.7	75.0

The Company has no provisions.

In the prior year we made a commitment that no leaseholder living in a building we had developed, including all those above 11 metres, should have to cover the cost of cladding removal. As part of this commitment, we created a £75.0m provision to cover the cost of any necessary works. Work has been ongoing throughout 2021 at a cost of £2.3m. The provision at 31 December 2021 remains management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings under direct ownership and on those under third party ownership we have developed. As a result no further charge to the Statement of Comprehensive Income has been made in the year. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of the remedial works and the scope of the properties requiring remedial works may change should regulation further evolve.

22 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them. Unless otherwise stated references to Group should be considered to apply to the Company as well.

The Board has overall responsibility for risk management of the Group. The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control. The Risk Committee reports to the Audit Committee on a regular basis.

The Risk Committee is supported in this task by the Group Risk management function. The Group Risk function performs an annual assessment of the risks faced by the Group. This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness.

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22 Financial risk management continued

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK housing market on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

The Group had investments in a number of Portuguese joint ventures that were disposed of during the year. These interests were not hedged. At 31 December 2021 the Group also holds €nil (2020: €nil) of cash.

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2021		2020	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
Euro	**1.16**	**1.19**	1.13	1.11

The Group's exposure to foreign currency risk may be summarised as follows:

	2021 €m	2020 €m
Investments	**–**	2.3
Cash	**–**	–
Total	**–**	2.3

Sensitivity analysis

A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £nil loss/gain in relation to investments (2020: £0.2m).

Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects both the low borrowing requirements of the Group and the current low interest rates applicable to floating borrowings. The Group has no formal target for a ratio of fixed to floating funding. The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis

If in the year ended 31 December 2021 UK interest rates had been 0.5% higher/lower than the Group's pre-tax profit would have increased/decreased by £5.3m (2020: increased/decreased by £3.9m). The Group's post-tax profit would have increased/decreased by £4.3m (2020: increased/decreased by £3.2m).

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the net financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing, mortgage availability and exchange rates.

Housing market risk

The Group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning. The UK's withdrawal from the EU may have a significant impact on these factors.

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long-term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations. The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption.

Sensitivity analysis

At 31 December 2021, if UK house prices had been 10% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely shared equity loan receivables, would increase/decrease in value, excluding any effects of current or deferred tax, by £4.6m (2020: £5.6m).

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates. Therefore the Group remains confident of its continued compliance with financial covenants under the syndicated loan even in the event of deterioration in market conditions. Further information on the Group's liquidity forecast process is included in the Viability Statement on pages 68 to 69.

22 Financial risk management continued

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations. The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies.

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised; (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained; and (iii) a long-term projection basis for the purpose of identifying long-term strategic funding requirements.

The Directors also continually assess the balance of capital and debt funding of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Group operates short term uncommitted overdraft facilities to meet day-to-day liquidity requirements. These facilities are cancellable on request from the bank; however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

The Group maintains a £300m revolving credit facility committed to March 2026. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2020: £300m).

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal. Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are spread across such institutions to minimise exposure to any single entity and are made on a short term basis only to preserve liquidity.

Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity). The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. The Group is currently pursuing a strategy of capital return to shareholders, whilst at the same time building a stronger, larger business. Full details are available in the Strategic Report on pages 50 to 53.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted):

Group	**2021 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	**577.0**	580.0	565.4	7.7	2.7	4.2
Land payables	**407.6**	409.6	218.7	105.3	81.8	3.8
Partnership liability	**29.3**	33.7	5.5	5.6	16.9	5.7
Financial liabilities	**1,013.9**	1,023.3	789.6	118.6	101.4	13.7

Group	2020 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	596.5	599.8	585.9	4.3	4.9	4.7
Land payables	329.3	332.5	164.7	85.1	73.4	9.3
Partnership liability	33.3	39.2	5.5	5.5	16.8	11.4
Financial liabilities	959.1	971.5	756.1	94.9	95.1	25.4

Company	**2021 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables (including intercompany balances)	**4,135.7**	4,135.7	4,133.9	0.3	1.5	–
Financial liabilities	**4,135.7**	4,135.7	4,133.9	0.3	1.5	–

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22 Financial risk management continued

It is noted that £4,114.1m (2020: £3,867.9m) of other payables refer to amounts owed to subsidiary undertakings. Whilst generally repayable upon demand, in practice it is unlikely there will be any required repayment in the short term.

Company	2020 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables (including intercompany balances)	3,897.7	3,897.7	3,896.7	0.6	0.4	–
Financial liabilities	3,897.7	3,897.7	3,896.7	0.6	0.4	–

Credit risk

The nature of the UK housing industry and the legal framework surrounding it results in the Group having a low exposure to credit risk.

In all but a minority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies.

In certain specific circumstances the Group has entered into shared equity arrangements (not applicable to the Company). The pressures of market conditions during recessionary periods necessitated an increase in this form of sales structure from 2008. In such cases the long-term debt is secured upon the property concerned. The Group does not recognise collateral rights as a separate asset, nor does it have rights to trade such collateral. Reductions in property values leads to an increase in the credit risk of the Group in respect of such sales. There was £0.3m requirement for a charge in relation to credit impairment in the year (2020: £0.6m).

The maximum total credit risk is as follows:

Group	**2021 £m**	2020 £m
Trade and other receivables	**114.5**	84.0
Shared equity loan receivables	**45.6**	56.2
Cash and cash equivalents	**1,246.6**	1,234.1
	1,406.7	1,374.3

Company		
Loans and receivables (including intercompany balances)	**1,968.1**	1,862.5
Cash and cash equivalents	**1,054.9**	1,010.9
	3,023.0	2,873.4

The maximum credit exposure of the Group to overseas parties is £nil (2020: £nil) (Company: £nil (2020: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £20.4m (2020: £3.8m) and is not yet due (Company: £1,339.5m (2020: £1,239.5m) being a subsidiary debtor). The Directors consider these financial assets to be of high quality and the credit risk is assessed as low. The maximum credit risk associated with a financial institution in respect of short term cash deposits is £216.1m (2020: £325.0m).

Fair value

The fair value of financial assets and liabilities is as follows:

	2021		2020	
Group	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Trade and other receivables	**114.5**	**114.5**	84.0	84.0
Shared equity loan receivables	**45.6**	**45.6**	56.2	56.2
Cash and cash equivalents	**1,246.6**	**1,246.6**	1,234.1	1,234.1
Trade and other payables	**(577.0)**	**(577.0)**	(596.4)	(596.4)
Land payables	**(407.6)**	**(407.6)**	(329.3)	(329.3)
Partnership liability	**(30.1)**	**(29.3)**	(35.2)	(33.3)
	(392.0)	**(392.8)**	413.4	415.3

22 Financial risk management continued

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

Company	2021 Fair value £m	2021 Carrying value £m	2020 Fair value £m	2020 Carrying value £m
Trade and other receivables (including intercompany balances)	1,968.1	1,968.1	1,862.5	1,862.5
Cash and cash equivalents	1,054.9	1,054.9	1,010.9	1,010.9
Trade and other payables (including intercompany balances)	(4,135.7)	(4,135.7)	(3,897.7)	(3,897.7)
	(1,112.7)	(1,112.7)	(1,024.3)	(1,024.3)

Income and expense in relation to financial instruments is disclosed in note 8.

Financial assets and liabilities by category:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Financial assets designated fair value through statement of comprehensive income	45.6	56.2	–	–
Trade and other receivables	114.5	84.0	1,968.1	1,862.5
Cash and cash equivalents	1,246.6	1,234.1	1,054.9	1,010.9
Financial liabilities at amortised cost	(1,013.9)	(959.1)	(4,135.7)	(3,896.7)
	392.8	415.2	(1,112.7)	(1,023.3)

Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS 13 Revised (as defined within the standard) as follows:

Group	2021 Level 3 £m	2020 Level 3 £m
Shared equity loan receivables	45.6	56.2

Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers and secured by way of a second charge on their new home. They are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

There exists an element of uncertainty over the precise final valuation and timing of cash flows arising from these loans. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13 Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2020: ten years) and discount rate 5% (2020: 5%) based on current observed market interest rates offered to private individuals on secured second loans.

The discounted forecast cash flow calculation is dependent upon the estimated future value of the properties on which the shared equity loans are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the loan. Furthermore, whilst not easily assessable in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

Detail of the movements in shared equity loan receivables in the period are disclosed in note 16.

Notes to the financial statements
For the year ended 31 December 2021

23 Deferred tax
The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2020		2.0	(13.2)	2.6	(10.2)	0.2	(18.6)
(Charge)/credit to income statement	10.1	–	(2.9)	1.0	(1.2)	(0.2)	(3.3)
Credit to other comprehensive income	10.2	–	6.5	–	–	–	6.5
Amounts taken directly to equity	10.3	–	–	0.1	–	0.1	0.2
At 1 January 2021		2.0	(9.6)	3.7	(11.4)	0.1	(15.2)
(Charge)/credit to income statement	10.1	(1.7)	(2.8)	2.1	(3.6)	(0.7)	(6.7)
Charge to other comprehensive income	10.2	–	(24.8)	–	–	–	(24.8)
Amounts taken directly to equity	10.3	–	–	1.8	–	–	1.8
At 31 December 2021		**0.3**	**(37.2)**	**7.6**	**(15.0)**	**(0.6)**	**(44.9)**

As permitted by IAS 12 Income Taxes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	2020 £m
Share-based payments	**7.6**	3.7
Other items, including accelerated capital allowances	**2.1**	4.0
Deferred tax assets	**9.7**	7.7
Brands	**(15.0)**	(11.4)
Other items, including accelerated capital allowances	**(39.6)**	(11.5)
Deferred tax liabilities	**(54.6)**	(22.9)
Net deferred tax liability	**(44.9)**	(15.2)

The Group has recognised deferred tax liabilities of £37.2m (2020: liabilities of £9.6m) on retirement benefit assets of £148.8m (2020: assets of £50.6m).
The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2020	0.2	(13.2)	1.5	1.0	(10.5)
Credit/(charge) to income statement	0.1	(2.9)	1.0	(0.1)	(1.9)
Credit to other comprehensive income	–	6.5	–	–	6.5
Amounts taken directly to equity	–	–	(0.8)	–	(0.8)
At 1 January 2021	0.3	(9.6)	1.7	0.9	(6.7)
(Charge)/credit to income statement	(0.5)	(2.8)	1.2	–	(2.1)
Charge to other comprehensive income	–	(24.8)	–	–	(24.8)
Amounts taken directly to equity	–	–	0.9	–	0.9
At 31 December 2021	**(0.2)**	**(37.2)**	**3.8**	**0.9**	**(32.7)**

No deferred tax assets and liabilities have been offset (2020: £nil).

24 Share capital

	2021 £m	2020 £m
Allotted, called up and fully paid		
319,206,474 (2020: 319,071,261) ordinary shares of 10p each	31.9	31.9

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 135,213 ordinary shares (2020: 168,876) were issued in satisfaction of share option exercises.

The Company has established an Employee Benefit Trust to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2021, the Trustee transferred no shares (2020: 115,489) to employees. At 31 December 2021 the trust held 105,523 shares (2020: 105,523) on which dividends have been waived. The market value of these shares at 31 December 2021 was £3,013,737 (2020: £2,919,821).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2020	0.4
Disposed of on exercise/vesting to employees	–
Balance at 31 December 2021	0.4

25 Reconciliation of net cash flow to net cash and analysis of net cash

Group	2021 £m	2020 £m
Cash and cash equivalents at 1 January	1,234.1	843.9
Increase in net cash and cash equivalents in cash flow	12.5	390.2
Cash and cash equivalents at 31 December	1,246.6	1,234.1
IFRS 16 lease liability	(8.8)	(9.6)
Net cash at 31 December	1,237.8	1,224.5

Net cash is defined as cash and cash equivalents, bank overdrafts, finance lease obligations and interest bearing borrowings.

26 Contingent liabilities

As disclosed in note 21 the Group has undertaken a review of all of its legacy buildings that used cladding on their façades.

The Financial Statements have been prepared based on the latest available information, however the relevant government guidance and retrospective review of building materials continues to evolve. As such, the costs of remedial works may change as work and regulations progress.

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £372m (2020: £379m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 31.

Notes to the financial statements
For the year ended 31 December 2021

27 Retirement benefit assets

As at 31 December 2021 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

Group personal pension schemes

The Group makes contributions to the Group personal pension schemes which are open to employees who are not members of the defined benefit schemes. Dependent upon an employee's role and length of service the Group may make contributions to the schemes of up to a maximum of 9% of basic salary. The Group has no liability beyond these contributions. Group contributions to these schemes of £4.9m (2020: £4.6m) are expensed through the statement of comprehensive income as incurred.

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001. Active members of the Persimmon Scheme accrue benefits on a career average revalued earnings basis. The assets of the Persimmon Scheme are held separately from those of the Group.

On 12 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Scheme. The Persimmon Scheme used these funds to invest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a 15 year period. See note 28 for further details.

Prowting Pension Scheme

The Group also operates the Prowting Pension Scheme (the 'Prowting Scheme'), a defined benefit scheme. Benefits accrue on a career average revalued earnings basis. The assets of the Prowting Scheme are held separately from those of the Group.

Role of Trustees

Both the Persimmon Scheme and the Prowting Scheme (jointly 'the Pension Schemes') are managed by Trustees who are legally separate from the Company. The Trustees are composed of representatives appointed by both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the Pension Schemes (see below).

Funding requirements

UK legislation requires that pension schemes are funded prudently i.e. to a level in excess of the current expected cost of providing benefits. The last funding valuation of the Persimmon Scheme was carried out by a qualified actuary as at 1 January 2020 and as at 31 March 2021 for the Prowting Scheme. The next funding valuation will be as at 1 January 2023 for the Persimmon Scheme and as at 31 March 2024 for the Prowting Scheme. Subsequent valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon and Prowting Scheme's funding (due to recent cash contributions made to the Schemes) no deficit contributions are required for either scheme. Salary related contributions for active members and expense related contributions are payable for the Persimmon Scheme.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the Pension Schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

The Group has determined that in accordance with the rules of the Pension Schemes the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of funding obligations. As such no decrease in the defined benefit asset was necessary.

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The Pension Schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due. The Pension Schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

Regulation

The UK pensions market is regulated by The Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members;
- to promote, and to improve understanding of good administration; and
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF).

The Pensions Regulator has sweeping powers including the powers:

- to wind up a scheme where winding up is necessary to protect members' interests;
- to appoint or remove a trustee;
- to impose a schedule of company contributions or the calculation of the technical provisions where a trustee and company fail to agree on appropriate contributions; and
- to impose a contribution where there has been a detrimental action against a scheme.

27 Retirement benefit assets continued

Risks associated with the Pension Schemes

The Pension Schemes expose the Group to a number of risks, the most significant of which are:

Risk	Description
Volatile asset returns	The defined benefit obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The Persimmon Scheme holds a significant proportion (c.50%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset

The amounts included in the balance sheet arising from the Group's obligations in respect of the Pension Schemes are as follows:

	2021 £m	2020 £m
Fair value of Pension Scheme assets	**751.9**	694.4
Present value of funded obligations	**(603.1)**	(643.8)
Net pension asset	**148.8**	50.6

A deferred tax liability totalling £37.2m (2020: £9.6m) has been recognised on the balance sheet in relation to the net pension asset.

Movements in the net pension asset on the balance sheet were as follows:

	2021 £m	2020 £m
As at 1 January	**50.6**	77.6
Total gain/(loss) recognised in the period	**81.4**	(43.8)
Company contributions paid in the period	**16.8**	16.8
Net pension asset	**148.8**	50.6

The Group has recognised a Net Pension Asset on the basis that under the rules of the scheme any future surplus would be returnable to the Group by refund, assuming gradual settlement over the lifetime of the schemes.

The Company does not present valuations of its own separate assets and liabilities under the Pension Schemes as the entire net assets of the Pension Schemes are included in the Company balance sheet, as ultimate scheme sponsor.

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2021 £m	2020 £m
Current service cost	**2.0**	1.9
Past service cost	**–**	0.5
Administrative expense	**0.6**	0.6
Pension cost recognised as operating expense	**2.6**	3.0
Interest cost	**8.9**	11.7
Return on assets recorded as interest	**(9.6)**	(13.4)
Pension cost recognised as net finance credit	**(0.7)**	(1.7)
Total defined benefit pension cost recognised in profit or loss	**1.9**	1.3
Remeasurement (gain)/loss recognised in other comprehensive income	**(83.3)**	42.5
Total defined benefit scheme (gain)/loss recognised	**(81.4)**	43.8

The past service cost recognised in the prior period reflects the impact of the legal rulings regarding Guaranteed Minimum Pension equalisation (GMP).

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For the year ended 31 December 2021

27 Retirement benefit assets continued

Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

	2021 £m	2020 £m
Equity		
– UK	31.3	29.1
– US	124.0	99.6
– Eurozone	40.3	28.6
– Other	21.8	20.0
Bonds		
– Government	174.3	157.2
– sub-investment grade	105.7	107.2
Asset backed funding	30.1	35.2
Diversified Growth Fund	155.6	138.5
Cash	68.8	79.0
Total	751.9	694.4

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £30.1m (2020: £35.2m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2020: 93%) of the gross assets of the Pension Schemes and 95% (2020: 95%) of the gross liabilities. The remainder relates to the Prowting Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

Changes in the fair value of scheme assets were as follows:

	2021 £m	2020 £m
As at 1 January	694.4	672.8
Return on assets recorded as interest	9.6	13.4
Remeasurement gain on assets	53.6	15.6
Contributions	16.8	16.8
Benefits and expenses paid	(22.5)	(24.2)
As at 31 December	751.9	694.4

Defined Benefit Obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

	2021 % p.a.	2020 % p.a.
Discount rate	1.9	1.4
General pay increases	3.1	2.7
RPI Inflation assumption	3.1	2.7
CPI Inflation assumption	2.6	2.2

Post retirement life expectancy for retirement aged members are as follows:

	2021 Years	2020 Years
Male current pensioner	22.6	22.5
Male future pensioner	23.2	23.2

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

The following table provides an analysis of the defined benefit obligation by membership category.

	2021 £m	2020 £m
Total value of current employees' benefits	39.8	45.1
Deferred members' benefits	244.0	264.0
Pensioner members' benefits	319.3	334.7
Total defined benefit obligation	603.1	643.8

The Pension Schemes' duration is an indicator of the weighted average time until benefit payments are made. For the Pension Schemes as a whole, the duration is around 17 years.

27 Retirement benefit assets continued

Changes in the defined benefit obligation were as follows:

	2021 £m	2020 £m
As at 1 January	(643.8)	(595.2)
Current service cost	(2.0)	(1.9)
Past service cost	–	(0.5)
Interest cost	(8.9)	(11.7)
Remeasurement loss on liabilities	29.7	(58.1)
Benefits paid	21.9	23.6
As at 31 December	(603.1)	(643.8)

Sensitivities

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

	2021 £m	2020 £m
Present value of defined benefit obligation (DBO)	603.1	643.8
– DBO following a 0.25% decrease in the discount rate	628.7	671.1
– DBO following a 0.25% increase in the discount rate	579.2	617.5
– DBO following a 0.25% decrease in the inflation assumption	591.1	631.1
– DBO following a 0.25% increase in the inflation assumption	617.4	660.5
– DBO following a 1 year decrease to life expectancy	575.6	611.6
– DBO following a 1 year increase to life expectancy	630.8	676.4

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

28 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership (‘the Partnership’). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme (‘the Persimmon Scheme’) is a limited partner. The Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme’s interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. The interest has been classified as a financial liability and is accounted for on an amortised cost basis. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.5m (2020: £5.5m).

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 27.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group’s shared equity loan receivables and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled, however the Board have decided to net settle the withholding tax in relation to the Persimmon Plc 2012 Long Term Incentive Plan. Payments made or due in association with the withholding tax have been accounted for as a deduction from equity. These amounts totalled £nil (2020: £2.4m). There are currently no plans to net settle other option schemes.

The Savings-Related Share Option Scheme is an HMRC approved scheme open to all permanent employees. Options can normally be exercised three years after the date of grant.

Options have been issued to senior management (including the Executive Directors) under the Group’s various executive share option schemes, which include awards under the Group’s long term incentive plans. Future vesting of options is dependent upon the return of cash to shareholders between 2017 and 2019 for options granted in 2017 under the Persimmon Plc 2017 Performance Share Plan, and upon TSR relative to a peer group, customer care performance and return of cash to shareholders between 2018 and 2020 for options granted in 2018 under the Persimmon Plc 2017 Performance Share Plan and on customer care, cash generation and TSR performance between 2019 and 2021 for options granted between 2019 and 2021 under the Persimmon Plc 2017 Performance Share Plan.

Options granted under the Persimmon Long Term Incentive Plan 2007 (‘2007 LTIP’) between September 2010 and September 2011 consisted of unapproved awards and HMRC approved awards where appropriate, with an exercise price equivalent to market value on the date of the award, plus a linked award. In the event that the market price of a share at the date of exercise of an approved option exceeds the option price, then the value of the linked award that vests is restricted to an amount capped at the cost of exercise of the approved option.

Notes to the financial statements
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29 Share-based payments continued

Reconciliations of share options outstanding during each period, under each type of share scheme, are as follows:

Group and Company	2021 Savings-Related Share Option Scheme Number of shares under option	2021 Savings-Related Share Option Scheme Weighted average exercise price (p)	2020 Savings-Related Share Option Scheme Number of shares under option	2020 Savings-Related Share Option Scheme Weighted average exercise price (p)
Outstanding at the beginning of the year	946,876	1,804.6p	798,842	1,788.3
Granted during the year	284,985	2,197.0p	402,937	1,854.0
Forfeited during the year	(161,543)	1,808.9p	(89,918)	1,792.0
Exercised during the year	(135,213)	1,908.2p	(164,985)	1,853.2
Outstanding at the end of the year	935,105	1,908.5p	946,876	1,804.6
Exercisable at the end of the year	38,212	1,888.0p	29,391	1,982.1

Group and Company	2021 Bonus Share Scheme Number of shares under option	2020 Bonus Share Scheme Number of shares under option
Outstanding at the beginning of the year	–	8,639
Exercised during the year	–	(8,639)
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

Group and Company	2021 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option	2020 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option
Outstanding at the beginning of the year	–	3,320
Forfeited during the year	–	(2,749)
Exercised during the year	–	(571)
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

Group and Company	2021 Long Term Incentive Plan 2007 HMRC Approved Number of shares under option	2021 Long Term Incentive Plan 2007 HMRC Approved Weighted average exercise price (p)	2020 Long Term Incentive Plan 2007 HMRC Approved Number of shares under option	2020 Long Term Incentive Plan 2007 HMRC Approved Weighted average exercise price (p)
Outstanding at the beginning of the year	–	–	3,320	451.8
Exercised during the year	–	–	(3,320)	451.8
Outstanding at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

29 Share-based payments continued

Group and Company	2021 Long Term Incentive Plan 2012* Number of shares under option	2020 Long Term Incentive Plan 2012* Number of shares under option
Outstanding at the beginning of the year	12,000	454,903
Forfeited/waived during the year	–	(241,293)
Exercised during the year	–	(201,610)
Outstanding at the end of the year	12,000	12,000
Exercisable at the end of the year	12,000	12,000

* Under 2012 LTIP grants the option exercise price is variable dependent on share price at the date of award and the performance condition being return of cash to shareholders post grant date.

Group and Company	2021 2017 Performance Share Plan Number of shares under option	2020 2017 Performance Share Plan Number of shares under option
Outstanding at the beginning of the year	1,261,754	697,527
Granted during the year	680,515	646,841
Forfeited during the year	(171,926)	(82,614)
Outstanding at the end of the year	1,770,343	1,261,754
Exercisable at the end of the year	126,544	–

The weighted average share price at the date of exercise for share options exercised during the period was 2,835.0p (2020: 2,611.3p). The options outstanding at 31 December 2021 had a range of exercise prices from nil to 2,197.0p and a weighted average remaining contractual life of 1.3 years (2020: 1.6 years).

The inputs into the Black Scholes option pricing model for options that were granted in the year were as follows:

Option Valuation Assumptions	PSP 2021 Tranche 1	PSP 2022 Tranche 2	SAYE 2021
Grant date	21 September 2021	19 March 2021	15 October 2021
Risk free interest rate	0.48%	0.17%	0.69%
Exercise price	–	–	£21.97
Share price at date of grant	£27.71	£29.52	£26.92
Expected dividend yield*	0%	0%	4.65%
Expected life	2.4 years	2.9 years	3.1 years
Holding period	2.0 years	2.0 years	n/a
Date of vesting	28 February 2024	28 February 2024	1 December 2024
Expected volatility	37.0%	34.7%	34.6%
Fair value of option	£19.60	£20.39	£3.22

* At the discretion of the Remuneration Committee a cash bonus may be paid to holders of 2021 PSP grants equivalent to the value of any dividend which might have been paid on the shares held under option had those instead been issued. For purposes of valuation it has been assessed that such a payout will be made and the foregone dividend yield assumption set to nil.

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2021, the Group recognised total expenses before tax of £6.4m (2020: £6.4m) in relation to equity settled share-based payment transactions in the consolidated statement of comprehensive income. These option charges have been credited against the retained earnings reserve. As at 31 December 2021 the total credit recognised in relation to equity settled share-based payments was £16.9m (2020: £10.7m) of which £0.1m (2020: £1.3m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

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30 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 Related Party Disclosures. Summary information of the transactions with key management personnel is provided in note 6. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 108 to 128. There is no difference between transactions with key management personnel of the Company and the Group.

The Company has entered into transactions with its subsidiary undertakings in respect of the following: internal funding loans and provision of Group services (including senior management, IT, accounting, marketing, purchasing, legal and conveyancing services). Recharges are made to subsidiary undertakings for Group loans, based on funding provided, at an interest rate linked to average Group borrowing costs. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries. Recharges are made for Group services based on utilisation of those services.

During the year these recharges amounted to:

	2021 £m	2020 £m
Interest charges on intra-group funding	**(52.8)**	(50.9)
Group services recharges	**54.5**	46.5
	1.7	(4.4)

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance. These are recharged at cost based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 December 2021 totalled £1,969.8m (2020: £1,840.5m). Amounts owed to subsidiary undertakings by the Company at 31 December 2021 totalled £4,114.1m (2020: £3,867.9m).

The Company provides the Group's defined benefit pension schemes. Current employer contributions are charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the net defined benefit cost. Experience and remeasurement gains and losses are recognised in the Company.

The Company guarantees a bond issued from Persimmon Shared Equity Limited to Persimmon Scottish Limited Partnership (both subsidiary undertakings). The fair value of the bond at 31 December 2021 is £30.1m (2020: £35.2m).

Certain subsidiary undertakings have entered into guarantees of external bank loans and overdrafts of the Company. The total value of such borrowings at 31 December 2021 was £nil (2020: £nil). The Company has entered into guarantees over bank loans and borrowings of the subsidiary undertakings. The total value of such borrowings at 31 December 2021 was £nil (2020: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2020: £nil).

31 Details of major Group undertakings

The Directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Persimmon Plc at 31 December 2021. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited°	Charles Church Developments Limited$^{\Delta}$	
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**	Persimmon Scottish Limited Partnership***

° The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

Δ The shares of this company are held by Persimmon Holdings Limited.

* The shares of this company are held by Persimmon Finance Limited and Persimmon Plc.

** The shares of this company are held by Persimmon Plc.

*** This entity is controlled by Persimmon Scottish Pension Trustees Limited (see note 28).

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon Plc or its subsidiary companies also hold all of the voting rights unless otherwise stated. The Registered Office for each company is Persimmon House, Fulford, York, YO19 4FE unless otherwise stated.

Name of undertaking	Description of shares held
@Home Limited	Ordinary* and 3.5% Preference*
A.E.A Prowting Limited	Ordinary*
A Monk & Company Developments (S.W.) Limited	Ordinary* and Deferred*
Alford Brothers Limited	Ordinary*
Anjok 157 Limited	Ordinary*
Anjok 171 Limited[1]	Ordinary*
Anjok 172 Limited	Ordinary*
Anjok 173 Limited	Ordinary*
Anjok 269 Limited[1]	Ordinary* and Deferred*
Anjok 28 Limited	Ordinary* and 8% Preference*
Anjok 31 Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*
Anjok Investments Limited	Ordinary*
Anjok Twenty Limited[1]	A Ordinary* and B Ordinary*
Anjok Two Limited	Ordinary*
Aria Homes Limited	A Ordinary* and B Ordinary*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*
Aspect Homes Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*
Beazer Group Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*
Beazer Homes (Barry) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*
Beazer Homes (Wessex) Limited	Ordinary*
Beazer Homes and Property Limited	Ordinary*
Beazer Homes Bedford Limited	Deferred* and A Ordinary*
Beazer Homes Birmingham Central Limited	Deferred* and A Ordinary*
Beazer Homes Bridgwater Limited	Deferred* and A Ordinary*
Beazer Homes Bristol Limited	Deferred* and A Ordinary*
Beazer Homes Cardiff Limited	Deferred* and A Ordinary*
Beazer Homes Doncaster Limited	Deferred* and A Ordinary*
Beazer Homes Edinburgh Limited[1]	Deferred* and A Ordinary*
Beazer Homes Glasgow Limited[1]	Deferred* and A Ordinary*
Beazer Homes Limited	Ordinary*, Deferred* and A Ordinary*
Beazer Homes Nottingham Limited	Ordinary*
Beazer Homes Reigate Limited	Ordinary*
Beazer Homes Stockport Limited	Deferred* and A Ordinary*
Beazer Homes Yateley Limited	Deferred* and A Ordinary*
Beazer London Limited	Ordinary*
Beazer Partnership Homes (Scotland) Limited[1]	Ordinary*
Beazer Partnership Homes Midlands Limited	Ordinary*
Beazer Swaffham Limited	Ordinary*
Beazer Urban Developments (Anglia) Limited	Deferred* and A Ordinary*
Beazer Urban Developments (Bedford) Limited	Ordinary*
Beazer Urban Developments (East Midlands) Limited	Ordinary*
Beazer Urban Developments (South West) Limited	Ordinary*
Beazer Western Engineering Services Limited	Ordinary*
Belsco 1020 Limited[1]	Ordinary*
Breakblock Limited	Ordinary*
Broomco (3385) Limited	Ordinary*
Bruce Fletcher (Leicester) Limited	Ordinary*
Charles Church Civil Engineering Limited	Ordinary*
Charles Church Developments Limited	Ordinary*
Charles Church Essex Limited	Ordinary*
Charles Church Estates Limited	Ordinary*
Charles Church Holdings plc	A Convertible Ordinary*, B Ordinary*, B Redeemable Preference*, C Preference*, D Ordinary*, D Preference*, Deferred*, E Deferred*, E Ordinary* and Preference*.
Charles Church Housing Limited	Ordinary*
Charles Church Investment Properties Limited	Ordinary*
Charles Church Kent Limited	Ordinary*
Charles Church Limited	Ordinary*
Charles Church London Limited	Ordinary*
Charles Church Management Limited	Ordinary*
Charles Church Partnership Homes Limited	Ordinary*
Charles Church Residential Developments Limited	Ordinary*
Charles Church South East Limited	Ordinary*
Charles Church Southern Limited	Ordinary*
Charles Church Thames Valley Limited	Ordinary*
Charles Church Trading Limited	Ordinary*
Charles Church Village Heritage plc	Ordinary*
Coatglade Limited	Ordinary*
Comben Group Limited	A Deferred Ordinary, B Deferred Ordinary and Ordinary
Cresswellshawe Properties Limited	Ordinary* and 3.5% Preference*
Crowther Homes (Darlington) Limited	Ordinary*
Crowther Homes (Midland) Limited	Ordinary*
Crowther Homes (Nat W) Limited	Ordinary*
Crowther Homes (Yarm) Limited	Ordinary*
Crowther Homes Limited	Ordinary*
D Dunk (Builders) Limited	Ordinary*
D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*
Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*
Domus Group Limited	Deferred*, Deferred* and A Ordinary*
E.E. Reed & Co. (Builders) Limited	Ordinary*
E F G H Limited	Ordinary*
E F G H Nominees Limited	Ordinary*
Emerson Park Limited	Ordinary*
F C Spear Limited	Ordinary*
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*
FibreNest Limited	Ordinary*
FibreScale Limited	Ordinary*
Frays Property Management (No.1) Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*
Frays Property Management (No.6) Limited	Ordinary*
Friary Homes Limited	Ordinary*
Galliford Developments Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*

Notes to the financial statements
For the year ended 31 December 2021

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*
Galliford Homes Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*
Galliford Southern Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*
Glamford Building Company Limited	Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*
Hillreed Developments Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*
Hillreed Homes Limited	Ordinary*
Hillreed Properties Limited	Ordinary*
Ideal Developments Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*
Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*
Ideal Homes Holdings Limited	Deferred and Ordinary
Ideal Homes Limited	Ordinary*
Ideal Homes Midlands Limited	Ordinary*
Ideal Homes North West Limited	Ordinary*
Ideal Homes Northern Limited	Ordinary*
Ideal Homes Scotland Limited	Ordinary*
Ideal Homes Services Limited	Ordinary*
Ideal Homes Southern Limited	Ordinary*
J.W. Liptrot & Company Limited	Ordinary*
Jaboulet Limited	Ordinary*
John Maunders Group Limited	Ordinary*
Kenton Contracting (Yorkshire) Limited	Ordinary*
Kenton Contractors (Yorkshire) Limited	Ordinary*
Kenton Homes (Builders) Limited	Ordinary*
Kenton Homes (Developments) Limited	Ordinary*
Kenton Homes (Estates) Limited	Ordinary*
Knightsmoor Homes Limited	Ordinary*
Lady's Lane Property Co. Limited	Ordinary*
Lansdown Homes Limited	Ordinary*
Lazy Acre Investments Limited	Ordinary*
Leech Homes (Showhouses) Limited	Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*
Leech Homes (Wales) Limited	Ordinary*
Leech Homes (Yorkshire) Limited	Ordinary*
Leech Homes Limited	Deferred* and A Ordinary*

Name of undertaking	Description of shares held
Leech Northumbria Limited	Ordinary*
Leech Partnership Homes Limited	Ordinary*
Leisurama Homes Limited	Ordinary*
Linkway Properties Limited	Ordinary*
Locking Castle Limited	A Ordinary*, B Ordinary* and C Ordinary*
Magnus Design Build Limited	Ordinary*
Magnus Holdings Limited	A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference*
Mapleleigh Limited	Ordinary*
Marriott Homes Limited	Ordinary*
Maunders Homes (East Anglia) Limited	Ordinary*
Maunders Homes (Midlands) Limited	Ordinary*
Maunders Homes (North West) Limited	Ordinary*
Maunders Homes (South) Limited	Ordinary*
Maunders Inner City Limited	Ordinary*
Maunders Urban Renewal Limited	Ordinary*
Mayclose Research Limited	Ordinary*
Melville Homes Limited	A Ordinary*, B Ordinary*, C Ordinary*, Deferred* and Cumulative Redeemable Preference*
Merewood (Kendal) Limited	Ordinary*
Merewood Group Limited	Ordinary*
Merewood Homes Limited	Ordinary*
Merewood Investments Limited	Ordinary*
Mightover Limited	Ordinary
Milton Keynes Housing Group Limited	Ordinary*
Mitrebuild Limited	Ordinary* and Deferred Ordinary*
Monk Homes Limited	Ordinary*
Monsell Youell Construction Limited	Ordinary*
Monsell Youell Limited	Deferred* and A Ordinary*
Montague Developments Limited	Ordinary*
Mount Row Finance Limited	Ordinary*
Mount Row Securities Limited	Ordinary*
NGP Management Company Residential (Cell C) Limited[2]	Ordinary*
Pacemaker Developments Limited	Ordinary*
Park House Developments (Petersfield) Limited	Ordinary*
Partnership Homes Limited	Ordinary*
Pennant Developments Limited	Ordinary* and 5% Non-Cumulative Preference*
Pentra Limited	Ordinary*
Perlease Limited	Ordinary*
Persimmon (City Developments) Limited	Ordinary*
Persimmon (Eccleshall) Limited	Ordinary*
Persimmon (Share Scheme Trustees) Limited	Ordinary
Persimmon (SHL) Limited	Ordinary*

Name of undertaking	Description of shares held
Persimmon (Strensall) Limited	Ordinary*
Persimmon Brickworks Limited	Ordinary*
Persimmon Developments (No 1) Limited	Ordinary*
Persimmon Developments (No 2) Limited	Ordinary*
Persimmon Developments (Didcot) Limited	Ordinary*
Persimmon Developments (No 5) Limited	Ordinary*
Persimmon Developments (No 6) Limited	Ordinary*
Persimmon Developments (No 7) Limited	Ordinary*
Persimmon DN Limited (Incorporated in Ireland)[3]	Ordinary*
Persimmon Finance (Jersey) Limited (Incorporated in Jersey)[4]	Ordinary
Persimmon Finance (No 2) Limited	Ordinary
Persimmon Finance Limited	Ordinary
Persimmon Harts Limited	Ordinary
Persimmon GR (No 4) Limited	Ordinary*
Persimmon GR (No 10) Limited	Ordinary*
Persimmon GR (No 11) Limited	Ordinary*
Persimmon Holdings Limited	Ordinary and A Ordinary*
Persimmon Homes (Anglia) Limited	Ordinary*
Persimmon Homes (Doncaster) Limited	Ordinary*
Persimmon Homes (East Midlands) Limited	Ordinary*
Persimmon Homes (East Scotland) Limited	Ordinary*
Persimmon Homes (East Yorkshire) Limited	Ordinary*
Persimmon Homes (Edmonstone) Limited	Ordinary
Persimmon Homes (Essex) Limited	Deferred* and A Ordinary*
Persimmon Homes (Lancashire) Limited	Ordinary*
Persimmon Homes (Mercia) Limited	Ordinary*
Persimmon Homes (Midlands) Limited	Ordinary*
Persimmon Homes (North East) Limited	Ordinary*
Persimmon Homes (North Midlands) Limited	Ordinary*
Persimmon Homes (North West) Limited	Ordinary*
Persimmon Homes (Partnerships) Limited	Ordinary
Persimmon Homes (South Coast) Limited	Ordinary*
Persimmon Homes (South East) Limited	Ordinary*
Persimmon Homes (South Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (South West) Limited	Ordinary*
Persimmon Homes (South Yorkshire) Limited	Ordinary*
Persimmon Homes (Teesside) Limited	Ordinary*

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Persimmon Homes (Thames Valley) Limited	Ordinary*
Persimmon Homes (Wales) Limited	Ordinary*
Persimmon Homes (Wessex) Limited	Ordinary*
Persimmon Homes (West Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (West Scotland) Limited	Ordinary*
Persimmon Homes (West Yorkshire) Limited	Ordinary*
Persimmon Homes (Woodley) Limited	Ordinary
Persimmon Homes (York) Limited	Ordinary
Persimmon Homes (Yorkshire) Limited	Deferred* and Ordinary*
Persimmon Homes Developments Limited	Ordinary
Persimmon Homes Limited	Ordinary*
Persimmon Partnerships (Scotland) Limited	Ordinary*
Persimmon Pension Trustees Limited	Ordinary
Persimmon Residential Limited	Ordinary*
Persimmon Scottish Limited Partnership**[1]	n/a
Persimmon Scottish Pension Trustees Limited[1]	Ordinary
Persimmon Shared Equity Limited	Ordinary
Persimmon Tileworks Limited	Ordinary*
Persimmon Trustees Limited	Ordinary
Pinnacle Developments (Scotland) Limited[1]	Ordinary*
Practical Finance Co. Limited	Ordinary*
Prowting Homes Anglia Limited	B Ordinary*, C Ordinary* and D Ordinary*
Prowting Homes Central Limited	Ordinary*
Prowting Homes Chatsworth Limited	Ordinary*
Prowting Homes Limited	Ordinary*
Prowting Homes Ludlow Limited	Ordinary*
Prowting Homes Midlands Limited	Ordinary*
Prowting Homes South East Limited	Ordinary*
Prowting Homes South West Limited	Ordinary*
Prowting Homes West Limited	Ordinary*
Prowting Homes Wolds Limited	Ordinary*
Prowting Limited	Ordinary*
Prowting Projects Limited	Ordinary*
Prowting Properties Limited	Ordinary*
Repac Homes Limited	Ordinary*
SLB Construction Management Limited	Ordinary*
Second City Homes Limited	Deferred* and A Ordinary*
Senator Homes Limited	Ordinary*
Sequoia Developments Limited	Ordinary*
Severnbrook Homes Limited	Ordinary*
Sherbourne Properties (Warwick) Limited	Ordinary*
Space4 Limited	Ordinary*
Springfir Estates Limited	Ordinary*
Springfir Holdings Limited	Ordinary*

Name of undertaking	Description of shares held
Steelhaven (7) Limited	Ordinary* and 1% Non-Cumulative Redeemable Participating Preference*
Tamborough Developments Limited	Ordinary*
Tela Properties Limited	Ordinary*
The Charles Church Group Limited	A Ordinary*
The Charles Church Group Share Trustees Limited	Ordinary*
Townedge (Holdings) Limited	Ordinary*
Townedge Estates Limited	Ordinary*
Trent Park Regeneration Limited	A Ordinary* and B Ordinary*
Tryall Developments Limited	Ordinary*
Tudor Jenkins & Company Limited	Ordinary*
Walker Homes (Scotland) Limited[1]	Ordinary*
Wardour Limited (Incorporated in Gibraltar)[5]	Ordinary*
Wenshaw Limited	Ordinary*
Wescott Holdings Limited	Ordinary*
Wescott Homes Limited	Ordinary*
Wescott Land Limited	Ordinary*
Westbury Direct Limited	Ordinary*
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Severnside) Limited	Ordinary*
Westbury Homes (Somerset) Limited	Ordinary*
Westbury Homes (South West) Limited	Ordinary*
Westbury Homes (Stadium) Limited	Ordinary*
Westbury Homes (Venymore) Limited	A Ordinary* and B Ordinary*
Westbury Homes (Wales) Limited	Ordinary*
Westbury Homes (West Midlands) Limited	Ordinary*
Westbury Homes Limited	Ordinary*
Westbury Housing Investments Limited	Ordinary*
Westbury Limited	Ordinary
William Leech Builders (North West) Limited	Ordinary*
William Leech Limited	Ordinary* and 6.5% Cumulative Preference*

* Share class held by another Group company, but ultimately held by Persimmon Plc.
** A Scottish Limited Partnership.

1. 180 Findochty Street, Garthamlock, Glasgow, G33 5EP
2. 3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE
3. 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
4. 44 Esplanade, St Helier, JE4 9WG, Jersey
5. 3 Bell Lane, Gibraltar
6. The Office, 12 Westfield Close, Gravesend, Kent, DA12 5EH
7. 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE
8. 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL
9. 250 Aztec West, Almondsbury, Bristol, BS32 4TR
10. 137 Scalby Road, Scarborough, North Yorkshire, YO12 6TB
11. Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal
12. Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR

Notes to the financial statements
For the year ended 31 December 2021

32 Details of all subsidiary undertakings continued

Joint Arrangements

Name of undertaking	Description of shares held	Proportion of nominal value of share class held	Proportion of all share classes
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Brentford Lock Limited	A Ordinary	100%	50%
Coton Park Consortium Limited[6]	WD	50%	25%
Cramlington Developments Limited	A Ordinary	100%	50%
Genesis Estates (Manchester) Limited[7]	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited[8]	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited[2]	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited[8]	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited[9]	C Ordinary	100%	25%
Rothley Temple Estates Limited[10]	Ordinary	28.5%	28.5%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal)[11]	Ordinary	50%	50%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited[12]	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

32 Details of all subsidiary undertakings continued

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs) currently controlled by the Group. Control is exercised by the Group's power to appoint Directors and the Group's voting rights in these companies. All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK.

The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course.

The Registered Office of each RMC is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Company Name
Abbey Green (Amesbury) Management Company Limited
Abbeyvale Taunton Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Agusta Park Flats Yeovil Management Company Limited
Agusta Park Yeovil Management Company Limited
Aldenham Road (Bushey) Management Company Limited
Alderman Park (Hasland) Management Company Limited
Allt Y Celyn (Rhos) Management Company Limited
Amberwood (Carlisle) Management Company Limited
Amblehurst Green (Billingshurst) Management Company Limited[1]
Amherst Hill (Brompton) Management Company Limited
Appledore Grove Management Company Limited
Arisdale (Phase 2) Residents Management Company Limited
Arnold Way (Grove) Management Company Limited
Arnold Way No. 2 (Grove) Management Company Limited
Ashworth Place (Phase 2) Management Limited
Augusta Park (Dinnington) Management Company Limited
Avalon (Mansfield) Management Company Limited[2]
Aveley Village (Aveley) Residents Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avery Fields (Birmingham) Management Company Limited
Avon Fields (Durrington) Management Company Limited
Aykley Woods (Durham) Management Company Limited
Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited
Aylesham Village Phase 2 (Aylesham) Residents Management Co Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited
Badbury Park (Swindon) No 3 Management Company Limited
Bannerbrook Management Company Limited[3]
Bannerbrook Park Phase II (Coventry) Management Company Limited
Barber Court (Birmingham) Management Company Limited
Barrington Park Management Company Limited[4]
Barry Waterfront Residents Management Company Limited[5]
Beauchamp Grange (Caister) Residents Management Company Limited
Beckets Grove Management Company Limited
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited
Belgrave Court (Cheltenham) Management Company Limited[5]
Bell Lane (Little Chalfont) Management Company Limited
Bells Hill Management Company Limited[6]
Berrow Court Management Company Limited[5]
Bishops Green (Coundon) Management Company Limited
Bishops Mead (Lydney) Management Company Limited
Bishops Meade (Downton) Management Company Limited
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Bluebell Wood (Willenhall) Management Company Limited[7]
Booths Farm Residents Management Company Limited[8]
Boulton Moor (Derby) Properties Limited
Boyton Place (Haverhill) Residents Management Company Limited
Brackenleigh (Carlisle) Management Company Limited
Bradley Barton View Management Company Limited
Bramble Rise (Hetton) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Branshaw Park (Keighley) Management Company Limited
Bridgefield (Ashford) Management Company Limited

Company Name
Bridgefield Nine Management Company Limited
Brislington House Management Company Limited[5]
Broadway (Rainham) Residents Management Company Limited
Brockeridge Road (Twyning) Resident Management Company Limited[9]
Brook View (Blackburn) Management Company Limited
Brookfield (Golborne) Management Company Limited[4]
Buckton Place (Leiston) Residents Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited[10]
Burfield Park (Witham St Hughs) Residents Management Company Limited
Burfield Valley Estate Management Limited[11]
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited[10]
Calder Grange (Dewsbury) Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canonbury Rise (Berkeley) Management Company Limited
Carleton Meadows Management Company Limited
Carpenters Field (Denmead) Management Company Limited
Castellum Grange (Colchester) Residents Management Company Limited
Castle Hill (Cottingham) Management Company Limited
Castle Park (West Durrington) Management Company Limited[12]
Castlemead (953) Trowbridge Management Company Limited
Castlemead (Persimmon 950) Town Trowbridge Limited
Castlemead (Persimmon 964) Town Trowbridge Limited
Castleton Court (Haverfordwest) Management Company Limited
Cathedral Court (Salisbury) Management Company Limited
Cathedral Gate (Salisbury) No.1 Management Company Limited[5]
Cathedral Gate (Salisbury) No.2 Management Company Limited[5]
Cathedral View (Durham) Management Company Limited
Cayton Meadows (Scarborough) Management Company Limited
Central Square (Stroud) Management Company Limited[5]
Century Rise (Emersons Green) Management Company Limited
Charlton Place (Keynsham) Management Company Limited
Chilmark Glade Management Company Limited
Chorley G 1 Management Company Limited[6]
Chosen View (No. 2) Management Company Limited[5]
Church Lane (Deal) Residents Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited
Cloatley Cresent Management Company Limited
Clock Tower (Wolverhampton) Management Company Limited[6]
Clos Ty Gwyn (Hendy) Management Company Limited
Clover Chase (Lingwood) Residents Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited
Coed Darcy (Llandarcy) Management Company Limited
College Park (Thurston) Residents Management Company Limited
Colliers Walk (Nottingham) Management Company Limited[6]
Colonial Wharf (Chatham) Residents Management Company Limited
Copperfield Place (Chelmsford) Residents Management Company Limited
Copperfield Truro Management Company Limited
Coquet Grange (Amble) Management Company Limited
Corelli Sherborne Management Company Limited
Cote Farm (Thackley) Management Company Limited
Coton Park (Rugby) Management Company Limited
Cotswold Vale (Long Marston) Management Company Limited[9]
Coverdale Paignton Management Company Limited[13]
Cranborne Heights Management Company Limited[5]

Notes to the financial statements
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32 Details of all subsidiary undertakings continued

Company Name
Crofton Walk (Fair Oak) Management Company Limited
Cromwell Gardens (Huntingdon) Residents Management Company Limited
Cromwell Place (Little Dunmow) Residents Management Company Limited
Crosland Road (Lindley) Management Limited[8]
Cross Quays (Westwood) Management Company Limited
Cross Quays Phase 2 (Thanet) Residents Management Company Limited
Cumnor Hill Management Company Limited
Cwrt Y Llwyfen (Johnstown) Management Company Limited
Daisy Hill (Morley) Management Company Limited
Dan Y Bryn Management Company Limited
Dartford Bow Arrow (Management Company) Limited[14]
Deerwood Park (Colne) Management Company Limited
Dol Yr Ysgol (Bridgend) Management Company Limited
Douglas Gardens (Hesketh) Management Company Limited[6]
Downs View (Swanley) Residents Management Company Limited
Dukes Meadow (Tangmere) Management Company Limited
D'urton Heights (Preston) Management Company Limited
Dyffryn Management Limited[15]
Earlesmead (Framingham Earl) Residents Management Company Limited
East Benton Rise (Benton) Management Company Limited
Eclipse House (Andover) Management Company Limited
Edinburgh Park (Liverpool) Management Company Limited[6]
Eldon Whins (Middridge) Management Company Limited
Elkas Rise (Ilkeston) Management Company Limited
Ellesmere Park (The Oaks) Management Company Limited[4]
Ellis Mews (Micheldever) Management Company Limited[11]
Elm Farm (Wymondham) Residents Management Company Limited
Emerald Gardens (Yapton) Management Company Limited[5]
Emily Fields (Swansea) Management Company Limited
Eton Place (Bracknell) Management Company Limited
Eve Parc (Falmouth) Management Company Limited
Fair Mile Rise (Blandford St Mary) Management Company Limited
Fairfax Mews Crediton Management Company Limited[13]
Fairmoor (Morpeth) Management Company Limited
Fairways (Retford) Management Company Limited
Fallow (Benton) Residents Management Company Limited
Farley Fields South Petherton Management Company Limited
Field Place (Faversham) Management Company Limited[14]
Fleckney Road Management Company Limited
Flint Grange (Clacton) Residents Management Company Limited
Foley Gardens (Newent) Residential Management Company Limited[9]
Folly Grove (Hockley) Residents Management Company Limited
Forest View (Calverton) Management Company Limited
Forge Wood (Crawley) Management Company Limited[16]
Foundry Meadows (Bexhill) Residents Management Company Limited
Foxfields (Stoke-On-Trent) Management Company Limited[5]
Foxley Park (Dereham) Residents Management Company Limited
Friarwood Park (Pontefract) Management Company Limited
Garden Valley (Aylesham) Residents Management Company Limited11
George Ward Gardens (Melksham) Management Company Limited
Germany Beck (Fulford) Management Company Limited
Gilden Park (Old Harlow) Resident Management Company Limited[6]
Gipping Mill (Great Blakenham) Residents Management Company Limited
Glan Yr Afon (Swansea) Management Company Limited
Golwg Y Glyn (Fforest) Management Company Limited[5]
Golwg Y Mynydd (Mountain Ash) RMC Limited[15]
Gotherington Grange Resident Management Company Limited
Grangewood Park (Burnham On Crouch) Residents Management Company Limited
Grays Court (Orpington) Residents Management Company Limited[11]
Great Western Park (Didcot) No 1 Management Company Limited
Great Western Park (Didcot) No 2 Management Company Limited

Company Name
Great Western Park (Didcot) No 3 Management Company Limited
Great Woodcote Park Exeter Management Company Limited
Greenacres (Easington) Management Company Limited
Greenfields (Narberth) Management Company Limited
Greetwell Fields (Lincoln) Residents Management Company Limited
Griffin Wharf (Ipswich) Residents Management Company Limited
Grove Street (Raunds) Residents Management Company Limited
Hailes Wood (Elsenham) Residents Management Company Limited
Hamilton Gate (Frinton) Residents Management Company Limited
Hamlet Crescent (Little Walden) Residents Management Company Limited
Hampton Gardens Phase 3 (Peterborough) Residents Management Company Limited
Hampton Park (Littlehampton) Residents Management Company Limited
Hansons Reach (Stewartby) Residents Management Company Limited
Hanwell Chase (Banbury) Residents Management Company Limited
Harbourside View (Portchester) Management Company Limited
Harbury Lane (Warwick) Management Company Limited
Hardings Wood (Kidsgrove) Residents Management Company Limited[4]
Harford Mews Ivybridge Management Company Limited[13]
Harlands Park (Uckfield) Residents Management Company Limited
Harlow Fields (Mackworth) Residential Management Company Limited
Harlow Hill Grange (Harrogate) Management Company Limited
Harpur Hill (Buxton) Residents Management Company Limited[4]
Harrow View West (Harrow) Residents Management Company Limited
Hartcliffe Meadows (Penistone) Management Company Limited
Hartley Grange (Whittlesey) Residents Management Company Limited
Hartnells Farm Management Company Limited
Hastings Place (Bentley) Management Company Limited
Hatchwood Mill (Winnersh) Management Company Limited
Hathern Road (Shepshed) Management Company Limited[9]
Hauxley Grange (Amble) Residents Management Company Limited
Hawthorn Chase (Aston Clinton) Residents Management Company Limited
Haybridge (Wells) Management Company Limited[5]
Haywards Gardens (Kegworth) Man Co. Limited[17]
Haywood Heights (Writhlington) Management Company Limited
Hazel Brook Management Company Limited[18]
Heathfield Gardens (Phase 7) Management Company Limited
Heathpark Wood (Windlesham) Management Company Limited
Hellingly 415 Residents Management Company Limited
Hellingly 416 Management Company Limited
Hellingly 418 Management Company Limited
Hepburn Chase Management Company Limited[19]
Heritage Gate (Llantwit Major) Residents Management Company Limited
Heritage Green (Newbottle) Management Company Limited[20]
Heritage Park (Shinfield) Residents Management Company Limited
Heritage Park (Sutton Courtenay) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited
Herons Park (Angmering) Management Co Limited[11]
Herrington Grange (Philadelphia) Management Company Limited
Hethersett Residents Management Company Limited[6]
Higham Lane Management Company Limited
Highfield Farm (West Melton) Residents Management Company Limited
Highfields Management (Littleport) Limited[*5]
Hill Barton Vale Exeter Management Company Limited
Hill Barton Vale Flats Exeter Management Company Limited
Hillfield Meadows (Sunderland) Management Company Limited
Hillies View (Wombwell) Management Company Limited
Holdingham Grange (Sleaford) Residents Management Company Limited
Horsbere Mews (Longford) Management Company Limited
Horseshoe Meadows (Westbury) Management Company Limited
HRC (Ware) Residents Management Company Limited
Hurdle Court (Andover) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Hydro (St Neots) Number One Management Company Limited
Imperial Park (Bristol) Management Company Limited
Ingleby (Barwick) Management Company Limited
Iwade Meadows (Iwade) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited
James Avenue (Calne) Management Company Limited
Jasmine Gardens Management Company Limited
Kennedy Place (Ulverston) Management Company Limited
Kings Grove Cranbrook Management Company Limited
Kingsbridge Court (Gorseinon) Management Company Limited
Kingsbridge Fields Management Company Limited
Kingsbury Gardens (St Albans) Residents Management Company Limited
Kingsbury Meadows (Wakefield) Management Company Limited
Kingsmead (Gloucester) Management Company Limited
Knights Court (Old Sarum) Management Company Limited
Knightswood Place (Rainham) Residents Management Company Limited
Kyngshouton (Houghton Regis) Residents Management Company Limited
Ladgate Woods (Middlesbrough) Management Company Limited
Lakeside Edge (Peterborough) Residents Management Company Limited
Lambourn Meadow (Thatcham) Management Company Limited[12]
Lauder Mews Crediton Management Company Limited
Launds Field (Galgate) Management Company Limited
Laureate Heights Sidmouth Management Company Limited
Lime Tree Court Derby Management Company Limited
Limes Place (Upper Harbledown) Residents Management Company Limited
Lindale Park (Alverthorpe) Management Company Limited
Lindley Moor Meadows (Huddersfield) Management Company Limited
Lingfield Meadows (Houghton) Management Company Limited
Llanilid Management Company Limited
Llanilltern Village RMC Limited[15]
Llys Ystrad (Bridgend) Management Company Limited
Lodmoor Sands (Weymouth) Management Company Limited[5]
Longbridge Place (Longbridge) Management Company Limited
Longleaze Management Company Limited
Low Moor Meadows (Morley) Management Company Limited
Low Street (Sherburn In Elmet) Management Company Limited[20]
Lowen Bre Truro Management Company Limited
Lucknam Crescent (Swindon) Management Company Limited
Lythalls Lane (Coventry) Management Company Limited
Lythalls Place (Coventry) Management Company Limited
Maes Dyfed Management Company Limited
Maes Y Parc (Cross Hands) Management Company Limited
Maiden Vale (Ryhope) Management Company Limited
Malvern Rise (Malvern) Management Company Limited
Malvern Vale (Malvern) Management Company Limited[9]
Manor Farm (Doncaster) Management Company Limited
Manor Farm (Micklefield) Management Company Limited
Manor Park (Appleby Magna) Management Company Limited[9]
Manor Park Residents Company Limited[18]
Manor Park Sprowston Residents Management Company Limited[6]
Manor Place (Maidenhead) Residents Management Company Limited
Maple (221) Limited[5]
Maple Oak (Alton) Management Company Limited[5]
Mariners Walk (Swansea) Apartment Management Company Limited*
Mariners Walk (Swansea) Management Company Limited*
Marshfoot Lane (Hailsham) Residents Management Company Limited
Martello Park (Pembroke) Management Company Limited
Martineau Gardens Harborne Management Company Limited[7]
Mascalls Grange (Paddock Wood) Residents Management Company Limited
Meadow View (Oundle) Management Company Limited
Meadow View (Redditch) Resident Management Company Limited
Mendip Chase Management Company Limited[5]
Meon Way Gardens Management Company Limited[9]
Merchants Walk Cullompton No 2 Management Company Limited
Mercians Place Management Company Limited
Meridian Place (Hertford) Residents Management Company Limited
Merlins Lane (Scarrowscant) Management Company Limited
Mersey View (Bromborough Pool) Management Company Limited[21]
Mill Valley (Pevensey) Residents Management Company Limited
Mill View (Willingdon) Management Company Limited
Millbeck Grange (Bowburn) Management Company Limited
Millennium Farm (New Waltham) Management Company Limited
Monkswood (Sacriston) Management Company Limited
Montague Park Residents Management Company Limited[22]
Montfort Place (Odiham) Management Company Limited[6]
Moorfield (Easington) Management Company Limited
Moorfield Park Management Company Limited[6]
Moorlands Walk (Sherburn) Management Company Limited
Mulberry Grange (Castleford) Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited
Nautica Management Company Limited[12]
Nelson's Park (North Walsham) Residents Management Company Limited
Newcastle Great Park (Estates) Limited*[23]
NGP Management Company (Cell E) Limited*[23]
NGP Management Company (Cell F) Limited*[23]
NGP Management Company (Commercial) Limited*[23]
NGP Management Company (Town Centre) Limited*[23]
NGP Management Company Residential (Cell G) Limited*[23]
Norton Gardens Residents Management Company Limited
Norton Hall Meadow Management Limited[6]
Oak Heights (Northiam) Residents Management Company Limited[11]
Oak Tree Gardens (Audley) Management Company Limited[8]
Oakhurst Village (Shirley) Management Company Limited
Oakland Gardens (Wilthorpe) Management Company Limited
Oakley Grange & Eden Villas (Cheltenham) Management Company Limited
Oakwood Meadows (Colchester) Residents Management Company Limited
Oakwood Meadows Phase 4 (Stanway) Residents Management Company Limited
Oakwood Park (Wymondham) Residents Management Company Limited
Oakwood View (Brackla) Management Company Limited
Oakwood View (Weston-Super-Mare) Management Company Limited
Oast Court Farm Management Company Limited[24]
Old Road (Churwell) Management Company Limited
Open Space Management Limited[8]
Orchard Croft (Diss) Residents Management Company Limited
Orchard Grove (Coxheath) Residents Management Company Limited
Orchard Leaze Management Company Limited[18]
Orchard Manor (Cheddington) Residents Management Company Limited
Orchard Mews Pershore Management Company Limited[9]
Otterham Park (Rainham) Residents Management Company Limited
Oxley Springs (Milton Keynes) Management Company Limited
Oxley Springs 8b (Milton Keynes) Management Company Limited
Oxley Springs 8b (Milton Keynes) Management Company Limited
Paddocks 21 (Andover) Management Company Limited
Palmerston Heights Plymouth Management Company Limited
Paragon Park (Coventry) Management Company Limited
Parc Brynderi (Llanelli) Management Company Limited
Parc Yr Onnen (The Limes) Management Company Limited
Park Farm (South East) Management Company Limited[25]
Parklands (Maidstone) Management Company Limited
Parrett Gardens (Langport) Management Company Limited
Pavilion Gardens (Monkton Heathfield) Management Company Limited
Pedlars Meadow (Swaffham) Residents Management Company Limited

Notes to the financial statements
For the year ended 31 December 2021

32 Details of all subsidiary undertakings continued

Company Name
Pembridge Court (Clehonger) Residents Management Company Limited
Penny Pot Lane (Harrogate) Management Company Limited
Perry Park View (Perry Barr) Management Company Limited[9]
Persimmon Gardens (Hindley) Management Company Limited[4]
Persimmon Gardens (Martham) Residents Management Company Limited
Persimmon Grange Framlingham Residents Management Company Limited
Persimmon Homes The Oaks (Selly Oak) Management Company Limited
Phoenix Park (Dunstable) Residents Management Company Limited
Phoenix Wharf (West Bromwich) Management Company Limited[9]
Picket 20 Management Company Limited
Picket Twenty Two (Andover) Management Company Limited
Port Marine Management Limited[26]
Pottery Gardens (Cheadle) Residents Management Company Limited[4]
Priory Green (Chilton Polden) Management Company Limited[13]
Priory Meadows (Bodmin) Management Company Limited
Quantock View Management Company Limited
Quinta Mews Management Company Limited[27]
Radstone Road (Brackley) Management Company Limited
Rainton Gardens (Chilton Moor) Management Company Limited
Rainton Meadows (Chilton Moor) Management Company Limited[20]
Ramsdell (Ashford Hill) Management Company Limited
Readers Retreat (Hay-On-Wye) Residents Management Company Limited[5]
Rectory Lane (Standish) Management Company Limited
Redhayes Management Company Limited[28]
Redland Grange (Cottenham) Residents Management Company Limited
Regent Park (Calne) Management Company Limited
Regents Place (Chellaston) Management Company Limited
Repton Park 18 (Ashford) Residents Management Company Limited
Repton Park 19-23 (Ashford) Residents Management Company Limited
Repton Park 8 & 10 (Ashford) Residents Management Company Limited
Rivendell (Gedling) Management Company Limited
Riverbourne Fields Management Company Limited
Rooley Park (Bradford) Management Company Limited
Roseberry Park (Pelton) Management Company Limited
Salterns (Terrington) Residents Management Company Limited
Saltram Meadow Plymouth Management Company Limited
Samford Gardens (Capel St Mary) Residents Management Company Limited
Sandfield Walk (Nottingham) Management Company Limited
Sandgate Drive (Kippax) Management Company Limited
Sandpipers (Minster) Residents Management Company Limited
Saxon Fields (Bridgwater) Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited
Saxon Grove (Purton) Management Company Limited
Saxon Meadow (Sutton On Trent) Residents Management Company Limited
Saxons Chase (Headcorn) Residents Management Company Limited
Scholar's Green (Northampton) Residents Management Company Limited
Seaside Lane (Easington) Management Company Limited
Sharpes Meadow (Heybridge) Residents Management Company Limited
Sherborne Fields (Basingstoke) Management Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited
Sherborne Fields Apartments Ph6 (Basingstoke) Management Company Limited
Shilton Place (Coventry) Management Company Limited[29]
Shirewood (Beighton Road) Management Company Limited
Silver Hill (Preston) Management Company Limited
Solway View (Workington) Management Company Limited
Sovereign Quarter (Gillingham) Management Company Limited
Speckled Wood (Carlisle) Management Company Limited
Spring Meadows (Darwen) Management Company Limited[6]
St Andrews (Uxbridge) Management Company Limited[9]
St Andrews Park (Phase 3c Uxbridge) Management Company Limited
St Andrews Park (Vine Lane 1a) Management Company Limited[9]

Company Name
St Andrews Park (Vine Lane 2a) Management Company Limited
St Andrews Park 2b/3a (Churchill Road, Uxbridge) Management Company Limited
St Andrews Park 3b (Uxbridge) Management Company Limited[9]
St Andrews Ridge (Swindon) Management Company Limited
St Dunstans Place (Burbage) Management Company Limited
St Edeyrns Apartments (Cardiff) Rmc Limited
St Edeyrns Village (Cardiff) Residents Management Company Limited
St Edmunds (Frome) Management Company Limited
St George (Lancaster) Management Company Limited
St Georges Keep Management Company Limited
St James Park (Bramley) Residents Management Company Limited
St Johns (Lichfield) Management Company Limited
St Michaels Way (South Ryhope) Residents Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited
St Peters Place (Salisbury) Management Company Limited
St Wilfrid View (Ripon) Management Company Limited
Stanbridge Meadows (Petersfield) Management Company Limited
Stanford Meadows (Stanford-Le-Hope) Residents Management Company Limited
Staynor Hall K (Selby) Management Company Limited
Stephenson Park (Wallsend) Residents Management Company Limited
Stortford Fields (Bishops Stortford) (Persimmon) Resident Management Company Limited
Strawberry Fields Penryn Management Company Limited
Stream View Management Limited[27]
Stroud Water Management Company Limited
Sycamore Gardens (Oakdale) RMC Limited[15]
Sycamore Rise (Thame) Residents Management Company Limited
Tanners Meadow (Brockham) Management Company Limited[11]
Tarraby View (Carlisle) Management Company Limited
Teasdale Place (Carlisle) Management Company Limited
The Acorns (Shirley) Management Company Limited[9]
The Alders (Gilwern) Residents Management Company Limited
The Blossoms (Blackburn) Management Company Limited[6]
The Boulevards (East Tilbury) Residents Management Company Limited
The Boulevards (Newport) Residents Management Company Limited
The Bridge (Dartford) 29 And 31a Residents Management Company Limited
The Bridles (Ffos Las) Management Company Limited[15]
The Carriages (Burscough) Management Company Limited
The Copse (Bridgwater) Management Company Limited[18]
The Cottons (Holmes Chapel) Management Company Limited
The Croft (Burgess Hill) Residents Management Company Limited
The Edge (Hempstead) Management Limited
The Gateway (Colchester) Residents Management Company Limited
The Goldings Newquay Management Company Limited
The Grange (Chalfont St Peter) Management Company Limited
The Grange (Chepstow) Limited
The Grange (Wellesbourne) Management Company Limited
The Hamptons (Newcastle) Resident Management Company Limited[4]
The Haven (Swansea) Management Company Limited
The Heath (Sandbach) Management Company Limited[6]
The Hedgerows (Alsager) Management Company Limited[4]
The Hedgerows (Thurcroft) Management Company Limited[21]
The Heights (Newark) Residents Management Company Limited
The Lancasters (Cambridge) Residents Management Company Limited
The Landings (Waddington) Residents Management Company Limited
The Links (Machynys East) Management Company Limited[5]
The Longlands (Management Company) Limited[30]
The Maltings (Shaftesbury) Management Company Limited
The Maples (NGP) Management Company Limited
The Middles (Stanley) Management Company Limited
The Mile (Pocklington) Management Company Limited
The Oaklands (NGP) Residents Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
The Oval (Selly Oak) Management Company Limited[7]
The Paddocks (Aintree) Management Company Limited[4]
The Paddocks (Farcet) Residents Management Company Limited
The Paddocks (Highworth) Management Company Limited[4]
The Pastures (Lowton) Management Company Limited[4]
The Pinnacles Management Company (Thamesmead) Limited
The Poppies (Harleston) Management Company Limited
The Poppies Management Company Limited
The Priory (Llandough) Residents Management Company Limited[31]
The Reeds Lower Halstow Management Limited[27]
The Rosary (Emersons Green) Management Company Limited
The Rydons Exeter Number Two Management Company Limited
The Sands (Durham) Management Company Limited
The Shires (Oswaldtwistle) Management Company Limited[6]
The Swallows Management Company Limited[18]
The Village, Aveley Phase II Residents Management Company Limited
The Weald (Easingwold) Management Company Limited
The Whinmoor (Leeds) Management Company Limited[21]
The Wickets (Penenden Heath) Residents Management Company Limited
The Willows Earlestown (Newton Le Willows) Management Company Limited[21]
The Windmills (Kirton) Residents Management Company Limited
Thornley Woods (Gateshead) Management Company Limited
Tilbury Fields (Oxford) Management Company Limited[6]
Tir Y Bont (Bridgend) Management Company Limited
Towcester Grange (Towcester) Residents Management Company Limited[17]
Trelawny Place (Felixstowe) Residents Management Company Limited
Trevelyan Grange (Morpeth) Residents Management Company Limited
Trevethan Meadows Liskeard Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited
Tundra Point (Emersons Green) Management Company Limited
Urban Central (Grays) Residents Management Company Limited
Valley Heights (Frome) Management Company Limited[19]
Village Mews (Southowram) Management Company Limited
Walmsley Park (Leigh) Management Company Limited[4]
Watercress Way Management Company Limited[27]
Waterfield Place (Market Harborough) Residential Management Company Limited
Waters Edge (Buckshaw) Management Company Limited
Waterside At The Bridge Management Company Limited
Watling Place (Newington) Residents Management Company Limited
Weavers Meadow Estates Management Company Limited
Weavers Meadow Phase 2 (Hadleigh) Residents Management Company Limited
Weavers View (Pleasley Hill) Residents Management Company Limited
Weavers Wharf Apartments (Coventry) Management Company Limited
Wellington Gate (Grove) Management Company Limited
Wellington Gate (Maresfield) Management Company Limited
Wellswood Park (Reading) Residents Management Company Limited
Wentworth Green Management Company Limited
West Gate House (Machynys East) Management Company Limited[5]
Westgate (Llanfoist) Management Company Limited[5]
Westhaven Apartments (Barry) Residents Management Company Limited
Westhoughton (Lee Hall) Residents Management Company Limited[4]
Weston Park Limited
Westvale Park (Horley) Management Company Limited[1]
Westwood Park (Churwell) Management Company Limited
White Rose Park (Norwich) Residents Management Company Limited
Whiteford Mews Management Company Limited
Whitewood Park (Bristol) Management Company Limited
Whittington Walk (Worcester) Management Company Limited[9]
Whitworth Dale Management Company Limited

Company Name
Willow Court (Abergavenny) RMC Limited
Willow Park (Aylsham) Management Company Limited
Windmill View (Stanground) Residents Management Company Limited
Windrush Place Witney Management Company Limited
Wombwell (Barnsley) Management Company Limited
Woodbridge House Management Company Limited
Woodhorn Meadows (Ashington) Residents Management Company Limited
Woodland Gardens (Pyle) Management Company Limited
Woodland Rise (Great Cornard) Residents Management Company Limited
Worcester Gate (Worcester) Management Company Limited[9]
Yew Tree Farm (Droitwich) Management Company Limited
Yew Tree Gardens (Tuffley) Management Company Limited
Ysgol Maes Dyfan (Barry) Residents Management Company Limited[5]

1. Homer House, 8 Homer Road, Solihull, B91 3QQ
2. Fountain House, Southwell Road West, Mansfield, Nottinghamshire, NG18 4LE
3. Persimmon House, Birmingham Road, Studley, Warwickshire, B80 7BG
4. Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
5. Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
6. RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
7. 2nd Floor, 154-155 Great Charles Street, Queensway, Birmingham, B3 3LP
8. North Point,Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
9. Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
10. Persimmon Homes, 3 Waterside Way, Northampton, NN4 7XD
11. 94 Park Lane, Croydon, Surrey, CR0 1JB
12. 250 Aztec West, Almondsbury, Bristol, BS32 4TR
13. Pembroke House, Torquay Road, Paignton, Devon, TQ3 2EZ
14. 1 Georges Square, Bath Street, Bristol, BS1 6BA
15. 46 Whitchurch Road, Cardiff, CF14 3LX
16. Unit 8, The Forum Minerva Business Park, Peterborough, PE2 6FT
17. 2 Hills Road, Cambridge, CB2 1JP
18. Units 1,2, & 3 Beech Court Wokingham Road, Hurst, Reading, RG10 0RU
19. Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR
20. 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
21. Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
22. 20 King Street, London, EC2V 8EG
23. 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, Tyne And Wear, NE1 4JE
24. Acorn Estate Management, 9 St Marks Road, Bromley, Kent, BR2 9HG
25. Foundation House, Coach & Horses Passage, Tunbridge Wells, TN2 5NP
26. Castlewood Business Park, Tickenham Road, Clevedon, BS21 6FW
27. Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
28. Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR
29. 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
30. Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
31. Avon House, Stanwell Road, Penarth, CF64 2EZ

* Private Limited Company

Other information

Shareholder information

Band analysis as at 31 December 2021

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	7,693	86.52	4,833,749	1.51
5,001 – 50,000	732	8.23	12,820,139	4.02
50,001 – 250,000	288	3.24	33,538,602	10.51
250,001 – 999,999,999	179	2.01	268,013,984	83.96
Total	**8,892**	**100.00**	**319,206,474**	**100.00**

Share price – year ended 31 December 2021

Price at 31 December 2021	£28.56
Lowest for year	£25.14
Highest for year	£32.38

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

Financial Calendar 2022

Ex-Dividend Date of 125p interim dividend	10 March 2022
Record Date of 125p interim dividend	11 March 2022
Payment of interim dividend of 125p	1 April 2022
Annual General Meeting	27 April 2022
Trading Update	27 April 2022
Trading Update	7 July 2022
Announcement of Half Year Results	17 August 2022
Trading Update	8 November 2022

Five Year Record

	2021	2020	2019	2018	2017
Unit sales	**14,551**	13,575	15,855	16,449	16,043
Housing revenue	**£3,449.7m**	£3,129.5m	£3,420.1m	£3,545.8m	£3,422.3m
Average selling price	**£237,078**	£230,534	£215,709	£215,563	£213,321
Profit from operations	**£966.7m**	£862.8m	£1,036.7m	£1,091.9m	£966.1m
Profit before tax	**£973.0m**	£863.1m	£1,048.1m	£1,100.0m	£977.1m
Basic earnings per share	**248.7p**	220.7p	269.1p	286.3p	258.6p
Diluted earnings per share	**247.6p**	219.9p	268.6p	283.7p	246.5p
Cash return/dividend per share	**235.0p**	110.0p	235.0p	235.0p	235.0p
Net assets per share	**1,135.7p**	1,102.7p	1,021.7p	1,006.0p	1,036.6p
Total shareholders' equity	**£3,625.2m**	£3,518.4m	£3,258.3m	£3,194.5m	£3,201.6m
Return on capital employed	**35.8%**	29.4%	37.0%	41.3%	40.3%

All figures stated before exceptional items, goodwill amortisation/impairment, legacy buildings provision and includes land creditors where applicable.

Directors

Roger Devlin
Chairman

Dean Finch
Group Chief Executive

Nigel Mills
Senior Independent Director

Simon Litherland
Non-Executive Director

Joanna Place
Non-Executive Director

Annemarie Durbin
Non-Executive Director

Andrew Wyllie CBE
Non-Executive Director

Shirine Khoury-Haq
Non-Executive Director

Jason Windsor*
Chief Financial Officer

* to be appointed in summer 2022

Life President

Duncan Davidson founded Persimmon in 1972. The Company floated on the London Stock Exchange in 1985 and became the first pure housebuilder to enter the FTSE 100 in December 2005. Mr Davidson retired as Chairman in April 2006 and assumed the role of Life President.

Company information

Company Secretary
Tracy Davison

Registered office
Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199

Company number
1818486
Incorporated in England

Auditor
Ernst & Young LLP

Bankers
The Royal Bank of Scotland plc
Lloyds Banking Group plc
Barclays Bank PLC
HSBC plc
Santander UK plc
Investec Bank Plc

Financial PR Consultants
Citigate Dewe Rogerson
8th Floor, Holborn Gate
26 Southampton Buildings
London
WC2A 1AN
Telephone (020) 7638 9571

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