Persimmon

# Unlocking future potential

**Persimmon Plc** Annual Report 2023

Persimmon

**In a landscape marked by economic complexities, Persimmon's approach is anchored in resilience and innovation. Our forward-thinking strategies are driven by a deep understanding of market dynamics, enabling us to navigate challenges. Embracing sustainability as a guiding principle, we're incorporating modern construction techniques that enhance efficiency and reduce environmental impact.**

**Together we are embracing our opportunities.**

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» Visit persimmonhomes.com/corporate

## Highlights

# Strong performance

### Financial

**Number of homes sold**

**9,922**

2022: 14,868

**Average selling price 2023**

**£255,752**

2022: £248,616

**Owned land holdings (plots)**

**66,742**

2022: 70,768

**Construction and supply chain jobs supported[2]**

**c.76,000**

2022: c.92,000

**Private forward sales[1]**

**£946m**

2022: £908m

**Return on capital employed ('ROCE')[3]**

**10.5%**

2022: 30.4%

### Sustainable

**Investment in local communities[4]**

**c.£2.3bn**

2022: £2.4bn

**CDP climate score**

**A-**

2022: B

**Reportable Items**

**0.28**

2022: 0.49

### Operational

- 9,922 new home completions in FY23, ahead of our initial guidance with strong delivery in Q4
- Net private sales rate of 0.58 per outlet per week in 2023, ahead of industry average
- Underlying operating profit and margin impacted by lower volumes, build cost inflation and mix as expected in 2023
- 43% improvement in NHBC reportable items to deliver our highest quality homes yet
- NHBC customer satisfaction score improved to 92.9%, continued five-star HBF rating
- Private ASP held up well with some softening in second half, reflected in forward order book pricing
- Successfully controlled WIP investment to match demand, without compromising on investment for future growth
- Enhanced planning approach working well with c.11,000 plots achieving detailed consent in the period, resulting in a 7% increase in 'owned plots with detailed planning'
- Net land spend of £398m including the settlement of land creditors of £253m

1. As at 10 March 2024 (2022 figure as at 12 March 2023).
2. Estimated using an economic toolkit.
3. 12-month rolling average calculated on operating profit before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors.
4. The value of homes delivered to housing associations, the value of discounted open market value homes plus the value of planning contributions we have made over the last five years.

## Our strategic framework

# Clear priorities with sustainability at the heart

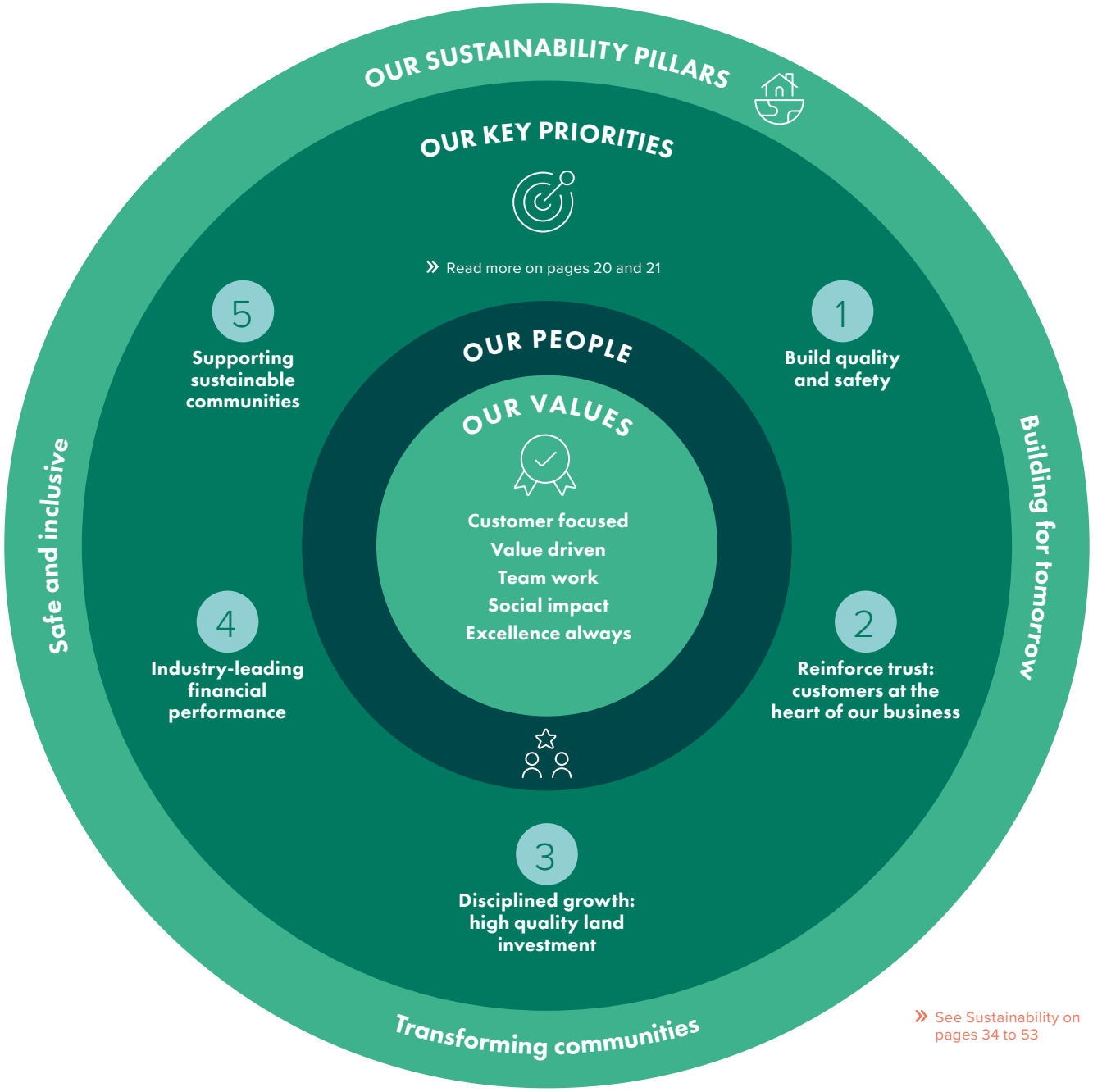
### Our mission

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.




See Sustainability on pages 34 to 53

## At a glance

# Empowering success through choice

**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**
**£272,919**
2022: £262,461

**Revenue**
**£1,899m**
2022: £2,961m

**Completions**
**6,958**
2022: 11,282

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**
**£409,488**
2022: £395,460

**Revenue**
**£296m**
2022: £353m

**Completions**
**723**
2022: 892

**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.

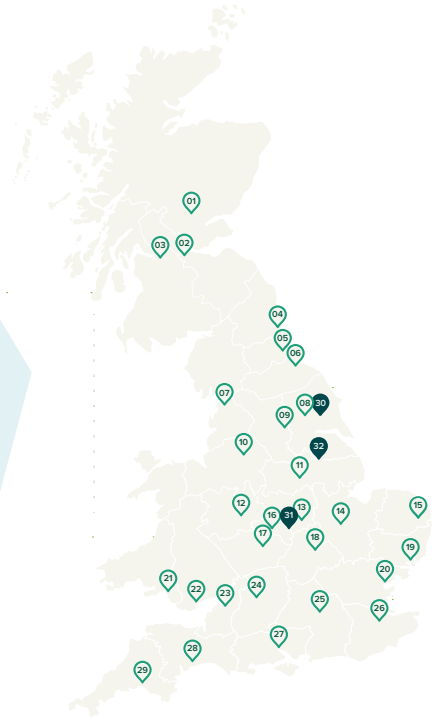
**Average selling price**
**£152,852**
2022: £142,017

**Revenue**
**£343m**
2022: £383m

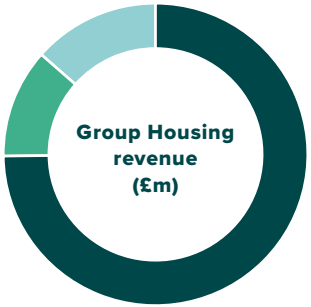
**Completions**
**2,241**
2022: 2,694

## Sustainability recognition

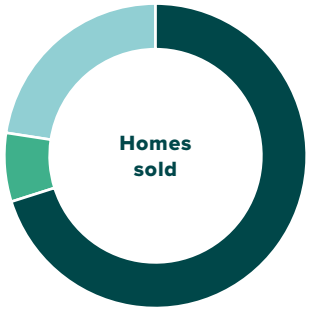
» See Sustainability on pages 34 to 53



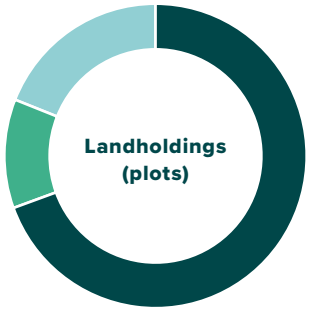
| | | | |
|---|---|---|---|
| 01 | North Scotland | 19 | Suffolk |
| 02 | East Scotland | 20 | Essex |
| 03 | West Scotland | 21 | West Wales |
| 04 | North East | 22 | East Wales |
| 05 | Durham | 23 | Severn Valley |
| 06 | Teesside | 24 | Wessex |
| 07 | Lancashire | 25 | Thames Valley |
| 08 | Yorkshire | 26 | South East |
| 09 | West Yorkshire | 27 | South Coast |
| 10 | North West | 28 | South West |
| 11 | Nottingham | 29 | Cornwall and West Devon |
| 12 | West Midlands | **30** | **Persimmon Plc Head Office** |
| 13 | North Midlands | **31** | **Space4** |
| 14 | East Midlands | **32** | **Brickworks and Tileworks** |
| 15 | Anglia | | |
| 16 | Central | | |
| 17 | South Midlands | | |
| 18 | Midlands | | |




| | |
|---|---|
| Persimmon Homes | **1,899** |
| Charles Church | **296** |
| Westbury Partnerships | **343** |
| Total | **2,538** |




| | |
|---|---|
| Persimmon Homes | **6,958** |
| Charles Church | **723** |
| Westbury Partnerships | **2,241** |
| Total | **9,922** |




| | |
|---|---|
| Persimmon Homes | **57,107** |
| Charles Church | **9,523** |
| Westbury Partnerships | **15,605** |
| Total | **82,235** |

» Discover more online at persimmonhomes.com

## Investment case

# Building for the future

**Persimmon is a leading UK homebuilder and is well placed in a market where there is strong demand for new homes. We have a differentiated proposition focused on delivering high-quality homes at affordable price points for our customers, in an efficient and cost-effective manner.**

**We have broad market appeal with UK-wide presence across our three brands, competitive advantage through affordability, vertical integration and a commitment to sustainability. Our resilient business model, backed by experienced management and strong financial stability, paves the way for sustained growth, industry-leading shareholder returns and market leadership over the medium to long-term.**

### 1 Competitive advantage

Our private average selling price is over 20% lower than the industry norm, making our homes not just accessible but genuinely affordable for a diverse range of customers, including first-time buyers.

### 2 National diversification

Our UK-wide presence reduces regional reliance while providing economies of scale, and our multi-brand portfolio ensures broad market appeal.

### 3 Growth

The long-term demand outlook for new homes is favourable. With our land holdings and operational footprint, we are well positioned for disciplined growth when market conditions improve.

### 4 Quality sustainable homes

Our motto is to 'Build Right First Time'. Our high-quality homes are five-star HBF rated and have strong customer satisfaction ratings. We continue to pursue our carbon reduction targets, aiming to deliver net zero homes by 2030.

### 5 Efficiency and resilience

Our vertical integration enhances supply chain resilience and offers opportunity for innovation. Combined with our discipline around cost control, this ensures our build costs are kept low without compromising on quality.

### 6 Land

We have an excellent track record of purchasing land at attractive prices reflected in our low per plot cost which, combined with our operational efficiency, underpins our ability to generate industry-leading margins and high levels of ROCE when market conditions improve.

### 7 Financial strength

We operate with a robust balance sheet and generate strong cash generation through the cycle.

### 8 Experienced leadership

The extensive sector experience of our leadership team ensures disciplined business management. We are continuously exploring solutions to meet future demands, staying ahead of the curve.

## Chairman's statement

# Opportunity for everyone

### Introduction

2023 was always going to be a challenging year, following on from the sharp rise in mortgage rates in autumn 2022 and a general climate of economic uncertainty. The strategy we set out and the actions we took enabled us to navigate this environment well, performing ahead of expectations for the year. In particular, our programme of continuous improvement in build quality and customer care has enabled us to retain our five-star Home Builders Federation rating, as evidence of the sustainable transformation of our business.

As expected at the start of the year, the number of new home completions and profit delivery of the Group was significantly down on the prior year, reflecting a difficult macroeconomic backdrop. While demand remains high, affordability and mortgage availability has been difficult for many of our customers, especially first-time buyers. Thankfully, there has been some stabilisation in recent months with mortgage rates having fallen from their peak in July 2023.

While 2024 will not be an easy year, I remain very confident of the exciting long-term prospects for the Group. There is no doubt that the country continues to face a significant housing shortage, with a growing population, continuing migration and household formation as well as a sizeable amount of old housing stock.

The operational progress we have made in the year means that we are well placed to benefit from strong pent-up demand as the housing cycle turns. Our homes are built to the highest standards and across our three brands, we are truly affordable for our customers with a private average selling price that is over 20% lower than the national average[1]. We are investing in expanding our outlet base with good success in obtaining planning permissions in 2023, despite the continued challenges of the UK planning system.

My colleagues have navigated the challenges of 2023 well and with impressive skill and commitment. Our mission is to build quality homes of value at a price our customers can afford. Our performance in 2023 demonstrates the considerable progress that the Group has made over the last five years.

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. Group average private selling price is £285,774.

**"I am convinced our long-term future is bright and we are all looking forward to working together to maintain Persimmon's industry-leading position.**

## Building a sustainable business for the future

Following the swift rise in interest rates at the end of 2022, the Group acted quickly to enhance its already strong investment discipline and working capital cost controls. This continued throughout 2023 to protect our cash position and in the longer-term provide the flexibility to pursue new growth opportunities. Persimmon's historical strength has been built on conservative balance sheet management and limited gearing. We continue to observe these principles and manage our cost base with prudence.

We do not currently anticipate a major improvement in market conditions in 2024, with a general election likely this year and interest rates expected to remain at current levels for some time. However, we have had good success with our sharpened approach to planning through local engagement which will allow us to grow outlet numbers in the coming year and our continued strength in land buying gives us a strong platform for growth when the market does recover. We are focused on purchasing the right land for development which will include a mix of greenfield and brownfield opportunities, recognising the Government's focus on greater use of brownfield land.

## Industry leadership

We signed the English and Welsh Building Safety Remediation Agreements in the year. We are getting on with required remediation works and expect the work to be largely completed over the next two to three years.

The Company is fortunate to have three established brands and, in addition to the core Persimmon homes, we will further exploit the excellence of Charles Church which allows us to penetrate higher price points, as well as developing Westbury working in partnership with local authorities and housing associations.

## Shareholder returns

We recognise the importance of returns for our shareholders and our Capital Allocation Policy, established in 2022, seeks to balance cash returns to our shareholders with investment in the business for future growth. For 2023, the Board proposes a final dividend of 40p per share to be paid on 12 July 2024 to shareholders on the register at 21 June 2024, following shareholder approval at the AGM. This dividend is in addition to the interim dividend of 20p per share, paid in November 2023, to give a total dividend per share of 60p in respect of financial year 2023. The Board's intention is to at least maintain the 2023 dividend per share in 2024, with a view to growing this over time as market conditions permit.

## Board changes

During the year we had a number of changes to the Board with the appointments of Colette O'Shea and Alexandra Depledge MBE as Independent Non-Executive Directors of the Group. I am delighted to welcome both Colette and Alexandra to the Board with both adding highly relevant and complementary skills to the Persimmon Board. Simon Litherland and Joanna Place, Non-Executive Directors of the Group, both decided not to seek re-election for a further term at the AGM stepping down from the Board after six years and three years, respectively. On behalf of the Board, I would like to thank Simon and Joanna for their most valuable contributions to the Persimmon Board over recent years.

We also announced on 8 November 2023, that Andrew Duxbury would be joining the Group as Chief Financial Officer, replacing Jason Windsor who left the business in early September. Andrew has extensive experience as a finance director in the construction and housebuilding industry, which will be an invaluable asset to Persimmon as we continue to provide good quality homes for families across the UK and position the business for future growth. We look forward to welcoming Andrew to the business in due course.

## In conclusion

Finally, on behalf of the whole Board I would like to thank our colleagues, subcontractors and suppliers for their hard work and determination through challenging market conditions in 2023. We are well placed to manage near-term uncertainty and are actively positioning the business for disciplined future growth. I am convinced our long-term future is bright and we are all looking forward to working together to maintain Persimmon's industry-leading position and deliver more quality homes for our customers and sustainable returns for our shareholders through the cycle.

**Roger Devlin**
**Chairman**
11 March 2024

## Our markets

# Opportunity for the future

## Housing supply

### Market trends

There is a chronic undersupply of housing, compounded by population growth and the need for replacement of existing housing stock. The Government's target of delivering 300,000 homes annually in England is not being met which is adding to the housing crisis. There is a need for high-quality homes across all tenures, not just private homes for sale. Development drives community benefits, economic activity and aligns with the broader pursuit of net zero emissions as new homes become more energy efficient.

However, the industry has struggled to meet housing targets, leading to price inflation in some areas and exacerbating supply-demand imbalances. In 2023, economic uncertainty, affordability challenges, and the end of schemes like Help to Buy further impacted delivery rates. There remains near-term uncertainty, driven by factors such as an expected general election in 2024, which further complicates the landscape. Moreover, the planning environment and limited land supply pose significant barriers to development and home delivery.

### Our response

We remain committed to delivering high-quality homes, evidenced by the delivery of our highest-ever quality homes in 2023. Delivery of homes in 2023 was impacted by the challenging market backdrop. However, as the market recovers, with a substantial portfolio of plots under our control, we are well positioned to expand our outlet network and return to volume growth to help the industry meet housing demand.

Additionally, we engage proactively with policymakers to address planning constraints and advocate for measures that support sustainable development.

Overall, our response emphasises resilience, innovation, and collaboration to drive sustainable growth and address the pressing needs of the UK housing market.

**300,000**

**Government ambition for new home additions in England**

» Discover more at www.persimmonhomes.com

Links to key priorities

1. Build quality and safety
2. Reinforce trust: customers at the heart of our business
3. Disciplined growth: high quality land investment

» Read more on pages 20 to 21

Links to principal risks

1. UK economic conditions
2. Government policy and political risk
6. Land
9. Regulatory compliance

» Read more on pages 72 to 75

## Mortgage availability and affordability

### Market trends

The housing market has faced challenges since 2022, with higher mortgage rates impacting affordability. Although UK base rates have peaked, there's ongoing uncertainty about the extent of interest rate cuts in 2024. Swap rates, though reducing from peak levels, have experienced volatility, and their trend will be crucial for restoring confidence in the housing market.

House prices in December 2023 saw a 1.8% decline compared to the previous year, marking a 4.5% decrease from the all-time high recorded in late summer 2022[1]. At the end of 2023, the average two-year mortgage fix was 5.93%, significantly higher than the 2.38% average two years earlier[2]. Despite these fluctuations, with stability in the Bank of England base rate and the average mortgage rates falling, the backdrop is improving for buyers.

This was evidenced with a recent uptick in mortgage approvals, rising from 49.3k in November to 50.5k in December 2023[3]. While mortgage approvals are rising, they remain notably below a 'normal' level with the first-time buyer market particularly constrained.

### Our response

Persimmon provides diverse house types at attractive prices, enabling customers to purchase at a price they can afford. Our private average selling price of £285,774 is over 20% below the national average[4] and reflects our commitment to accessible housing.

We continue to adapt our strategies to mitigate economic uncertainties and affordability issues. This includes optimising sales approaches and exploring solutions such as shared ownership products.

**over**

**20%**

**lower private ASP than national average[4]**

» Discover more at www.persimmonhomes.com

1. Nationwide House Price Index.
2. Moneyfacts.
3. Bank of England.
4. Based on the Group's private average selling price of £285,774 for the year to 31 December 2023 compared with the 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.

Links to key priorities

3. Disciplined growth: high quality land investment
4. Industry-leading financial performance

» Read more on pages 20 and 21

Links to principal risks

1. UK economic conditions
2. Government policy and political risk
11. Mortgage availability

» Read more on pages 72 to 75

## Skilled labour and materials

### Market trends

The UK construction industry faces labour shortages due to an ageing workforce, post-Brexit immigration restrictions, skills gaps, and negative industry perceptions. These factors limit the availability of skilled workers, hindering productivity and exacerbating challenges in meeting demand for construction projects.

Throughout the first half of the year, the UK construction market faced significant build cost inflation which started to ease in the second half of the year. Overall build cost inflation was c.8–9% in 2023. The softening of build cost inflation towards the end of 2023 will benefit completions from 2024.

### Our response

In response to the shortage of supply challenges in the industry, we leverage a robust supply chain and leverage group agreements to mitigate material costs. During the year we proactively approached suppliers to renegotiate prices as market conditions softened.

In addition, our vertically integrated manufacturing facilities continue to support delivery and efficiency across the business. Brickworks, Tileworks and Space4 all performed well in 2023, aligning output with the lower completions in the year and operating with a low level of fixed costs.

To address the labour shortage, our proactive approach involves recruiting and training numerous apprentices and trainees, complemented by a comprehensive graduate recruitment programme. Collaborative efforts with schools, colleges, and subcontractors further support apprentice recruitment, ensuring a resilient response to industry challenges.

**431**
**apprentices within the business**

**43k**
**supply chain jobs supported**

» Discover more at www.persimmonhomes.com

Links to key priorities

1. Build quality and safety
2. Reinforce trust: customers at the heart of our business
4. Industry-leading financial performance

» Read more on pages 20 and 21

Links to principal risks

1. UK economic conditions
2. Government policy and political risk
4. Skilled workforce, retention and succession
5. Supply chain
8. Reputation
9. Regulatory compliance

» Read more on pages 72 to 75

## Planning and regulation

### Market trends

The UK planning system is facing a number of challenges. It is a lengthy and complicated process which has been made more challenging with uncertainty around local housing plans and changes to the National Planning Policy Framework ('NPPF') following the passing of the 'Levelling Up Bill' which removed the requirement for local authorities to have a local housing target or maintain a five-year land supply.

Planning permissions are currently being granted at record lows with around 60 local authorities having paused or withdrawn their local plans. In addition, the Home Builders Federation estimates that around 185,000 homes are on hold due to Natural England's mitigation measures on nutrient neutrality, water neutrality and Recreational Impact Zones.

Amendments to Part L regulations which include a c.30% enhancement in the efficiency of new homes came into effect for all developments in June 2023. The proposed Future Homes Standard ('FHS'), expected in 2025, requires an approximately 80% efficiency improvement compared with regulations as at June 2022. Biodiversity net gain legislation came into force in February 2024 which requires a 10% minimum net gain on all developments.

### Our response

The Group is supportive of the objectives to enhance home quality and actively engages in reducing carbon usage in the industry. The Group is trialling various low carbon building techniques and participates in the Low Carbon Homes Steering Group.

Despite a more challenging planning environment, Persimmon's sharpened approach to planning is bearing fruit, with detailed planning achieved on c.11,000 plots in the period. This involves greater engagement at a local level and ensuring that applications are aligned with needs. This resulted in a halving in the number of planning refusals received in 2023 compared with the previous five-year average.

**c.11k**
**plots achieved detailed planning in 2023**

» Discover more at www.persimmonhomes.com

Links to key priorities

1. Build quality and safety
3. Disciplined growth: high-quality land investment
4. Industry-leading financial performance

» Read more on pages 20 and 21

Links to principal risks

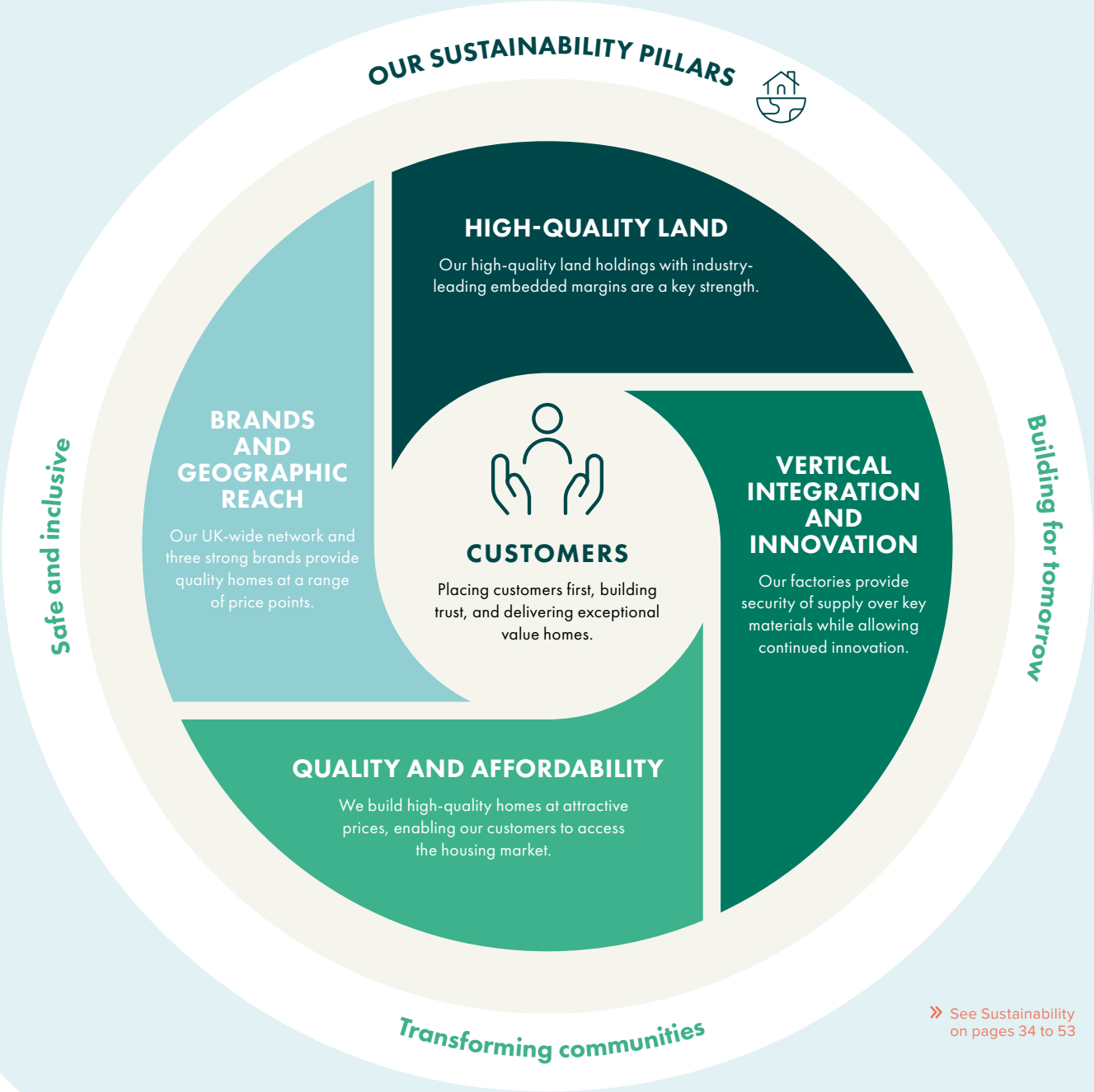
2. Government policy and political risk
3. Health, safety and environment
4. Skilled workforce, retention and succession
6. Land
9. Regulatory compliance
12. Legacy buildings

» Read more on pages 72 to 75

## Our business model
# What we do

**We are a UK homebuilder focused on identifying and meeting local housing needs. Our skilled land, planning, and design teams collaborate closely with local governments, landowners, and communities to plan and deliver developments in areas where people desire to live and work.**

With a disciplined land investment strategy and in-house manufacturing facilities for key materials, we ensure quality and sustainability. Our goal is to create affordable, well-designed homes within sustainable communities, backed by exceptional customer service throughout the home buying journey.




» See Sustainability on pages 34 to 53

# The value we create

**Persimmon's offering is resonating well with customers. We have successfully balanced our need to control costs, whilst investing in the business to position it for sustainable growth when conditions improve.**

**Dean Finch**
**Group Chief Executive**

## Financial performance

**Our well-established strategy provides a resilient balance sheet and high quality land holdings from which we have the expertise to deliver sustainable returns for all our stakeholders.**

**Financial strength**
**£3.4bn**
balance sheet net assets at 31 December 2023

**Surplus capital returned to shareholders**
**£255m**
in the year to 31 December 2023

**Resilient balance sheet**
**£420m**
net cash at 31 December 2023

**Employment**
**4,825**
direct employees at 31 December 2023

**Jobs supported**
**c.76k**
construction and supply chain jobs[2]

## Create sustainable communities

**Our Placemaking Framework ensures that all our developments create a sense of place for our customers and put communities at the heart of our developments.**

**New homes delivered**
**9,922**
2,241 delivered to housing associations

**'Homes for all'**
**£285,774**
our private average selling price is over 20% lower than the UK national average[1]

**Investing in communities**
**c.£2.3bn**
over the last five years

**Public open spaces**
**452**
acres created[2]

**HBF score**
**92.9%**
HBF survey – percentage of customers who would recommend Persimmon to a friend

1. Based on the Group's private average selling price of £285,774 for the year to 31 December 2023 compared with the 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. Estimated using an economic tool kit.

## Our value chain

# Opportunity through vertical integration

**Our 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.**

Through our vertically integrated capabilities, 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.

**Capacity of current Space4 factory**

**9,500**
units

**Bricks sourced from Brickworks in 2023**

**54%**

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 MMC system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied c.3,300 timber frame kits and roof systems to the Group in 2023. Our Space4 factory provides us with the unique ability to implement (among other initiatives) innovative 'fabric first' solutions to enhance the future efficiency of our homes.

**Brickworks** produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. During 2023, Brickworks supplied c.44m bricks and block paving to 248 sites across the Group. This represented 54% of the Group's brick usage in 2023. The factory has the capacity to produce c.70m bricks per year.

**Tileworks**, the Group's own concrete roof tile manufacturing facility, produces tiles solely for the Group. During the year, Tileworks supplied c.7m tiles to 238 sites across the Group.

**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. At the end of 2023, there were over 36,000 connected customers across c.380 housing developments.

## Group Chief Executive's statement

# Navigating the path to success

**We have made excellent progress on our key priorities in the last few years, with a series of incremental initiatives contributing to building a much stronger business.**

### Introduction

The Group successfully navigated the challenging market conditions in 2023. We made good progress on our five strategic priorities, delivering high quality sustainable homes and enhancing trust with our customers whilst maintaining a disciplined approach to cost control and land buying to support our industry-leading financial performance over the medium-term.

The investments we have made over the past few years are delivering results. Our enhanced sales and marketing capabilities enabled us to achieve a net sales rate of 0.58 per outlet per week for 2023 and we completed the sale of 9,922 new homes, ahead of previous guidance. This was achieved while providing exceptional service to our customers and further improving our quality metrics which are our best ever, with a 43% improvement in reportable items per home in 2023, as measured by the NHBC. This outcome reflects the dedication of colleagues throughout the Group and illustrates the significant progress the business has made in recent years.

Our three core brands, with homes across different price ranges, coupled with our robust land acquisition practices, are key strengths in today's affordability-focused market. Our proactive investment into the business, including timber frame and increased use of panelisation, as well as innovative solutions like TopHat, underscore our adaptability to evolving regulations and market conditions. We will emerge from this downturn with good visibility over our land pipeline which will support a return to growth in outlets and volumes, improved margins and strong cash generation. This reflects the effectiveness of our core strategy, paving the way for sustainable shareholder returns over the medium-term.

### 2023 trading

Demand for high quality, affordable homes remained strong; however, customer confidence was impacted by more limited mortgage availability following the 'mini' budget and stretched affordability. At the end of 2023, the average two-year mortgage fix was 5.9%, significantly higher than the 2.4% average two years earlier[1] which was further compounded by the removal of Help-to-Buy in October 2022. Throughout the year, we focused on securing sales through controlled use of incentives and investor deals, maintaining discipline with a sustained pick up in interest in our homes from the lows of Q4 2022. Overall, the average private net sales rate for 2023 was 0.58 per outlet per week (2022: 0.69) with stable cancellation levels throughout the year.

Overall, we delivered 9,922 legal completions (2022: 14,868) with a reduction in the new housing gross margin to 20.5%[2] (2022: 30.9%), in line with our margin guidance at the start of the year. This performance, although down on the prior year, reflects the economic headwinds faced across the broader industry and, while disappointing, is not reflective of the future strong prospects for the Group. I am delighted at how colleagues across the business have stepped up to the challenge of a tougher trading environment to preserve Persimmon's great strengths while making good progress in enhancing our build quality and customer service.

**Creating opportunities**

### Planning approval for new Space4 factory

In June 2023, we achieved planning approval for our new state-of-the-art timber frame facility on the edge of Loughborough. The new facility is believed to be the biggest in the UK and will bring up to 120 new jobs to Loughborough and the surrounding areas. The factory will produce timber frame units for up to 7,000 homes a year and is set to be in full operation towards the end of 2025.

Utilising modern methods of construction ('MMC') systems within Space4's products places sustainability at the core of our build practices. Utilising timber over other materials enables the homes to be more environmentally friendly; all the timber used is from sustainable forestry sources.

» Discover more at www.persimmonhomes.com

**Number of timber frame units for homes to be produced each year**

**7,000**

# Group Chief Executive's statement continued

Creating opportunities

## Homes England and Department for Levelling Up, Housing and Communities official visit

On 12 October 2023, Homes England and the Department for Levelling Up, Housing and Communities visited our Foxfields site in Stoke-on-Trent. The teams were given a tour of the new community, meeting with the Persimmon team to learn more about the developer's success in delivering a number of First Homes on the development, as well as discuss the opportunities and challenges facing the housing sector.

**"The visit gave us an opportunity to see the impact that the First Homes programme is having for first-time buyers around the country. We are grateful to Persimmon which has been a great supporter of the programme and has played a significant role in our pilot which will deliver up to 1,500 First Homes ahead of the policy being fully rolled out through the planning system.**

**DLUHC official**

## 2023 trading continued

Average selling prices increased 3% year on year to £255,752 (2022: £248,616). The Group's private average selling price increased by 5% to £285,774 (2022: £272,206) largely reflecting the mix of developments and homes sold with underlying house prices under pressure, particularly in the second half of the year. Our investment in a core 'Partnerships' team around 18 months ago has delivered further benefits with our Partnerships average selling price up 8% to £152,852 in 2023 (2022: £142,017).

While we saw increases in house prices in 2023, underlying sales prices were mixed across the country and, as previously indicated, we experienced high levels of build cost inflation of c.8-9% on completions in the year. Our vertically integrated factories – Brickworks, Tileworks and Space4 – and negotiations with suppliers helped to partially offset broader supplier increases which were a significant headwind for the Group in 2023. As anticipated in the 2022 full year results announcement, these factors, combined with lower volumes and increased sales and marketing costs impacted the Group's housing gross margin. This, together with a higher proportion of homes sold to our housing associations partners (2023: 23%; 2022: 18%), one-off costs associated with the remediation of two completed sites and accelerated exit from two sites, adversely impacted housing gross margin by 1,040bps in the year to give a housing gross margin of 20.5%[2] (2022: 30.9%).

| | |
|---|---|
| **Housing gross margin 2022** | **30.9%** |
| Inflation impact | -480bps |
| Sales rate | -210bps |
| Increased proportion of completions to housing association partners | -65bps |
| Sales incentives and marketing | -220bps |
| Impact of one-offs and accelerated exit from two sites | -65bps |
| **Housing gross margin 2023** | **20.5%** |

Disciplined cost control has been a core focus in the year, prioritising margin protection and cash generation. The Group quickly responded to changing market conditions in late 2022 to protect its cash position, while allowing investment for growth opportunities in the long-term. This strategy persisted throughout 2023, with added cost control measures and centralised oversight of expenditure within regional operations to maintain discipline and improve efficiency across the Group.

### Building safety and the developer remediation contract

During the year, we signed both the UK Government's Self Remediation Contract (in England) and also the Welsh Government's Developers' Pact, which turn the respective Building Safety Pledges into binding commitments. On 1 August, the Department for Levelling Up, Housing and Communities announced that we had joined the associated Responsible Actors Scheme. Failure to join the scheme, or to meet remediation commitments, could result in planning and building control sanctions being taken against the relevant developers. Alongside other developers we signed the Scottish Safer Buildings Accord in May and discussions are ongoing between the industry and Scottish Government to agree a long form contract. While these discussions are ongoing, we continue to make progress on Scottish developments to deliver on our previously stated commitments. We have assessed 98% of the 82 known developments with any necessary work already completed on 39 of those and work is underway on a further 17.

### Competition and Markets Authority ('CMA') investigation into the housebuilding industry

On 26 February 2024, the CMA published its report on the market study into the housebuilding market which concluded that the complex and unpredictable planning system was "a key driver of the under delivery of new housing".

The CMA also announced that it had opened an investigation into eight housebuilders under the Competition Act 1998 regarding the sharing of information. As we did with the market study, we will co-operate with the CMA on this investigation.

## Our five priorities

We have made excellent progress on our key priorities in the last few years, with a series of incremental initiatives contributing to building a much stronger business, enhancing both operational resilience and financial sustainability. The recent CMA market study into housebuilding suggests that we have been right to focus in these areas. Amongst many findings and recommendations to Government, the study identified the planning system as perhaps the key barrier to new home delivery. Our focus on improving our success in securing planning approvals has therefore been crucial. Other recommendations included the need to further strengthen the industry's consistent approach to customer service, quality and innovation, as well as highlighting the central role grant-funded Affordable Housing plays in meeting our housing needs. These recommendations demonstrate why our investment in securing five-star customer service, a new Space4 factory, TopHat and our Partnerships team have been important.

Our strategy, centred around our three core brands, is particularly relevant in times where affordability is crucial. Our emphasis on cost leadership, vertical integration, and strategic land acquisition not only position our business for industry-leading financial returns in the medium to long-term but also address past quality concerns, adopt a proactive approach to changing regulations, and a renewed focus on customer satisfaction.

As I set out three years ago, shortly after taking on the role of Chief Executive, our five priorities guide our approach of building on Persimmon's great strengths and enhancing our capabilities in key areas:

- Build quality: our ambition has grown from 'build right, first time, every time' to 'trusted to deliver five-star homes consistently';
- Reinforcing trust: in seeking to build a compelling brand we place customers at the heart of our business and are trusted to deliver the best value homes customers can be proud of;
- Disciplined growth: maintain our stringent appraisal, investing in high quality land in the right areas;
- Industry-leading financial performance: sustain our industry-leading margins and returns, drive healthy profit and cash;
- Supporting sustainable communities: actively part of the net zero carbon economy transition, the communities we operate in and efforts to widen opportunity.

### Build quality

- 43% improvement in NHBC Reportable Items[3]
- Secured Charter Champion status for leadership and culture around building safety by Building a Safer Future

Persimmon's commitment to quality is embedded throughout the business through its comprehensive construction excellence programme, known as The Persimmon Way, which rigorously ensures high-quality homes through stringent quality control measures. This dedication has resulted in significant progress in enhancing build quality, demonstrated by improved NHBC Reportable Items and Construction Quality Review scores in recent years. In 2023, Persimmon delivered its highest ever quality homes with a 43% reduction in NHBC Reportable Items to 0.28 per home[3] (2022: 0.49).

Innovation is a key part of the Group's strategy; investments in digital systems and off-site manufacturing facilities are improving build efficiency and quality as well as proactively positioning the business for changing market conditions. In June, we secured planning permission for our new Space4 factory in Leicestershire. This next-generation factory will use advanced automation to provide up to 7,000 units a year and allow even more of the timber frame to be built in the factory. Our investment in TopHat, announced in April, presents exciting opportunities with the potential to leverage both its modular units on our sites as well as utilise its advanced brick façade with Persimmon's Space4 timber frames.

Safety remains paramount for Persimmon, as evidenced by its commitment to the Building a Safer Future Charter and ongoing investments in safety measures across all operations. In 2023, our Group Annual Incidence Injury Rate was 1.4 per 1,000 workers, down from 1.8 in the prior year.

As a result of the success of our multi-year strategy to 'build right, first time, every time', our ambition has evolved to be 'trusted to deliver five-star homes consistently', reflecting our commitment to quality.

**Our ambition has evolved to be 'trusted to deliver five-star homes consistently', reflecting our commitment to quality.**

# Group Chief Executive's statement continued

**Our homes are built to the highest standards whilst being attractively priced, over 20% lower than the national average.**

## Our five priorities continued

### Reinforcing trust

- Improved eight-week and nine-month NHBC customer satisfaction scores with continued HBF five-star builder status
- 8% increase in Persimmon Homes Trustpilot score
- Awarded the Princess Royal Training Award for our ISP Sales Excellence programme with 175 participants to date

We are committed to providing customers with exceptional service throughout their home buying journey and we were proud to achieve a five-star HBF rating for a second consecutive year. Our homes are built to the highest standards whilst being attractively priced, over 20% lower than the national average[4]. Our three brands, Persimmon Homes, Charles Church and Westbury Partnerships, all cater for different areas of the market.

Persimmon Homes, our core brand, offers traditional family housing across the UK, prioritising value and quality for our customers. This is complemented by Charles Church, providing larger, higher-specification homes in premium locations, tailored to local markets. During the year we trialled improved specification Charles Church homes on selected premium sites, such as Lichfield in Staffordshire, with excellent results and are exploring further opportunities for improved value across the business.

In 2023, we further enhanced our sales and marketing capabilities through our marketing campaigns and tailored sales incentives for customers as well as investing in YourKeys, our new customer relations management system. This improved customer experience is evidenced by achieving five-star HBF builder status for a second year with our NHBC eight-week customer satisfaction score improving by 230bps to 92.9%[5] and an 8% improvement in our Persimmon Homes Trustpilot score.

We continue to look at ways in which we can help our customers achieve their ambition of purchasing a new home, whether a first-time buyer or home mover. We offered a range of incentives to our customers with average incentives on completions c.4% in the year (2022: c.2%). We saw a particularly strong take up of our part exchange offering which was used on around 18% of private completions in the year.

While affordability constraints continue, we have been proactive at looking at alternative solutions for customers including participating in the Government's First Homes scheme where we completed 194 homes in 2023.

Our third brand, Westbury Partnerships, specialises in affordable social housing, sold to housing associations nationwide, providing sustainable homes for lower-income occupants. We have invested in our offering in this area over recent years, with a core Partnerships team established in 2021, enhancing our customer service alongside improved product quality, ensuring that we get best value for our homes. In 2023, our Partnerships average selling price increased by 8% reflecting this improved approach. With affordable housing a key policy focus we expect partnerships to become an increasingly important part of the business and are looking to work more closely with bodies like Homes England to explore mutually beneficial opportunities, as well as explore the potential to leverage our partnership with TopHat.

### Disciplined growth: high quality land investment

- A total of 42 new sites with 7,230 plots added to our owned and controlled land holdings.
- Forward owned land holdings of 66,742 plots, equivalent to 6.7 years supply at 2023 levels.
- c.13,500 acres of strategic land at 31 December 2023, having added c.1,000 acres in the year.
- Excellent result on planning with c.11,000 plots achieving detailed planning.

Over the past couple of years, we have made significant progress on improving and strengthening the Group oversight of product design, land acquisition, planning and construction through The Persimmon Way. We carefully evaluate land investment opportunities, focusing on high-demand locations where people desire to live and work, and timing these investments appropriately within the housing market cycle.

The Group's high quality land holdings are a key strength for the business. During 2023, we added 7,230 plots across 42 new sites to our owned and controlled land holdings, a plot replacement rate of 73%. While lower than in the prior year, these additions maintained our industry-leading embedded margins and reflect the highly selective approach we outlined at the start of the year. At 31 December 2023, the Group held 66,742 plots in its owned land holdings with a plot cost to anticipated revenue ratio of 11.5%[6] (2022: 11.4%).

Our enhanced approach to planning had real success in the year, achieving detailed planning permission on both owned and under control sites despite a tough planning backdrop. Overall, we achieved detailed planning on c.11,000 plots in the period, many of those achieved ahead of schedule. This resulted in a 7% increase in the number of plots owned with detailed planning to 38,443 plots (2022: 35,860 plots) and has also improved our use of capital with 58% of our owned land holdings now having detailed consent (2022: 51%). This gives us good visibility for the coming year, with 98% of expected plots for delivery in 2024 owned and with detailed consent. Our product is now more appealing to customers and local authorities. We provide local homes for local people and create local jobs, ticking all the boxes from both a customer and local authority perspective.

The Group ended the year with 258 selling outlets at 31 December 2023, operating from an average of 266 for the year. The lower year end position is largely a function of timing, with a number of outlets closing during the fourth quarter as we sold out faster than expected on some sites. We remain on track to open a gross additional 30 outlets for the spring selling season as we look to grow our net outlet base during 2024.

## Industry-leading financial performance

- Continue to build strength in our future land bank maintaining a high hurdle rate; strong embedded gross margin within land holdings at 29%[7].
- Disciplined approach to work in progress with build rates matching sales in 2023.
- Identified areas for cost savings or value enhancement that do not compromise on quality as part of the initiatives set out in August.

We have completed several initiatives during the year as part of our focus on cost control and efficiency, without compromising on investment for future growth. This included comprehensive reviews of value engineering to identify efficiency opportunities without compromising quality, efforts to secure procurement savings – including greater use of our in-house manufacturing – and the reassessment of specifications to align with customer affordability. Underpinning all of these initiatives was disciplined control of work in progress to manage cash. Build rates were closely matched to sales in the period with rates around 28% lower year on year at 198 equivalent units per week. We ended the period with 4,170 equivalent units built, giving us a healthy level of work in progress for the 2024 financial year.

Persimmon's vertical integration continues to be a key strength and advantage for the business. Our Brickworks, Tileworks, and Space4 timber frame factories ensure a reliable, cost-effective supply of high quality materials. They support our aim of achieving faster, higher quality builds, which in turn improves our quality of earnings and asset turn to support strong margins and return on average capital employed ('ROACE') through the cycle. We adjusted our factory shift patterns during the year to reflect the reduced output of the Group, maintaining low production costs while retaining the flexibility to scale up when market conditions improve. We continue to focus on maximising use of our in-house production and increased the use of our own bricks in 2023 to 54%, at an estimated saving of up to £1,800 per plot. Use of our Tileworks roof tile is over 80% with an estimated saving of up to £600 per plot and we sourced 70% of timber frames from Space4 in 2023, at an estimated saving of up to £1,200 per plot.

We have an excellent pipeline of land with an embedded gross margin of 29%[7] based on market conditions at 31 December 2023. This pipeline gives us confidence in our ability to grow our outlet network over the medium term, with 30 gross new outlets expected to be open for the spring selling season. We will continue to assess new outlet openings, balancing the cash investment required with likely customer demand.

**Creating opportunities**

## West Midlands sustainable office refit

Over the past 18 months, our Telford office has made changes to ensure it is operating at a high level of energy efficiency, with a range of other measures also put in place to make the office more environmentally friendly.

The project has involved the installation of solar panels on the roof of the office – which has resulted in a 68% decrease in kWh – as well as changes to office lighting, increased recycling policies and a commitment to reducing the amount of paper on a day-to-day basis.

» Discover more at www.persimmonhomes.com

**Amount solar panels led to decrease in kWh**

**68%**

# Group Chief Executive's statement continued

## Our five priorities continued

### Industry-leading financial performance continued

We actively renegotiated subcontractor pricing in the year, resulting in a softening of build cost inflation in the second half, which will benefit completions from 2024. We continue to position the business for a return to growth over the medium-term and therefore maintained the operational footprint of our already lean-fixed cost base in the period, however, to navigate current challenges, we enacted a hiring freeze and closed our South Yorkshire office, resulting in a 13% reduction in our headcount or £23m annualised cash saving.

### Supporting sustainable communities

- Successful trial of hybrid diesel generators
- Zero carbon home with Zero Bills trial with Octopus Energy
- Sustainable office refit in Telford
- CDP climate survey score of A-

We are committed to leaving a positive legacy in the communities where we operate, delivering homes and employment opportunities for local people. Our 'Placemaking Framework' equips site design teams to create appealing communities near essential amenities, fostering customer well-being. Not only do we invest in local infrastructure but through the Persimmon Community Champions scheme we support charities, sports clubs, and community groups nationwide, donating c.£734,000 in 2023.

We provide energy-efficient homes to our customers, promoting sustainability and reducing running costs. In 2023, we constructed our second zero carbon home at our Backbridge Farm site in Malmesbury, taking the learnings from our first zero carbon home constructed in 2022 at Germany Beck in York. Our latest zero carbon home is not only constructed in line with the Future Homes Standard but is part of a 'Zero Bills' trial with Octopus Energy, where the homeowner has zero energy bills for the first five years of ownership.

Included within our owned land bank we now have over 17,000 plots with planning permission for air source heat pumps or electric heating to be installed, with c.3,900 of these to be delivered ahead of expected regulation changes.

We recognise the importance of good digital connectivity for our customers and FibreNest continued to expand its customer base during the year with over 36,000 customers across c.380 developments now connected to our national ultrafast broadband network. In 2023, FibreNest's Day One connection rate improved to 95% (2022: 90%).

As part of our efforts to reduce our own energy consumption, in 2023 we trialled the use of hybrid generators on one of our sites in East Wales, which has demonstrated a significant saving in diesel usage and provided cost savings. We will look to roll these out to all suitable new developments from 2024. In addition, our Telford office underwent a refit during the year which included the installation of solar panels and changes to the office lighting. Overall, this has led to a 68% decrease in the amount of electricity used, with the office operating at a high level of energy efficiency.

### Outlook

We have started 2024 in line with expectations with our recent marketing campaign generating a significant number of leads for our sales teams. Enhanced competition in the mortgage market and wage growth have contributed to improved affordability albeit it continues to be constrained, particularly for first time buyers and demand for homes remains varied across the country. Trading in the southern and eastern counties remains more challenging with weaker pricing, offset by a more robust trading performance in the northern regions. We continue to selectively use incentives, including part exchange, to drive reservations and overall, our net private sales rate was slightly higher in the first ten weeks of 2024 at 0.59 against 0.54 in the comparable period in 2023. Excluding bulk sales, the net private sales rate was 0.53 per outlet per week, broadly in line with the prior year (2023: 0.54; excluding First Homes: 0.50). Cancellation rates remain at normal levels at c.16%.

## Priorities for capital allocation

**Strong balance sheet and low leverage**

Maintain a strong balance sheet through the cycle

**Organic growth**

Investment in existing sites and new sites to grow the number of outlets

**Sustainable ordinary dividend**

Well covered by profits over the cycle; new base dividend established in 2022

**Return any excess capital to shareholders**

Special dividend or share buyback

With interest rates expected to remain at current levels and a general election on the horizon, market conditions are expected to remain subdued throughout 2024. However, we are well placed to manage this and are positioning the business for sustainable future growth over the medium-term. We remain on track to open a gross new 30 outlets for the spring selling season as we work towards growing our outlet base back to over 300 open outlets over the medium-term.

Our current forward sales position is £1.55bn, including £946m of private forward sales with a private ASP of c.£280,000. Overall, we expect to deliver between 10,000 and 10,500 completions in 2024 with a housing operating margin in line with 2023. Build cost inflation is expected to be c.3–5% in 2024, with spot inflation currently running at c.1%.

Although the near-term outlook remains uncertain, the significant pent-up demand for homes remains unchanged. Customers want quality homes in the places where they want to live and work, and affordability is crucial. We are well placed to meet this demand over the medium-term through our three excellent brands offering different price ranges, with an average private selling price below the national market average[4]. The investments and operational changes that we have made in the past few years mean that we are trusted by our customers to deliver consistently high quality homes.

We can achieve this while positioning the business for sustainable growth, supported by our vertically integrated business model, strategic land buying and disciplined approach to cost control. Through further investments in innovation, we are well placed to build even higher quality homes better, faster and more efficiently over time.

We have good visibility over our land pipeline, which will not only support a return to growth but improved margins and robust cash generation. Our focus on maintaining a robust balance sheet while investing for growth gives us confidence in our ability to generate industry-leading returns over the medium-term.

**Dean Finch**
**Group Chief Executive**
11 March 2024

**Footnotes**

1. Moneyfacts.
2. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
3. The number of items per home reported on by the NHBC on inspection of our homes during key build stages.
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 £285,774.
5. 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. The rating used here reflects the live score at time of publication.
6. Land cost value for the plot divided by the anticipated future revenue of the new home sold.
7. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2023 and normalised output levels.

## Our strategy

# Key priorities going forward

### Our five key priorities guide our approach of building on Persimmon's great strengths and enhancing our capabilities in key areas.

Our progress against these five priorities also provides a strong platform from which to continue to deliver against a challenging operational environment in the short-term. We are combining operational excellence with commercial excellence to improve our product, our systems and processes and our position in the market, to serve customers well while building a stronger business for the long-term.

### Strategic progress

**NHBC Reportable Items**

**0.28**

43% improvement

**SAP rating**

**84**

average on our homes

**Embedded in land bank**

**29%**

gross margin

## 1 Build quality and safety

### What this means

Our mission is to build homes with quality our customers can rely on at a price they can afford. We aim to consistently deliver high-quality homes to our customers, striving to 'build right, first time, every time'. We are committed to driving safety improvements within our Company and across the industry.

### How we do it

- We have embedded the Persimmon Way, the Group's construction excellence programme, into our operations. This delivers a comprehensive approach covering all aspects of our build programmes.
- Training our teams is key to the success of the Persimmon Way – the 'Persimmon Construction Pathway' provides a comprehensive internal training programme for our site teams.
- Technology and innovation – we have developed a number of digital applications that assist our on-site teams to drive quality and efficiencies across the business.
- Quality assurance – we have a team of Independent Quality Inspectors that undertake inspections at certain key stages of the build programme.

### Progress

- Our National House Building Council ('NHBC') Reportable Items* have improved by 43% in the year.
- Our NHBC Construction Quality Review ('CQR') score has improved by 300bps in the year.
- Persimmon named a 'Chartered Champion' for leadership and culture around building safety by the Building a Safer Future organisation.

### Aligning to our sustainability strategy

- We are committed to operating efficiently, and have committed to reduce our operational carbon emissions by 46% by 2030.

* The number of items reported on by the NHBC on inspections of our homes at key build stages.

## 2 Reinforce trust: customers at the heart of our business

### What this means

We aim to be a trusted partner who reliably delivers an outstanding experience from the moment a customer starts their research into buying a home, through the sales journey and then post-legal completion.

### How we do it

- We provide attractively priced, good quality homes.
- We offer a range of sales schemes that help our customers to overcome constraints, enabling them to purchase their dream home.
- We have dedicated customer service throughout our customers' house buying and homeowning journeys.
- We invest in our people, providing robust training pathways (a combination of in-house and externally accredited training), and improved tooling that delivers better employee experiences, in turn enabling our teams to better service our customers.

### Progress

- We are delighted to have been awarded the HBF five-star rating for the second year in a row, and pleased to report a 230bps improvement in customer recommendation on the NHBC eight-week customer satisfaction survey.
- 370bps improvement in customer recommendation on the NHBC nine-month customer satisfaction survey.
- On Trustpilot our customers are scoring us on average 4.2 for Persimmon Homes (2022: 3.9) and 4.1 for Charles Church (2022: 4.1), reflecting our continued focus on customer service.
- Our ISP Sales Excellence Programme has been awarded a Princess Royal Training Award, and 175 sales advisors have participated to date.

### Aligning to our sustainability strategy

- Our new homes are around 30% more energy efficient than older homes, resulting in a warmer and more affordable to run home.
- Through our Placemaking Framework, we are integrating sustainability into the design of new communities, providing green spaces, sustainable transport, and biodiversity gain.

## 3 Disciplined growth: high-quality land investment

### What this means

We ensure our land investment opportunities meet our strict investment criteria, in high-demand locations where people wish to live and work, and take place at the right time in the housing market cycle.

### How we do it

- Our experienced land, planning and design teams bring a consistent approach to our land buying.
- We work closely with all stakeholders, including land owners, local communities and local planning authorities to deliver new housing in the areas of greatest need.
- We maintain high-quality consented land holdings, enabling the Group to be resilient to any volatile movements in the land market.
- We invest in strategic land, securing options on areas of land which will give a stronger return on investment in the future.

### Progress

- 42 new sites acquired in the year, adding 7,230 new plots to our owned land holdings.
- Forward-owned land supply of 66,742 plots, equivalent to 6.7 years at 2023 volumes.
- c.13,500 acres of strategic land at 31 December 2023, having added c.1,000 acres in the year.

### Aligning to our sustainability strategy

- All our land acquisitions are subject to rigorous environmental and flood risk assessments, ensuring we respect the natural environment and mitigate against adverse environmental impacts.
- We assess our long-term strategic portfolio against climate risk, to ensure we are investing in land which is resilient to climate risk, and disclose in accordance with the TCFD framework.

## 4 Industry-leading financial performance

### What this means

We aim to operate efficiently in all areas, providing a sound investment case, generating strong cash flows, maintaining financial flexibility, minimising financial risk and retaining financial strength by making well-judged assessments through the housing cycle.

### How we do it

- We maintain a strong balance sheet sustaining continued investment and future returns.
- Maintaining high-quality land holdings through a disciplined approach to our land replacement.
- We place customers at the heart of our business by pursuing developments that deliver good-quality new housing for the benefit of all potential occupiers.
- We exercise discipline and strong control over the Group's outlets and levels of work in progress ('WIP').
- We maintain strict levels of governance and financial discipline across all our operations and financial processes.

### Progress

- Net asset value per share of 1,070p.
- c.£310m investment in new land in 2023.
- Disciplined investment in WIP with build rates closely matching sales at 198 equivalent units per week.
- Net cash of £420m at 31 December 2023.

### Aligning to our sustainability strategy

- Our investment in vertical integration through our in-house manufacturing, Space4, Brickworks and Tileworks, are key contributors to efficiency, sustainable construction and reducing our carbon footprint particularly as we increase our use of timber frames.
- We have built long-term strategic supplier relationships and framework agreements, embedding sustainability criteria as key requirements.

## 5 Supporting sustainable communities

### What this means

We are committed to leaving a positive legacy in the communities in which we work. We are proud to deliver homes and provide jobs for local people in their local communities.

### How we do it

- Our 'Placemaking Framework' provides our site design teams with appropriate tools to deliver attractive communities, close to local amenities and that promote customer wellbeing.
- We enhance local facilities, providing investment in local infrastructure (e.g. transport, education, retail and recreation facilities) through the planning system.
- The Community Champions scheme donates to charities, sports clubs and local community groups across the country.
- We deliver energy-efficient homes to our customers, making them less costly to run.

### Progress

- 2,402 affordable homes* provided.
- The average SAP rating of our homes is 84 (equivalent to a 'B' EPC rating).
- Donated c.£734,000 to 384 charities, sports clubs and community groups across the country through local donations and our Community Champions Fund.

### Aligning to our sustainability strategy

- Our engagement in the wider community is very important to us and as well as providing local energy-efficient homes, local jobs and charitable donations we engage with the broader community including local schools.
- We provided 2,241 affordable homes in 2023. Or under the planning process, we invest in local communities, providing green space, education and community buildings and this amounted to £81m in 2023.

* Homes provided to our housing association partners and discounted open market value homes.

# **Key performance indicators** – Financial

## New housing revenue

**£2,538m**

-31%

Read more on p26

### Definition

Revenue generated from the legal completion of new homes to our private customers and housing association partners.

### Why we measure it

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

Links to key priorities

2 3 4

## Forward sales

**£1,060m**

+2%

Read more on p19

### Definition

Anticipated revenue for future home sales to private customers and contracts with housing associations that have yet to legally complete.

### Why we measure it

Forward sales give us an indication of the level of demand we have for homes going into future periods. This allows us to ensure we are controlling work in progress to meet demand and maintain strong financial discipline.

Links to key priorities

2 3 4

## Underlying new housing operating margin[1]

**14.0%**

-13.2ppts

Read more on p26

### Definition

Based on operating profit before legacy buildings provision and goodwill impairment (underlying operating profit) and new housing revenue.

### Why we measure it

We have a strong track record of delivering industry-leading returns and we monitor our performance to ensure continued discipline in our approach.

Links to key priorities

2 3 4

## Underlying profit before tax[2]

**£359m**

-64%

Read more on p26

### Definition

Stated before legacy buildings provision and goodwill impairment.

### Why we measure it

Our disciplined land replacement processes, cost management and efficiency programmes aim to generate superior returns which provide a platform for further investment in the Group's resources to support our future growth.

Links to key priorities

2 3 4

Links to key priorities

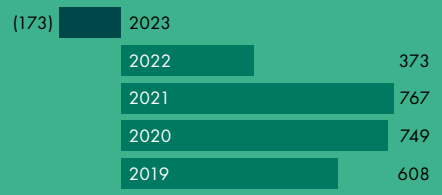
1. Build quality and safety
2. Reinforce trust: customers at the heart of our business
3. Disciplined growth: high-quality land investment
4. Industry-leading financial performance
5. Supporting sustainable communities

Read more on pages 20 and 21

## Free cash generation[3]

**-£173m**

-£546m




Read more on p28

### Definition

Net cash flow before financing activities.

### Why we measure it

We use this to measure balance sheet strength and liquidity. Ensuring we have an appropriate capital structure to support the business through the cycle is key to our success.

Links to key priorities

2 3 4

## Net cash

**£420m**

-£442m

Read more on p28

### Definition

Cash and cash equivalents, bank overdrafts and interest-bearing borrowings.

### Why we measure it

Ensuring we have an appropriate capital structure to support the business through the cycle is key to our success.

Links to key priorities

2 3 4

## Return on average capital employed[4]

**10.5%**

-19.9ppts

Read more on p26

### Definition

12-month rolling average calculated on underlying operating profit and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors.

### Why we measure it

Our focus on return on average capital employed allows us to measure the efficiency of our use of capital. We will continue our disciplined approach to working capital management to meet market demand.

Links to key priorities

3 4

## Net assets per share

**1,070p**

-1%

Read more on p27

### Definition

Calculated as the total value of the Group's assets minus total liabilities divided by the number of shares in issue.

### Why we measure it

Net asset value per share movement is an indicator of the value that we are delivering for our shareholders. We have a good track record of delivering strong returns for our shareholders through the cycle.

Links to key priorities

3 4 5

# **Key performance indicators** – Non-financial

## Land holdings

**82,235**

-6%

» Read more on pages 16 and 27

### Definition

The number of plots we have either owned or under control to support our future home delivery.

### Why we measure it

The Group's high quality land holdings with industry-leading margins are a key strength of the business. By monitoring them we can track our future pipeline of work.

Links to key priorities

3 4 5

## Customer satisfaction score

**92.9%**

+230bps

» Read more on pages 16 and 20

### Definition

Based on the number of customers who would recommend their builder to a friend in the National New Homes Survey, run by the HBF.

### Why we measure it

We put our customers at the heart of our business and ensuring they are satisfied is key to the Group's success. We were delighted to be awarded HBF five-star builder status again in 2023, demonstrating the significant progress made over the past few years.

Links to key priorities

1 2 4 5

## Quality

**89.6%**

+300bps

» Read more on pages 15 and 20

### Definition

Based on how satisfied customers are with the quality of their new home in the National New Homes Survey, run by the HBF.

### Why we measure it

Our ethos is to 'build right, first time'. Monitoring our performance is key to building consistently high-quality homes for our customers.

Links to key priorities

1 2 4 5

## Number of work-related incidents (RIDDORS)

**2.8**

-22%

» Read more on pages 51 to 52

### Definition

Reportable accidents, RIDDORS, reported per 1,000 workers in our housebuilding operations (including, where relevant, those reported by our subcontractors).

### Why we measure it

The safety of our employees, subcontractors and customers is the number one priority for our business.

Links to key priorities

1 2 4 5

## Absolute Scope 1 and 2 carbon emissions (tonnes $CO_2e$ market based)

# 21,973

Read more on pages 37 and 44

### Definition:

The amount of carbon we emit from using energy in our own activities including offices, manufacturing businesses, construction sites and business travel. Energy sources include diesel, petrol, LPG, kerosene, gas, electricity.

### Why we measure it:

We are committed to reducing our carbon emissions, ensuring we meet our approved science-based targets, and contribute to achieving the Government's long-term net zero carbon goal.

Links to key priorities

2 4 5

Links to key priorities

1. Build quality and safety
2. Reinforce trust: customers at the heart of our business
3. Disciplined growth: high quality land investment
4. Industry-leading financial performance
5. Supporting sustainable communities

Read more on pages 20 and 21

1. Based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m) and underlying operating profit (2023: £354.5m, 2022: £1,006.4m) (stated before legacy buildings provision (2023: nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m)).
2. Stated before legacy buildings provision (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m). Profit before tax after legacy buildings provision and goodwill impairment is £351.8m (2022: £730.7m).
3. 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 (2022: £nil, 2021: £nil, 2020: £0.7m, 2019: £13.9m).
4. 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 (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m).

## Financial review

# Growing forward together

**A key feature of the Group's strategy is the commitment to minimise financial risk, retain flexibility and maintain capital discipline over the long-term through the housing cycle.**

## Trading

### 2023 quarterly performance

| 2023 quarterly performance | Q1 | Q2 | HY | Q3 | Q4 | FY |
|---|---|---|---|---|---|---|
| Completions | 1,136 | 3,113 | **4,249** | 1,439 | 4,234 | **9,922** |
| Net private sales rate | 0.62 | 0.58 | **0.59** | 0.48 | 0.69 | **0.58** |
| FTB* % (private completions) | 38% | 33% | **34%** | 32% | 26% | **31%** |
| Average sales outlets | 266 | 268 | **267** | 271 | 257 | **266** |

* First time buyers.

We saw a sustained pick up in interest in our homes throughout the year from the lows of Q4 2022, albeit with demand lower than previous years as a result of high interest rates and the removal of Help-to-Buy. Overall, average private net sales were 0.58 per outlet per week for the year (2022: 0.69). This included a strong year on year improvement in private net sales rates in the fourth quarter to 0.41 per outlet per week (excluding investor deals) compared with 0.28 in Q4 2022.

Our forward sales position at 31 December 2023 was up 2% on the prior year at £1,060m (2022: £1,040m), of which £499m related to private forward sales, up 4% (2022: £478m).

The Group generated total revenues[1] of £2.77bn (2022: £3.82bn), with new housing revenue 31% lower than 2022 at £2.54bn (2022: £3.70bn) reflecting the weaker forward order book at the start of the year and more challenging trading conditions. The Group delivered 33% less new homes in 2023 when compared to the prior year (2023: 9,922; 2022: 14,868) at an average selling price of £255,752 (2022: £248,616), 3% higher.

The Group delivered 7,681, new homes to private customers, a decrease of 37% on the prior year (2022: 12,174). This included 780 completions to investors down from 889 completions in 2022 reflecting our disciplined approach to this segment of the market. The private average selling price of £285,774 (2022: £272,206) was up 5% year on year largely reflecting the mix of new homes sold with some price softening and increased use of incentives in the second half of the year. The Group delivered a further 2,241 new partnership homes to housing associations (2022: 2,694) at an average selling price up 8% at £152,852 (2022: £142,017).

The Group's underlying gross profit[2] for the year was £520m (2022: £1.14bn) with a new housing gross margin of 20.5%[3] (2022: 30.9%) largely reflecting the impact of lower volume as well as additional one-off costs associated with the remediation of two completed sites (c.£7m) and the commercial decision to accelerate delivery at our sites in Bracknell and Basingstoke (c.£10m).

Underlying operating profit[4] for the Group was £355m (2022: £1,007m), generating an underlying new housing operating margin[5] of 14.0% (2022: 27.2%).

The Group's reported operating profit was £347m (2022: £725m) reflecting the impact of goodwill amortisation of £8m (2022: £7m). There were no exceptional charges in the year (2022: £275.0m provision charge in relation to building safety).

The Group generated a profit before tax of £352m in the year (2022: £731m).

Underlying basic earnings per share[4] for the year was 82.4p, 67% lower than the prior year (2022: 247.3p).

Underlying return on average capital employed ('ROACE') including land creditors was 10.5%[6], lower than the prior year (2022: 30.4%) reflecting the reduced underlying operating profit[4] in the period and the increased investment in work in progress with a 2% increase in average capital employed. ROACE excluding land creditors was 11.8%[6] compared with 35.6% at 31 December 2022. On a statutory basis, ROACE including land creditors was 10.2%[6] (2022: 21.9%).

1. The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. New housing revenues are the revenues generated on the sale of newly built residential properties only.
2. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m).
3. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m)
4. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m).
5. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
6. 12-month rolling average calculated on operating profit before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors. ROACE excluding land creditors is calculated on capital employed being the Group's net assets less cash and cash equivalents excluding land creditors. Statutory ROACE including land creditors is calculated on reported operating profit and capital employed with capital employed being the Group's net assets less cash and cash equivalents plus land creditors.
7. Land cost value for the plot divided by the revenue of the new home sold.
8. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2023 and normalised output levels.
9. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

## Building safety

Across our programme as a whole we continue our proactive approach of working with management companies, factors (in Scotland) and their agents to carry out necessary remediation as soon as possible. The table below sets out our detailed position at 31 December 2023, compared to 1 March 2023. The total number of eligible developments has increased to 82 from 73, as new buildings we were not aware of on 1 March 2023 came into our programme.

Of the total of 82 developments in our programme, 39 (48%) have already had any necessary works completed. Of the remaining 43 developments, 17 currently have work on site and 26 are at varying stages of pre-tender, live tender, contractualisation or agreed contract and works starting very soon. As the pre-tender and on site lines in the table below demonstrate in particular, developments are actively progressing through the programme.

| Identified developments | **As of 1 March 2023** | As of 31 Dec 2023 |
|---|---|---|
| Recently made aware and under investigation | **—** | 2 |
| Pre-tender preparation on-going | **21** | 8 |
| Live tender process | **2** | 6 |
| **Sub-total: progressing through tender** | **23** | 16 |
| Progressing to contract | **8** | 7 |
| Contracted but works yet to start | **—** | 3 |
| **Sub-total: pre-works starting** | **31** | 26 |
| Currently on site | **9** | 17 |
| **Sub-total: to complete** | **40** | 43 |
| Completed developments | **33** | 39 |
| **Total identified developments** | **73** | 82 |

We incurred £48m of costs on the programme in the year, with total costs so far now just under £65m. The next 24 months are projected to be the peak period of cash expenditure on this programme. Given our own proactive approach and the sustained significant publicity around cladding and building safety, we do not anticipate substantial new building additions into the programme. We believe our existing provision remains sufficient.

## Taxation

The Group has an overall tax charge of £96m for the year (2022: £170m) and an effective tax rate of 27.4% (2022: 23.2%), marginally lower than the mainstream rate of 27.5% (2022: 22.0%). 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

The Group has maintained its robust balance sheet with net assets of £3,419m at 31 December 2023 (2022: £3,439m), equivalent to 1,070p net assets per share (2022: 1,077p). This was after returning £255m of surplus capital to shareholders reflecting a final dividend of 60p per share in respect of the 2022 financial year and 20p per share by way of an interim dividend for the 2023 financial year. Retained earnings were £2,848m (2022: £2,868m).

As at 31 December 2023, we owned 591 part exchange properties (2022: 286 properties) at a value of £115m (2022: £61m). Part exchange continues to be a key sales incentive for our customers and we are progressing sales of any part exchange properties promptly and at around expected values.

The Group's defined benefit pension asset has decreased to £127m at 31 December 2023 (2022: £156m), the decrease being due to changes in assumptions that have lowered the discount rate and increased inflation rates as well as underperformance of asset returns from that expected at the start of the year.

At 31 December 2023, the building safety provision stands at £283m and is management's best estimate of the costs of completing works to ensure fire safety on all remaining affected buildings that we are responsible for.

## The Group's land holdings

At 31 December 2023, the carrying value of the Group's land assets was broadly in line with the prior year at £2,104m (2022: £2,092m), reflecting the continuation of the Group's disciplined land replacement strategy, its investment in its future and the focus in the year on converting owned land with outline planning permissions to implementable consents. The Group's land cost recoveries for the year of 11.7%[7] of new housing revenue is 30bps lower than the prior year reflecting the attractive margin embedded within the Group's land holdings.

**Underlying operating profit[3]**

**£355m**

2022: £1,007m

**Underlying return on average capital employed[5]**

**10.5%**

2022: 30.4%

**Land creditors**

**£372m**

2022: £473m

During the year, the Group brought 7,230 plots into its owned and under control land holdings across 42 locations, of which 1,642 (23%) of the plots added were converted from our strategic land portfolio.

The owned and under control land holdings of 82,235 at 31 December 2023 (2022: 87,190) represents 8.3 years of forward supply at 2023 volumes. 66,742 plots are owned of which 38,443 have a detailed implementable planning consent, an increase of 7%, providing excellent visibility of the near to medium-term. The Group's owned land holdings represents 6.7 years of forward supply at 2023 volumes, with an overall pro-forma gross margin[8] of 29% (2022: 32%) and a land cost to revenue ratio of 11.5%[9] (2022: 11.4%).

A further 15,493 plots are under the Group's control (2022: 16,422), being plots where the Group has exchanged contracts to acquire the site but has yet to complete the contract due to outstanding planning conditions remaining unfulfilled. Cash outflows with regard to these under control plots will be limited to deposits paid on the exchange of contracts and fees associated with progressing the sites through the planning system. During the year, the Groups progressed c.11,000 owned or under control plots through the planning system, transferring them into the Group's owned land holdings.

# **Financial review** continued

## **The Group's land holdings** continued

The Group incurred a net £398m of cash land spend during 2023, including £253m relating to the satisfaction of deferred land commitments as well as the associated cash spend on the acquisition of sites previously held as under control sites and their movement into the Group's owned land holdings.

In 2023, the Group acquired interests in a further c.1,000 acres of strategic land, securing a total of c.13,500 acres at 31 December 2023 (2022: c.13,100 acres). This will provide a long-term supply of forward plots for future development by the Group.

## Work in progress

We entered 2023 with 4,071 equivalent units of new homes under construction. Execution of our build programmes was strong throughout 2023 and we successfully matched the rate of build to demand levels within the year. On average, overall build rates tracked 28% lower in the year, with an average of 198 equivalent units of build per week, compared to 276 per week in 2022. We start 2024 with a significant level of work in progress, with 4,170 equivalent units of build on the balance sheet.

The Group increased its average outlet position by 3% in the year and continued to support investment in a number of large sites which require high levels of infrastructure and enabling works. In addition, we have seen higher rates of cost inflation. This has resulted in our work in progress investment at 31 December 2023 of £1,431m being 13% higher than the level of investment with which we entered 2023 (£1,264m).

We remain focused on build levels throughout 2024, managing appropriate levels of build against customer demand, facing into the continuing operational challenges within the industry and whilst 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. All of this whilst delivering high levels of customer satisfaction and build quality.

## Cash generation and liquidity

At 31 December 2023, the Group had a cash balance of £420m (2022: £862m) with the Group having generated £211m (2022: £1,003m) of cash before returning £255m of surplus capital to shareholders in relation to the 2022 financial year and interim dividend in relation to the 2023 financial year, along with net land spend of £398m (2022: £638m). Resulting from the Group's reduced activity in the land market during 2023 and the settlement of its deferred commitments the Group's land creditors have decreased by £101m to £372m (2022: £473m). Cash utilised in operations was £66m (2022: £566m generated).

The Group's shared equity loans have generated £6m of cash in the year (2022: £13m). The carrying value of these outstanding shared equity loans, reported as "Shared equity loan receivables", is £32m at 31 December 2023 (2022: £36m).

Net finance income for the year was £5m (2022: £6m) and includes £2m of gains generated on the Group's shared equity loan receivables (2022: £4m), £6m of imputed interest payable on land creditors (2022: £2m) and £4m of imputed interest payable on the legacy buildings provision (2022: £nil).

In July the Group signed a new Revolving Credit Facility ('RCF') of £700m which has a five-year term to July 2028 with the possibility to extend for a further two years. This facility replaced the Group's existing £300m RCF which was due to expire on 31 March 2026. We had good support from banking partners, with a consortium of five participating banks. The RCF is a 'sustainability linked' facility within the banks' finance frameworks, with ESG targets covering the facility's term. The targets are consistent with the Group's science-based operational carbon reduction targets, our commitment to deliver net zero homes in use by 2030 and our long-standing ambition to deliver excellent development opportunities for our colleagues.

As we look to expand our outlet base and invest in work in progress in anticipation of a housing market upturn, we expect to utilise the RCF during 2024. Consequently, we anticipate transitioning from an average net cash to an average net debt position, resulting in an estimated net finance charge of approximately £15m-£20m for the 2024 financial year. We currently anticipate our net cash to be between zero and £200m as of 31 December 2024.

## Capital returns

A key feature of the Group's strategy is the commitment to minimise financial risk, retain flexibility and maintain capital discipline over the long-term through the housing cycle.

For 2023, the Board proposes a final dividend of 40p per share to be paid on 12 July 2024 to shareholders on the register on 21 June 2024, following shareholder approval at the AGM. This dividend is in addition to the interim dividend of 20p per share paid on 3 November 2023 to shareholders on the register at 13 October 2023 to give a total dividend of 60p in respect of financial year 2023 (2022: 60p).

For 2024, the Board's intention is to at least maintain the 2023 dividend per share with a view to growing this over time whilst maintaining an average payout that is well covered by earnings over the housing cycle. This approach will balance shareholder payouts with the Company's objective to retain capital to invest sustainably and profitably for growth. Any dividend proposal in future years is subject to the Company's financial performance and position at that time.

11 March 2024

## Our people and culture

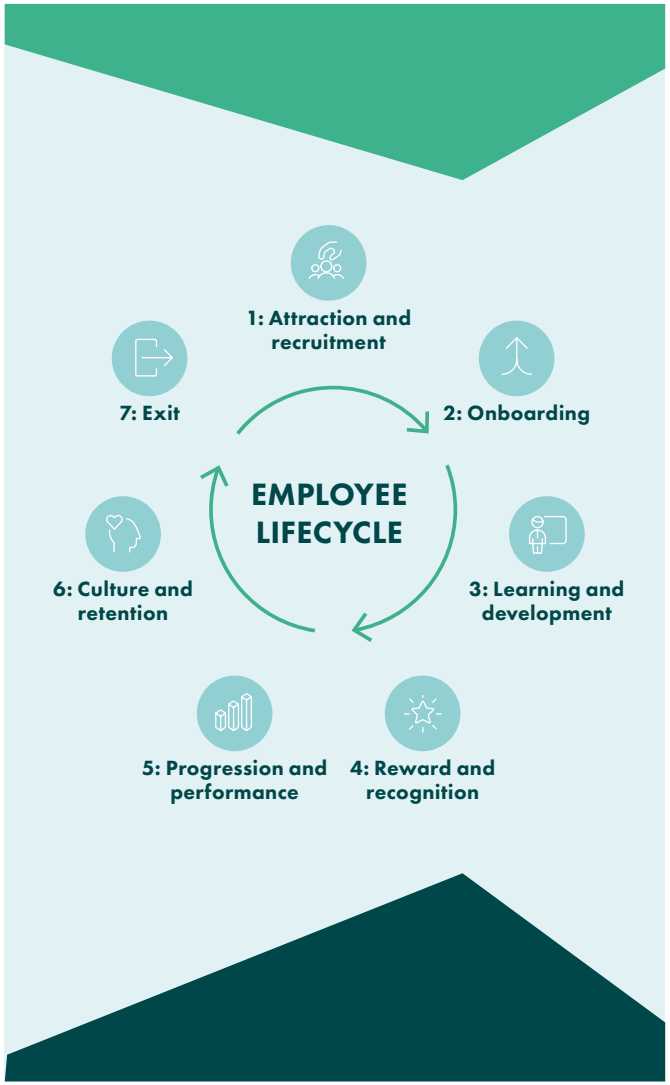
# Supporting our workforce

### Working at Persimmon

During the year, we have continued to embed our values across the workforce through our training activity, internal communications and engagement activities. We are pleased that once again we have received an excellent employee engagement score of 81% from our YourSay employee engagement survey, a score that is comparable to our four-year average. Of particular note in this year's survey is that 87% of colleagues are motivated to do their best at work and 90% are committed to Persimmon and what we are trying to achieve, both of which are significantly above their benchmarks and reflect the evolution of our culture, where colleagues are becoming better trained, have greater career opportunities, are more informed, and above all, are highly valued.

Supported by our HR strategy, we have instilled a disciplined approach to all our activities through our central functions, ensuring we provide consistent standards across the Group, particularly in delivering build quality and a professional service. However, our structure, with the network of regional operating businesses, enables us to react quickly to address the needs of our customers on a local basis. This is reflected through two of our values, where a strong sense of teamwork and loyalty is prevalent amongst colleagues within each region, and our social impact is epitomised by the community engagement that each regional team undertakes in their locality.

> **Our HR strategy is well established and supports our ambition to become the employer of choice in the sector.**




### Revised priorities

Our HR strategy is well established, and as well as being positioned to help the Group achieve our vision, it supports our ambition to become the employer of choice in the sector. It aligns the activity of the Group HR department across every stage of the employment cycle, to deliver a balanced portfolio of activity to all our colleagues, irrespective of where they are in their careers.

Whilst the HR strategy determines the priorities for the Group HR department, it is important that it remains agile and adaptable, enabling us to react quickly to new priorities. This year, the challenging economic conditions have resulted in additional activity for the department that has helped the business to instil discipline and resilience into our activities, to help us navigate the downturn in the housing cycle successfully.

Such activity has included managing a controlled reduction in headcount through the selective non-replacement of leavers and ensuring that there is a business case to support every hire. Where recruitment has been necessary, our Talent Acquisition team has been active in ensuring we use the most cost-effective solutions to attract new hires.

# **Our people and culture** continued

## Continuing our improvement

Our position in the housing cycle has also led to some revised priorities for the Group Training department, which has revised its programmes to deliver training and development to our front-line colleagues who have responsibility for delivering our build quality and customer service. Our performance in both of these areas, against internal KPIs and external industry measures, has improved significantly in the last three years, and it was important this year that we retained the focus on these issues to continue our record of improvement, especially as the reduced demand for houses intensified the competition for every sale.

Maintaining a focus on build quality and the continuing reduction in 'NHBC Reportable Items', our in-house technical assessment has been undertaken by c.715 construction managers and highlighted any knowledge gaps in respect of the NHBC Standards across every build stage. The resulting training needs were identified for each manager on an individual basis and have been addressed during the year by our construction trainers through a variety of remote learning, classroom tuition and practical on-site training events.

Our partnership with the Institute of Customer Service has led to a step-change in the training we provide to our customer care teams. At the forefront of this has been an intensive training programme undertaken by the customer care managers from all our operating businesses. This programme was delivered and accredited by the ICS, providing a varied and independent approach to customer service that included the managers creating action plans to introduce to their departments to raise the level of service in all areas, from call handling and communication to the professional resolution of customers' issues.

**c.715**
**construction managers completed our in-house technical assessment**

**81%**
**staff engagement score**

## Persimmon's apprentice programme

Persimmon has a long tradition of training site operatives through its apprentice programme and it is important that we continue to recruit for these places, even when the market is more challenging, as it will secure our skilled workforce of the future.

One such recruit is Sam Tesfalem, an apprentice bricklayer at Persimmon Homes West Yorkshire, who started his apprenticeship in 2022 after being recruited from a full-time course at Leeds College of Building. Sam came to the UK with his family in 2015 when they were refugees from the war in Eritrea. Despite not being able to speak any English upon his arrival, Sam has worked hard to pass his academic qualifications and since joining Persimmon, his on-site mentor, bricklaying sub-contractor Andy Geldart says:

> **"Sam has become an indispensable team member and shows how important apprentices are in creating the workforce of tomorrow. He has become an asset to the business, quickly grasping the knowledge, skills and behaviours required of a good bricklayer.**
>
> **Andy Geldart**
> **Bricklaying sub-contractor**

PRINCESS ROYAL TRAINING AWARD 2023

## Training delivery

The versatility of our in-house training team has been ably demonstrated with the activity to support our adoption and adherence to various industry-wide standards and directives, which require colleagues to receive training to ensure our compliance. This has included training for all employees in preparation for the introduction of the New Homes Quality Code, specific training for our site and sales colleagues so they understand their roles in respect of The Future Homes Standard, and increasing the knowledge of site, commercial and technical teams in preparation for the requirements on the Group as a Building a Safer Future Champion. Delivering this training in-house enables us to schedule it for the convenience of colleagues, placing it in the context of our business and specific house types, and where necessary, embed it within our wider activities.

The purchase of new software this year has also enabled us to further expand our e-learning capability, allowing more of our training delivery to be accessed by employees at a time to suit their schedules.

During the year, the Group Training department was responsible for delivering c.14,600 training days (2022: c.13,800). Of these, around a third were delivered remotely. We have c.720 apprentices and trainees (2022: c.700) of whom c.430 are engaged on formal apprenticeships (2022: c.400).

**“New software this year has enabled us to further expand our e-learning capability.**

## Award-winning training

It is important that the emphasis on quality and service is part of our customer journey from the first time a prospective buyer enters the sales office. This year, a focus of our sales training has been to ensure we understand and address all our customers’ needs, beginning our relationship with the highest professional standards.

Our partnership with the Institute of Professional Sales has enabled us to refine the content of our Sales Excellence Programme, which forms the basis of the training that all our sales advisors receive, and following last year’s Investor in Sales recognition, we remain the only major home builder offering externally accredited training to its sales force.

The success of the Sales Excellence Programme was recognised this year with the Company receiving a Princess Royal Training Award. Sponsored by City & Guilds, these awards honour organisations that show exceptional commitment to learning and development. Following an in-depth audit, the judging panel highlighted our ethical sales approach and how it enhances customer service. They were impressed by the career advancement provided by our people becoming members of the ISP and noted that our attrition rate for delegates was notably lower than for our general sales advisor population.

## Persimmon’s graduate development programme

Georgina was part of our inaugural graduate development programme. Joining us in 2021, she has just commenced her permanent role following completion of the graduate scheme.

Studying geography at Loughborough, Georgina had an interest in climate studies and her dissertation was about the impact of new home developments, which drew her to work for a house builder. Joining Persimmon Homes West Midlands in her home town of Wolverhampton, she worked in all the operational departments during her first year, particularly enjoying her nine-week placement on site, so much so that she chose it as one of her six-month placements in year two and feels it gave her a very good understanding of our business at the sharp end.

Following this, she was invited to work in the Group Energy Networks and Utilities department. Part of our Group technical function, this department was established to improve our relationships with the energy and utility companies.

Following the success of her placement, Georgina was offered a permanent role and she is extremely excited by the opportunity.

» Discover more online at persimmonhomes.com

# Our people and culture continued

## YourSay survey action plans

The Managing Directors of our operating businesses are tasked with formulating their own local plans in response to the outcome of the YourSay survey. A good example of this is in Persimmon Homes Teesside, which has formed a YourSay Working Group, that is comprised of a cross-section of employees from office and site. Meeting quarterly, they discuss issues that are important to the local workforce ranging from welfare and office facilities, to the Company's performance and social events, which is supplemented by an online newsletter.

**The Regional Working Group has proved to be a positive forum to openly discuss matters raised by colleagues. Engagement is key to ensuring that the region operates as a collective and all employees feel part of the local team.**

**Sean Taylor**
**Managing Director of Persimmon Homes**

Insight into Persimmon Homes & Charles Church, October 2023

Persimmon NEWSLETTER

A Massive Well Done...

### Nurturing our talent

We are keen to provide opportunities for people to fulfil their ambitions regardless of the stage they are at in their careers.

Two cohorts of colleagues with the potential to become Managing Directors of our operating businesses or Directors within Group functions, were selected to participate in our Future Leaders' Programme which commenced in 2022. Following a comprehensive syllabus of development activity, six of the participants were promoted to more senior roles during 2023.

To accelerate the progression of people identified through our Talent Review as 'high potentials', we launched an Advanced Management Programme this year. This brings together participants from different regions and Group functions to help them learn more about the wider business while developing tools and techniques to employ back in the workplace. In addition to structured training sessions, the participants work together on projects, designed to stretch them and broaden their knowledge base. The objective of this programme is to find our Directors and department heads of the future.

At the other end of the spectrum, our first rotational graduate development programme was launched in 2021. The programme has been very well received, both by the graduates themselves and the management teams in the business. We are keen to bring in diversity of thought and background and therefore encourage applications from graduates with a degree in any subject, not just those which are construction related. That first intake, all of whom are still with the Company, moved into their permanent roles this year, following the completion of their rotational programmes and the breadth of these roles highlights the range of opportunities available. Positions have been accepted in Energy Networks, Land, Commercial, External Affairs, Human Resources and Construction departments.

### A diverse business

Activity to support our Equality, Diversity and Inclusion strategy has seen substantial progress from our working group, which is comprised of volunteers from a range of roles from across the organisation, making excellent headway against the strategy we developed after an external audit in 2022. Each member has a specific work stream, such as communication, training, or recruitment, which feeds into the plan as they collaborate with their colleagues to deliver change.

There has been some significant training activity in this area too, with over 200 senior leaders improving their awareness and knowledge of Equality, Diversity and Inclusion, the specific subject of an inclusive leadership course. Contributing to the broader cultural change within the organisation, this course challenged them to question how inclusive they are as leaders.

At a different level, over 500 employees across our developments have experienced our positive workplace sessions that focus on banter, bullying and harassment and which also link to mental health awareness as well as inclusivity.

Our Women's Network is firmly established and has seen a number of online events that have been well attended. The focus next year is to hold a series of face-to-face events across the country. A steering group has also been set up to launch Persimmon Pride, which will be a network for colleagues from the LGBTQ+ community.

**To bring in diversity of thought and background, we encourage applications from graduates with a degree in any subject.**

## Economy Minister visit to Persimmon Academy

As part of National Apprenticeship Week, Vaughan Gething MS, Minister for the Economy of Wales, was given a tour of the 'Persimmon Academy', a partnership with Bridgend College which sees apprentices develop their skills at a bespoke construction and learning facility at our development in Llanilid, near Pontyclun. The Minister met with the Persimmon's apprentice bricklayers and carpenters. He was given a tour of the site and observed students being taught in the onsite classroom before being shown more practical elements of the training at the bespoke construction workshop. Alongside the College, Persimmon has also designed a bespoke 'management apprenticeship' and will train future staff for the Company's Welsh developments with qualifications in construction and site management.

**It was a real pleasure to meet the apprentices at the Persimmon Academy today and to see how they're gaining the vital practical experience they need at the academy.**

**Vaughan Gething MS**
Minister for the Economy of Wales

**Through our innovative partnership with Persimmon Homes, we are offering apprentices a route to an exceptional career pathway.**

**Simon Pirotte**
Principal and CEO of Bridgend College

**Our innovative training initiative at Llanilid is creating significant career opportunities for local people, and is a core part of our vision to become the nation's leading housebuilder.**

**Andy Edwards**
Managing Director for West Wales

## Sustainability

# Our sustainability pillars

**Our sustainability strategy comprises three key pillars to drive our performance and focus. The pillars reflect our material issues and are aligned to the Group's five key priorities, ensuring that sustainability is a core part of the Group's operations.**

**"We provide local homes for local people and create local jobs, ticking all the boxes from both a customer and local authority perspective.**

**Dean Finch**
**Group Chief Executive**

## 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.

We have a key role to play in 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. Reducing our impact makes sense not only from an environmental perspective, but it also ensures greater efficiencies throughout our supply chain and operations.

### Key priorities

We are committed to reducing our carbon emissions and have approved science-based targets for our operations and our indirect emissions (i.e. our homes in use and our supply chain).

We aim to be net zero carbon for our homes in use by 2030, and in our operations by 2040 (see pages 36 to 43), and have established carbon reduction glide paths to achieve our targets.

We aim to have 50% of our homes built using timber frames from our off-site manufacturing facilities by 2027

» Read more on pages 36 to 45

## Transforming communities

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

Creating sustainable places for our customers is at the heart of what we do. Our Placemaking Framework guides all our developments and ensures we create lasting sustainable communities with great design, the right house types, and valued green open spaces.

It is essential we make a positive impact when building new homes, meeting stakeholder expectations and engaging local residents.

### Key priorities

We are committed to maintaining a HBF five-star rating for our homes.

We are committed to delivering high-quality homes. Our NHBC Reportable Items, reduced to 0.28 for the year ended 31 December 2023.

We are committed to delivering at least 10% Biodiversity Net Gain on our developments from February 2024.

We are committed to leaving a lasting legacy in the communities we operate in.

» Read more on pages 46 to 49

## Safe and inclusive

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

Recruiting and retaining the right people means we deliver our five key priorities and provide excellent customer service.

It is a priority that our processes meet stringent standards to ensure safety and wellbeing.

### Key priorities

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

We will continue to increase our female representation to 40% of our employees, 35% of our senior management team and 45% of employees in management roles by the end of 2025.

The Group will maintain being a Living Wage Foundation-accredited employer.

We will continue to apply ethical standards and expect our supply chain to comply with similar standards.

» Read more on pages 50 to 53

# Sustainability highlights

**HBF customer satisfaction score**

**Community champion donations**

**c.£627k**

2022: c.£692k

**Tonnes of greenhouse gas emissions per home sold**

**2.21**

2022: 1.68

**Trees planted on our developments**

**c.145,840**

2022: c.147,000

**Average SAP rating of our homes**

**84**

2022: 84

**Operational waste recycled**

**98%**

2022: 96%

**Investment in local communities over the last 5 years**

**£2.3bn**

2022: £2.4bn

**Public open spaces and gardens provided for families**

**452 acres**[1]

2022: 674 acres

**Affordable homes**

**2,402**[2]

2022: 2,868

1. Estimated using an economic tool kit.
2. Homes provided to our housing association partners and discounted open market value homes.

## Sustainability continued

# Building for tomorrow

### In this pillar:

1. Moving towards net zero – Our Transition Plan
2. Greenhouse gas reporting
3. Creating a responsible supply chain

## 1 Moving towards Net Zero – Our Transition Plan

**Reducing carbon emissions and limiting global warming is a key business priority and we are committed to playing our part. We have developed a high level Transition Plan to deliver carbon reductions over time, aligned to ensuring global warming remains below 1.5°C.**

We have set ambitious carbon reduction targets for the key areas of our business which contribute most carbon emissions:

- to be net zero in our homes in use by 2030; and
- to be net zero carbon in our operations by 2040.

This commitment is supported by approved interim science-based carbon reduction targets, aligned to the Paris Agreement:

- to reduce carbon emissions from our own operations by 46.2% (2019 baseline) by 2030; and
- to reduce carbon emissions from our indirect operations (i.e. those from our homes in use and our supply chain, known as Scope 3) by at least 22% per $m^2$ completed floor area by 2030 (2019 baseline).

These are challenging targets requiring product innovation, supply chain engagement and changes to current operational processes.

We continue to evolve our understanding of the carbon emissions from our supply chain and report our Scope 3 emissions. (See table on page 44). As a homebuilder, the majority (c.99%) of the emissions that we generate come from our indirect activities, through the goods and services that we procure, and the use of our homes by our customers (Scope 3 emissions). See our carbon reporting methodology for more information.

We are working on all fronts to reduce our carbon emissions with reduction plans in place for our operations emissions, for reducing the carbon emissions from our homes in use, and for reducing the embodied carbon in the goods and materials that we use.

**The average standard assessment procedure (SAP) rating of our new homes**

**84**

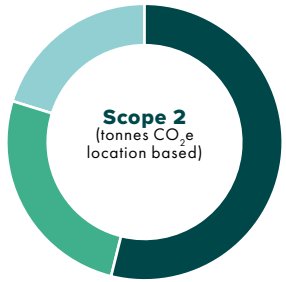
equating to an EPC 'B' rating

**Average dwelling emission rate of homes ($kgCO_2e/m^2/yr$)***

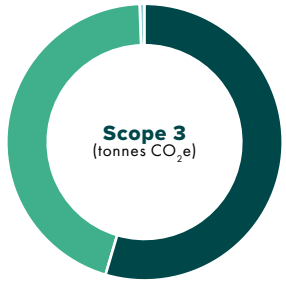
**16.56**

* The average dwelling emission rate has been externally assured to a limited level of assurance by Ernst & Young LLP (see www.persimmonhomes.com/corporate/sustainability).

| | |
|---|---|
| Fuels | **14,919** |
| Business travel | **3,726** |
| Gas | **3,304** |




| | |
|---|---|
| Sites inc plots | **1,317** |
| Manufacturing and FibreNest | **645** |
| Offices | **512** |




| | |
|---|---|
| Purchased goods and services | **962,496** |
| Use of sold products | **791,950** |
| Employee commuting | **9,952** |

## High level transition pathway

We are in the process of establishing long-term net zero carbon targets in accordance with the Science Based Targets initiative Net-Zero Carbon ('NZC') Standard, which requires most sectors to significantly reduce absolute carbon emissions by around 90% (depending on sector) by 2050 at the latest, with the remainder being offset or neutralised through a suitable mechanism. The following tables on pages 37 to 39 summarise our carbon reduction pathways as we transition towards net zero carbon.

The long-term NZC modelling requires significant assumptions on the achievement of decarbonisation of key carbon-intensive sectors such as cement, steel, and bricks, on which the construction sector is dependent. These sectors have made their own commitments to NZC targets and are investing in innovation and technology. We have a strong relationship with our supply chain and collectively the sector is developing common tools and methodologies to ensure comparability in carbon data to include EPDs, LCAs, and to support decision making. We are an active member of the Future Homes Hub and are members of the Embodied carbon/Whole Life Carbon Working Group.

### Reducing our operational carbon emissions (Scope 1 and 2)

| | From 2022–2026 | By 2030 | By 2040/2050 |
|---|---|---|---|
| **Our carbon reduction targets** | 29% reduction in absolute carbon emissions (from 2019 baseline) | 46% reduction in absolute carbon emissions (from a 2019 baseline) | Net zero carbon in our operations by 2040<br>Under development to set long-term, science-based NZC targets |
| **Our priority actions** (already underway and planned) | 100% REGO backed electricity<br>Efficiency first strategy – reduction in diesel use<br>Hybrid diesel generator trial<br>Introduce hybrid generators onto sites<br>New energy-efficient cabin strategy in place<br>Achieve 40% car fleet EV or hybrid<br>Option to use green/HVO diesel replacement | 100% REGO backed electricity (already in place)<br>Up to 90% switch to hybrid generators<br>Eco cabin replacement programme underway<br>c.80% of car fleet EV<br>Option to use green/HVO diesel replacement<br>Small number of electric/hydrogen construction plants in use | 100% eco site cabins with diesel-free hybrid generators<br>Construction plant all electric or hydrogen<br>100% EV car fleet |
| **External enablers** | • Grid decarbonisation trajectory maintained and sufficient electricity grid capacity<br>• Sustainable HVO or green diesel alternatives available<br>• Gas in new homes banned through FHS | • Grid decarbonisation on track for 100% by 2035<br>• Industry availability of electric or hydrogen construction plant | • 100% green electricity from grid |

**Key:** Targets in place | Targets under development | Actions complete | Actions underway | Actions planned

# **Sustainability** continued
# Building for tomorrow continued

## **High Level Transition Pathway** continued

### Improving energy efficiency of our homes in use (Scope 3 emissions)

| | From 2022–2026 | By 2030 | By 2040/2050 |
|---|---|---|---|
| Our carbon reduction targets | | Achieve net zero carbon homes by 2030<br>Achieve at least 22% per m² completed floor area by 2030 (2019 baseline) | Under development to set long-term, science-based NZC targets |
| Our priority actions (already underway and planned) | Energy transition plans in place for all developments<br>Part L 2021 homes designed with a 'fabric first' approach to maximise energy efficiency<br>New house type designs already in place in readiness for FHS introduction<br>Innovation trials of new technologies undertaken<br>12-month real life trial of zero carbon home at Germany Beck undertaken<br>Zero carbon house at Malmesbury built<br>Increase use of timber frame<br>c.1,000 ASHPs to be installed over the next two years | All homes will be delivering to FHS, and additional technologies e.g. WWHR, MHVR, solar PV, battery storage systems to achieve zero carbon homes | Increased thermal efficiency |
| External enablers | • Availability of ASHPs and sufficient qualified installers<br>• Grid decarbonisation trajectory maintained and sufficient electricity grid capacity<br>• Lenders recognise the increased value of more energy-efficient homes, and this is reflected in mortgage offers | • Grid decarbonisation on track for 100% by 2035 | |

**Key:** Targets in place; Targets under development; Actions complete; Actions underway; Actions planned

## Reducing the carbon footprint of our homes during construction (Scope 3 emissions)

| | From 2022–2026 | By 2030 | By 2040/2050 |
|---|---|---|---|
| **Our carbon reduction targets** | | Achieve a carbon reduction of at least 22% per $m^2$ completed floor area by 2030 (2019 baseline)<br>Achieve 50% timber frame builds by 2027 | Under development to set long-term, science-based NZC targets |
| **Our priority actions** (already underway and planned) | Already building around 30% timber frame homes<br>Introduction of ~30% GGBS at brickworks and tileworks to reduce cement content<br>Detailed embodied carbon study already complete and informing materials targets and reduction plans.<br>Strategic partnerships with suppliers and trials of low carbon alternatives being built<br>Innovation programme in place – undertaking trial of zero cement substitute for bricks and tiles (2024/2025) | Increasing timber frame and MMC components<br>Targeted to be a zero waste company<br>Building circular economy principles into our operations | |
| **Enablers** | • Grid decarbonisation trajectory maintained and sufficient electricity grid capacity<br>• Development of supply chain partnerships<br>• Standardisation of LCA methodologies and data<br>• Cement industry on track to achieve its NZC pathway<br>• Iron and steel industry on track to achieve its NZC pathway<br>• Clay brick industry on track to achieve its NZC pathway | • Grid decarbonisation on track for 100% by 2035<br>• Embodied carbon regulations | |

**Key:** Targets in place | Targets under development | Actions complete | Actions underway | Actions planned

# **Sustainability** continued
# Building for tomorrow continued

## Developing Net Zero carbon homes

### We have been carefully planning our transition to low carbon design and heating solutions and how best to improve energy efficiency in our homes, with our customer experience being a key consideration.

We have developed energy transition plans for all our developments in anticipation of the requirements of the forthcoming Future Homes Standard ('FHS') and the phase out of gas, ensuring appropriate timescales and commercial needs. This has been planned to take account of developments already underway entering their last build phases, those that complete prior to 2025, new sites, specific location requirements and customer expectations. Over the next two years we will already be installing over 1,000 ASHPs on sites, ahead of any regulatory requirements.

Innovative products and new solutions are emerging onto the market, and our technical teams are constantly analysing options and creating optimised solutions.

We have a significant advantage through our Space4 timber frame products to provide an effective 'fabric first' approach and deliver increased insulation and thermal efficiency which will be a key contributor to achieving the energy efficiency requirements.

> **Over the next two years we will already be installing over 1,000 ASHPs on sites, ahead of any regulatory requirements.**

### Technology roadmap for the delivery of Part L

To achieve the recently introduced Part L 2021 building regulations requiring a 31% reduction in carbon emissions, we are taking the following design route:

1. A 'fabric first' approach – improving the thermal efficiency of our homes with increased insulation in walls and floors – minimising the amount of energy our customers will need to use and making the home cheaper to run.
2. Providing more efficient gas boilers and control systems, so that our customers can heat their homes and water effectively and control with smart technology, for example waste water heat recovery.
3. Some of our homes will have solar panels, providing renewable energy for our customers and reducing the need to use electricity from the grid.

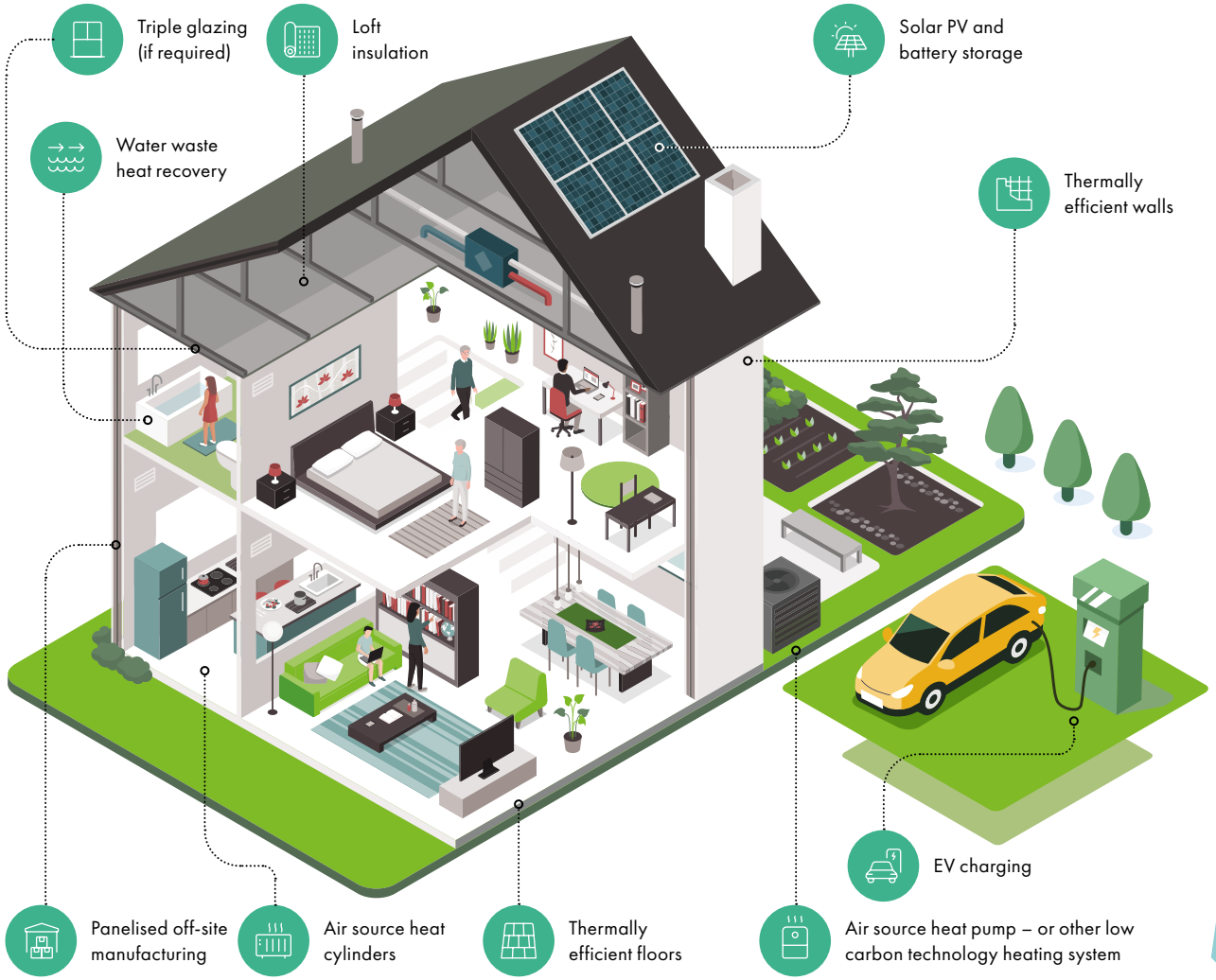
The planned introduction of the Future Homes Standard ('FHS') (Scotland 2024, England from 2025) requires a significant step change in energy efficiency and carbon reduction, having to achieve a 75–80% carbon emissions reduction.

The legislation is still going through consultation, and whilst some elements of the design will be core, such as increased thermal efficiency, there will be a number of options available, especially around heating systems, which will need to be considered as part of each site design to achieve the carbon reductions required, including:

1. Further increased thermal efficiency through the fabric such as additional insulation in the floors, walls, roofs will be required, and the potential increased use of panelised wall systems.
2. Gas heating will be banned from new homes when the FHS comes into force during 2025, and therefore alternative heating systems will be required such as all-electric heating or air source heat pumps ('ASHPs').
3. Options for localised heating systems such as ground source heat pumps, or small-scale district heating systems, will need to be explored, and will be region and location dependent. We will conduct detailed studies to ensure the most optimised heating solutions are provided.
4. Waste water heat recovery systems and mechanical heat and ventilation systems may be required, which capture and re-use heat which would otherwise be wasted.
5. Increased air tightness of the homes, and improved glazing specifications such as triple glazing.
6. Solar PV and battery storage systems may be required where local authorities have renewable energy strategies.

All of the above options are being carefully considered for each site to ensure the best option for our customers and our business.

## Technology roadmap for the delivery of the Future Homes Standard




## Zero carbon homes – Backbridge, Malmesbury

### At the forefront of technology

The future heating systems are different, and we have been undertaking a number of new technology tests and detailed trials to best optimise energy efficiency solutions and understand what works for our customers. In 2023 we constructed a zero carbon home at our site in Malmesbury based on a Future Home Standard specification and using our learnings from our first zero carbon home completed in 2022 at Germany Beck, York.

The home in Malmesbury is timber frame construction with a brick façade, and uses new highly thermal-efficient timber frame wall cassettes designed and built by our Space4 factory. This has enabled us to trial not only panel construction techniques but also installation processes. Zero carbon heating is provided in the form of an air source heat pump, and a waste water heat recovery system has been fitted to achieve the requirements of the anticipated FHS. The home is fitted with smart energy management systems to ensure that efficiency and occupier comfort is optimised.

In addition, a solar PV system with battery storage has also been installed which enables the home to operate as zero carbon. The house has been sold and its energy performance and real-life usability will be monitored for a period of 12 months with the home owner. This will provide invaluable information on real-world conditions and experience rather than a laboratory environment.

# **Sustainability** continued
# Building for tomorrow continued

## Working towards net zero carbon operations

### We continue to focus on reducing operational carbon emissions across the Group, and have a detailed plan as laid out in our Transition Pathway on pages 37 to 39.

During the year, the Group's market-based Scope 1 and 2 greenhouse gas emissions per home sold was 2.21 tonnes $CO_2e$ (2022: 1.68 tonnes $CO_2e$). This increase in carbon emissions per home is a consequence of less legal completions during the period and a baseload of energy which is not volume linked. However, our absolute carbon emissions have reduced to 21,973 tonnes over the period 2022: 25,017, keeping us well on track to meet our approved science-based carbon target.

A number of energy efficiency actions have been undertaken during 2023, with a principal focus on reducing diesel consumption which makes up 65% of our operational greenhouse gas emissions (market-based). Our Regional Chairs receive bi-monthly diesel usage data from across the Company to ensure site efficiency, and share best practice findings, and have been focusing on driving site efficiency actions.

The Group has continued its programme of energy awareness training modules to improve on-site energy efficiency, such as providing electric 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.

A new site cabin layout strategy is being developed which will guide all businesses on appropriate location on a development and the specification. This has provided an ideal opportunity to embed sustainability principles and energy efficiency to help future-proof the business, and reduce carbon emissions.

Reducing the carbon emissions from our construction fleet (e.g. forklifts) is a key priority, with a focus on ensuring efficient driving is employed, and seeking longer-term alternative fuels. A strategic meeting was held with JCB in July to review their new electric and hydrogen technologies and understand the timelines for transition.

**The Group continues to purchase 100% REGO backed renewable energy for our offices and manufacturing facilities. In addition, all electricity purchased for our sites and supplying our plots whilst under our ownership is also 100% REGO backed renewable energy.**

**The Group participates in the CDP climate survey, receiving a score of**

**A-**

in this year's survey

**Greenhouse gas emissions per home sold (market based)**

**2.21**

tonnes CO2e/home

2022: 1.68 tonnes $CO_2e$/home

**Absolute Emissions Scope 1 and 2**

**21,973**

tonnes CO2e

2022: 25,017 tonnes $CO_2e$

**Above:** Hybrid generator trial at Llanwern, East Wales.

## Hybrid generator trial at Llanwern, East Wales

A combined battery diesel generator trial has been undertaken at one of our developments in East Wales, with bi-monthly monitoring of performance. Over the course of four months it has so far demonstrated a significant saving in diesel usage and cost savings. Upon successful conclusion of the trial, we will roll out hybrid diesel generators on suitable development sites.

Key lessons learnt have been the additional benefit that can be gained by optimisation of the systems to meet specific sites' needs, and remote performance monitoring with regular reporting.

## Moving towards net zero – reducing our Scope 3 indirect emissions

Our Scope 3 emissions arise from indirect activities through our supply chain, and make up the vast majority of our overall carbon footprint.

Throughout 2023 we adopted a broad-ranging approach to reducing Scope 3 emissions and the whole life carbon impacts of our business.

The following provides a summary:

- We have significant benefits in reducing embodied carbon impacts through our vertical integration strategy with our own timber frame manufacturing facility, Space4, and our Brickworks and Tileworks factories. The use of timber frame construction (kits and roof systems) replaces masonry components and, from a sector-wide study, completed by the Future Homes Hub in 2022, on average delivers a 16% reduction. Our own bricks and tiles are made from concrete, with a lower carbon footprint that those made traditionally from clay, which require firing in gas kilns at temperatures exceeding 1000 °C. In addition, our Brickworks factory has run successful trials using ground granulated blast-furnace slag ('GGBS') as a cement replacement, which is expected to further reduce the footprint by over 5,000 tonnes of $CO_2$ p.a. when introduced during 2024.
- We have collaborative long-term relationships with our supply chain and as part of our responsible procurement process regularly engage on sustainability and new materials and innovations. In addition, we are partners of the Sustainability Supply Chain School to assist in the delivery of a consistent approach to sustainability and responsible sourcing. The School provides a learning and engagement platform to upskill people working within the built environment sector. Our partnership support enables free online learning materials, seminars, workshops and other services for our supply chain to help them improve environmental, social and economic sustainability awareness on issues including carbon reduction, waste reduction, resource use and human rights.
- We are in the process of finalising a detailed embodied carbon study of our ten most popular house types which will provide us with detailed understanding of material types and those areas where most carbon reduction can be effectively made.
- We sit on the industry collaborative network, the Future Homes Hub Whole Life Carbon Task Force, and reducing whole life carbon emission is a whole industry challenge. The Task Force has undertaken detailed analysis of available embodied carbon footprints to create an understanding of where interventions can best be made and created a delivery roadmap over the next five years.

SUPPLY CHAIN SUSTAINABILITY SCHOOL

**Above:** Tileworks.

**We have significant benefits in reducing embodied carbon impacts through our vertical integration strategy with our own timber frame manufacturing facility, Space4, and our Brickworks and Tileworks factories.**

# **Sustainability** continued
# Building for tomorrow continued

## 2 Greenhouse gas reporting

### 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 and Scotland, and emissions are reported in line with the financial control of the Group.

| Greenhouse gas emissions | | | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|---|
| Scope 1 emissions from gas, transport and construction site fuel use | | tCO2e | 21,949* | 25,005* | 25,298 | 25,887 |
| Scope 2 emissions from electricity use | Location based | tCO2e | 2,594* | 2,151* | 2,380 | 3,480 |
| | Market based | tCO2e | 24* | 12* | 1,149 | 1,656 |
| Total Scope 1 and 2 greenhouse gas emissions | Location based | tCO2e | 24,544* | 27,156* | 27,678 | 29,367 |
| | Market based | tCO2e | 21,973* | 25,017* | 26,447 | 27,543 |
| Scope 1 energy consumption | | MWh | 87,322 | 99,980 | 96,508 | 95,110 |
| Scope 2 energy consumption | | MWh | 12,887 | 11,410 | 11,208 | 14,925 |
| Carbon intensity Scope 1 & 2 emissions (per home sold) | Location based | tCO2e/per home sold | 2.474 | 1.826 | 1.902 | 2.163 |
| | Market based | tCO2e/per home sold | 2.214 | 1.683 | 1.818 | 2.028 |
| Scope 3 emissions – Category 1: Purchased Services & Goods | | tCO2e | 962,496* | 1,288,322* | 1,254,243 | N/A |
| Scope 3 emissions – Category 11: Use of Sold Products | | tCO2e | 791,950* | 1,394,740* | 1,193,835 | N/A |
| Scope 3 emissions – Category 7: Employee commuting | | tCO2e | 9,952 | 11,067 | 14,537 | N/A |
| Carbon intensity Scope 3 carbon emissions (emissions per 100m$^2$ completed floor area) | | tCO2e per 100m$^2$ | 207 | 216 | N/A | N/A |
| Total Scope 3 emissions | | tCO2e | 1,764,398 | 2,694,129 | 2,462,615 | N/A |

* The Scope 1, 2 and 3 (category 1 and 11) greenhouse gas emissions data for 2023 and 2022 has been externally assured to a limited level of assurance by Ernst & Young LLP (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 2023, 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 2021 all purchased electricity is now backed by Renewable Energy Guarantee of Origins ('REGOs') certificates, which are provided to the Group.

This year the Group is again 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 travel survey data).

### Greenhouse gas emissions

The Group's absolute GHG Scope 1 and 2 emissions decreased in 2023 as a result of decreased volumes and energy efficiency measures. Data capture and reporting have continued to improve, allowing the effects of efficiency measures to be more visible, and the opportunity for best practice sharing. A number of energy efficiency measures have been undertaken this year to include the refurbishment of a number of offices, a trial of HVO fuel, and a hybrid battery diesel generator trial. Best practice findings are rolled out across the business to continue to reduce carbon emissions.

Scope 3 emissions make up the majority of our total GHG footprint, around 98%. A decrease in Category 1 (purchased goods and services) has occurred as a result of reduced completions and therefore less materials and services being required. This is a spend-based method and other factors can have an influence such as the costs of materials.

In 2023 we completed a detailed embodied and whole life carbon study of our core house types providing a robust set of data to enable more accurate calculation of category 1 impacts. This more accurate data on embodied carbon will replace some of the category 1 purchase ledger spend which is currently the method used for calculating the carbon.

Scope 3 category 11 emissions (use of sold products) have decreased, reflecting the reduced number of homes legally completing. We have improved our methodology this year with a far greater capture of data over the period. The calculation methodology for this category requires a 60-year timeframe to be used.

# 3 Creating a responsible supply chain

## Creating a responsible supply chain

Our supply chain is a critical part of our business operations in delivering quality homes for our customers. We operate through a combination of Group framework agreements for core materials and services, and local operating company supplier relationships. Ensuring responsible and ethical procurement practices is very important and our suppliers have to comply with our Supplier Principles and Group policies. For framework agreements and significant sourcing decisions, all requests for information ('RFIs') and requests for quotation ('RFQs') include environmental and sustainable criteria with appropriate weightings. Our Group Procurement team holds quarterly supplier reviews with key suppliers where sustainability matters and requirements are discussed.

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

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.

## 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. The Group Procurement department actively tracks compliance with this policy.

In 2023 we completed the CDP Forestry questionnaire to provide greater transparency. In 2024 we will be issuing a detailed annual questionnaire to our Group timber and timber product suppliers to gather greater levels of information.

## Enhancing our environmental management approach

During 2023, a detailed environmental management programme was launched across the business, with the roll out of standardised processes, operating processes and procedures across the operating companies. This has been supported by a comprehensive training programme and helped raise awareness and understanding of environmental matters and gain more consistency in reporting. A key focus area has been on pollution prevention and spill control, with provision of specialist spill control equipment in high risk areas. Local HSE managers and officers have been upskilled in environment, and it is now part of all inspections.

### Reducing waste

In 2023 98% of waste was recycled or reprocessed from our sites and off-site manufacturing facilities (2022: 96%), with 8.29 tonnes of waste generated per home sold (2022: 7.3 tonnes). This increase in waste generated is being further investigated.

During 2023 there have been significant improvements to data capture and reporting. Our Thames Valley region has partnered with a specialist waste management advisor and is undertaking a comprehensive trial on waste segregation and source tracking to improve recycling rates and eliminate waste in the longer-term.

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 most of our sites, where possible. 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.

Clean site soil and sub-soil were identified as an opportunity where the Group could share information and manage any material deficits and surplus internally, thereby reducing waste costs and material import costs. An internal soil management platform has been established where excess and deficit soil needs can be registered.

## **Sustainability** continued

# Transforming communities

### In this pillar:

1. **Building for you**
2. **Connecting people to nature**
3. **Leaving a lasting legacy**

**Supporting sustainable communities is a key priority for Persimmon. Our transforming communities sustainability pillar complements this priority for the business.**

Creating sustainable places for our communities and customers is at the heart of our business. We have established a 'Placemaking Framework' that provides a structure for each of our developments to follow, providing a sense of place and ensuring we deliver attractively designed communities with valued green open spaces that are well connected to local amenities.

The Persimmon Way, our construction excellence programme, is driving continued improvements in our build quality. We have been awarded an HBF five-star rating for the second consecutive year and have improved our NHBC Reportable Items by 43% with a score of 0.28 for 2023.

Our customers are seeing the benefits of the investments we are making in our customer service and customer care. Persimmon Homes has been rated 4.2 on Trustpilot (2022: 3.9). We are proud to deliver homes that are affordable and that local people want to live in. Our private average selling price of £285,774 is over 20% below the UK national average. We are also offering a 'local homes guarantee' on some of our developments where we guarantee that a proportion of our homes on a specific development will be reserved for local people.

### Highlights

**Affordability**
**£286k**

**Private average selling price over**
**20%**
below UK national average

**Investment in local communities (over 5 years)**
**£2.3bn**
2022: £2.4bn

**Donations to local charities**
**c.£734k**
2022: c.£676k

**NHBC reportable items**
**0.28**
2022: 0.49

### Trustpilot scores

**Persimmon Homes**
**4.2**
2022: 3.9

**Charles Church**
**4.1**
2022: 4.1

# 1 Building for you

## Our Placemaking Framework ensures that all our developments are designed with a sense of place to reflect the local needs and character and create a sustainable community, with wellbeing and social value as key deliverables. It is fully integrated with the Persimmon Way, and facilitates our pathway to achieving net zero carbon.

At the core of our Placemaking Framework is the National Model Design Code which sets out a number of characteristics of a well designed place, to include character, climate and community. We have taken these and developed ten 'pledges' which each of our developments must consider in the design process, thereby ensuring the unique requirements of each location and community are incorporated. This approach leads to high-quality schemes which are in keeping with the area, align with local authority requirements, and support a flourishing community.

The inclusion of climate considerations ensures our developments are future-proofed for physical risks such as drought and flooding using blue and green infrastructure to include sustainable urban drainage systems, and our homes are designed with lower energy needs ready for the transition to low carbon/zero carbon ready for our customers.

Creating healthy, safe and enjoyable public spaces is a key part of a sustainable community and includes more shared streets, walkable neighbourhoods and sustainable transport schemes, providing links to schools and local amenities. Nature contributes to the quality of a place and to the quality of our customers' lives and is a critical component of our placemaking approach. We also maximise the opportunity for green spaces to support and enhance biodiversity across our developments, ensuring a home for wildlife.

## A highly attractive and sustainable new development for 139 new homes in the village of Lakenheath, Suffolk

The new scheme, which was approved in November 2023, was developed by our team at Suffolk region, and boasts impressive sustainability and environmental credentials, with every home fitted with air source heat pumps, over 200 new trees planted on site and the creation of a new 2.33 hectare off-site Breckland habitat for priority bird species and other wildlife.

The off-site Breckland habitat, which will be located at Gallow Bottom near to the Foxhole Heath SSSI, has been designed specifically for the stone curlew bird population and will be managed in perpetuity for these birds. It will also provide wider ecological benefits to local wildlife.

As well as the environmental benefits put forward, the scheme will also make a major contribution towards meeting the local housing needs of the area. The development itself will deliver 48% of the new homes that Lakenheath needs in the next five years and 42 new homes will also be made available for either shared ownership or affordable rent through a housing association partner.

We will also be investing almost £1m into the local community with a significant proportion of this money directed towards local schools and highway improvements, including the B1112 junction with Eriswell Road and Spark's Farm.

The new development will also provide a considerable economic boost. The scheme will create 262 new jobs in total with 111 jobs supported directly on site with the construction of new homes.

**"We're delighted to have received the approval from councillors for our high-quality scheme at Lakenheath. We're proud of the environmental benefits our scheme will offer and we also know that this site will make an important contribution to meeting the local housing needs of the area, helping families and first-time buyers to get their dream home.**

**Ian Hamilton**
**Managing Director of Suffolk region**

# **Sustainability** continued
# Transforming communities continued

## 2 Connecting people to nature

**Creating sustainable communities is a key driver embedded within our Placemaking Framework, where the importance of creating nature-rich opportunities and green spaces is well recognised to support wellbeing.**

Our focus is on delivering quality affordable homes and creating sustainable places. Our new developments are increasingly featuring enhanced green spaces to include allotments and orchards to enable healthy lifestyles. We are proud to create spaces that bring families and communities together and provide opportunities to reconnect with nature and strengthen wellbeing.

We are committed to delivering greater than 10% Biodiversity Net Gain ('BNG') across our developments, in line with the regulations that came into force in February 2024. A number of our sites are already delivering BNG requirements.

Extensive engagement across the land and planning teams has taken place, with the continuation of comprehensive BNG training, issuing an internal guidance series and promoting inter-disciplinary collaboration.

A detailed review of our non-developable land assets has been undertaken, with the positive identification of a suitable large-scale site which would enable the Group to develop its own units.

We are actively engaged in sector collaboration on BNG and sit on the FHH Places and Nature Group and several sub-working groups. This approach is ensuring a proactive approach with Government and consistency in application.

We continue to build on best practice across our regions and further embed biodiversity principles into operations and decision making. We continue to develop internal processes and produce tailored guidance and training on how to manage biodiversity gains and ecologically influence designs from an early stage. In recognition of well-designed schemes our Excellence Awards include categories on sustainability and biodiversity to celebrate efforts towards nature and sustainability principles.

We remain strongly positioned to effectively deliver biodiversity net gain and our ability to make positive ecological choices is further strengthened by our in-house expertise. Understanding our customers and wider corporate responsibilities towards biodiversity strengthens this ability and we are developing engagement tools and training programmes to further support our teams and customers, positively promoting connectivity with nature and the importance of biodiversity.

**"We are extremely excited to be involved in providing over 200 S Bricks for swifts to this first phase of the development at Banbury. This coverage is precisely the type of meaningful provision this species needs to hopefully arrest its decline. Working in partnership with Persimmon to ensure the most appropriate configuration and location of the S Bricks for the birds has seen this project optimise its implementation. We look forward to working with Persimmon on its future projects to maintain and enhance not only this biodiversity, but also the communities in which they are installed.**

**Henry Kenner**
**CFO Action for Swifts**

### Embracing sustainable design

Wykham Park in Banbury has been designed with a range of sustainability-focused placemaking features, to include sustainable transport, recreational facilities and nature-friendly habitats. The site will provide 237 homes, and 225 swift bricks will be installed, providing vital nesting features for summer-visiting swifts which are an endangered bird species. A further 36 nesting features are provided for other important bird and bat species welcoming them into the development.

Hedgehog pathways have been sensitively designed into our scheme ensuring they are able to roam freely between gardens and out into the wider countryside. Sheltering spaces have also been embraced within the design, set aside within the quieter areas of the development. This further enhances wildlife activity and movement for a range of species both within the community and out to the wider landscape.

Our show home features these important assets, showcasing their value and creating an opportunity to positively engage every visitor with these iconic species.

These valuable biodiversity features and wildlife communities will be supported with feeding opportunities and movement corridors through provision of swales, meadow planting, tree planting, scrub and retained native hedgerows throughout the development, as well as complementing the parkland character within the surrounding landscape.

# 3 Leaving a lasting legacy

## We are a national business with a local presence.

## Persimmon is committed to leaving a lasting legacy in the communities in which we work.

We support c.43,000 jobs across the supply chain and c.76,000 jobs across the wider community. Our developments engage local suppliers and tradespeople, supporting the local economy.

Each of our operating businesses have regional teams with detailed knowledge of the communities in which they operate. In addition to supporting communities through the delivery of much needed, attractively priced homes, our teams support them in a number of other ways, engaging with them to design and develop areas that suit their needs, providing local infrastructure and making charitable donations to support local charities.

We are committed to supporting education and providing opportunities for young people in areas we operate. We attend events at schools and colleges, providing career advice and guidance to young people and sit on education boards to help shape the curriculum to provide construction skills for the future. We further support colleges with material donations, including bricks from our BrickWorks factory, and regularly sponsor college award ceremonies.

**Left:** Ten college students from Hugh Baird College, Bootle, visited Persimmon's Edinburgh Park Development in Liverpool, learning about bricklaying and gaining hands-on experience of an operational construction site.

**"We support c.43,000 jobs across the supply chain and c.76,000 jobs across the wider community.**

## Cornwall team donates £5,000 to local Air Ambulance

Persimmon Homes Devon & Cornwall donated £5,000 to Cornwall Air Ambulance. The service operates all year round and attends, on average, 1,000 missions every year. The aircrew can reach anywhere in mainland Cornwall in 20 minutes, usually reaching their destination in 23 minutes, and the Isles of Scilly within 30 minutes. Persimmon's development, Trevithick Manor Park, in Newquay, is only a few miles away from where the Air Ambulance is based.

## **Sustainability** continued

# Safe and inclusive

### In this pillar:

1. **Working safely**
2. **Investing in a diverse workforce**
3. **Respecting human rights across the value chain**

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

Maintaining a safe environment is of paramount importance and we have a proactive and progressive approach to health and safety. Our safety management system defines the policies and procedures to ensure employees, contractors and visitors can be safe on our sites and in manufacturing businesses. Extensive training and inspections enable effective delivery. A key focus is placed on wellbeing, especially mental health, and to raise awareness.

Recruiting and retaining the right people means we deliver our five key priorities and provide excellent customer service. Equality, Diversity and Inclusion is a key enabler for this, and we have instigated new policies and training programmes to further embed this in the business and decision making.

We adopt an industry leading-approach to training, with dedicated in-house resource providing a wide range of learning opportunities to all employees. Programmes are categorised as:

- 'introductory' typically covering basic courses required for the business to operate in compliance and for colleagues to understand required Persimmon ways of working;
- 'competent' level training enables colleagues to fulfil their core skills and builds their capabilities; and
- 'excellence' training programmes are focused on providing opportunities for skills development and progression, fulfilling our people's potential.

Ensuring ethical, safe and fair working conditions within our supplier chain is very important and we operate a robust approach to supplier selection and adherence to our policies. We are mindful of the risks of modern slavery in the construction industry and have training programmes in place, site inspections, and whistleblowing provisions.

### Highlights

**RIDDOR[1]**

**2.8**

2022: 3.6

**AIIR[2]**

**1.4**

2022: 1.8

**Training interventions at excellence level***

**382**

**Percentage of female employees in senior roles**

**34%**

2022: 34%

1. RIDDORs reported per 1,000 workers including, where relevant, those reported by our contractors.
2. Accident Incident Injury Rate reported per 1,000 workers.

* The training interventions at excellence level have been externally assured to a limited level of assurance by Ernst & Young LLP: www.persimmonhomes.com/corporate/sustainability

# 1 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.

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

- Fully digitalised HS&E policies and standards have been completed, making them more accessible and interactive for our workforce.
- Following the launch of our new Environmental Management System ('EMS') and a programme of EMS training for all relevant personnel, all sites are now receiving an enhanced specific periodic environmental inspection.
- An internal HS&E auditor has been appointed to undertake assurance checks on our HS&E procedures and compliance levels across the business, and to assist us in becoming verified in the relevant International Organisation for Standardisations ('ISO').
- We continue to recognise good HS&E performance through our annual internal 'HS&E Excellence Awards' by rewarding site teams that have demonstrated a passion and commitment to HS&E initiatives above and beyond policy requirements.
- We are rolling out a digitalised site induction and sign process via a new internally developed and bespoke app across all our sites. This new process ensures site personnel and our supply chain workforce are given a consistent induction in relation to HS&E risks. It also enables us to keep enhanced records of personnel on site and to communicate with our site workforce more effectively.
- Through the new app we will signpost to all our site personnel that we intend to undertake random drug and alcohol testing and will commence a programme of testing following implementation of the app across all our sites. Random drug and alcohol testing already takes place at our manufacturing facilities and our groundworks business in Wales.
- We have partnered with trade association and training body Fall Arrest Safety Equipment Training ('FASET') to ensure that all safety decking used on our sites is an approved FASET system, and all our installers meet the required competence and training levels set by FASET. Our site management teams are also receiving safety decking inspection training through FASET.
- We are enhancing our arrangements for staff that undertake lone working, giving them access to an app that will enable them to instantly raise an alert to a 24/7 monitoring centre if they feel they are in danger.

## Increasing our focus on wellbeing

The British Safety Council and leading UK charity 'Mates in Mind' have assisted us to develop and implement a wellbeing strategy, to put good mental health of all our workforce as a priority and on the same standing as their physical health and safety. One of the key components of our wellbeing strategy is to raise awareness on mental health, for our employed and contract workforce.

- On World Mental Health Day we released a two-part video interview with Olympic Gold Medallist Diver, Team GB's Jack Laugher to discuss how he's dealt with mental health challenges throughout his high pressure career, and the importance of talking about mental health to help break down the stigma associated with it.
- We also hosted virtual drop-in sessions focusing on how important conversations about mental health are, while exploring good mental health practices.
- Through partnership with the Charity Lighthouse Club, we are running a series of mental health workshops on sites to get our site personnel, who are predominantly subcontractors, talking about mental health issues.

**Proactive site inspections undertaken**

**6,769**

## 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.

## Inspections

Under the direction of our senior management team, the HS&E department performs 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 2023, the HS&E department undertook 6,769 proactive site inspections. They have considerable experience in providing both a proactive advisory and reactive incident-led approach to identify and mitigate health and safety risk.

# **Sustainability** continued
# Safe and inclusive continued

## 1 Working safely continued

### Work-related injuries

During 2023, 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 19 (2022: 29). Injuries per one thousand workers, which includes injuries sustained by our contract workforce, has decreased to 2.8 per 1,000 workers (2022: 3.6). The level of build per injury, including contractor injuries, was 262 legal completions per injury (2022: 265).

Our Group Annual Incidence Injury Rate ('AIIR') for 2023 was 1.4 per 1,000 workers (2022: 1.8). In our manufacturing operations, we reported 2 RIDDORs in 2023 (2022: 3).

### Building safety

In March 2023, following a rigorous assessment process, we were awarded Building a Safer Future ('BSF') Chartered Champion status. Dame Judith Hackitt, in a letter to us, applauded us for the work we have done to act as a spearhead for the industry to step up and take responsibility. To align building safety with our own internal health and safety management system, building safety issues will now fall under the remit of the HS&E department and a Group Building Safety Manager has been appointed to oversee this transition and continue our work with the BSF.

## 2 Investing in a diverse workforce

### A diverse business

Activity to support our Equality, Diversity and Inclusion strategy has seen substantial progress from our working group, which is comprised of volunteers from a range of roles from across the organisation, making excellent headway against the strategy we developed after an external audit in 2022. Each member has a specific workstream, such as communication, training, or recruitment, which feeds into the plan as they collaborate with their colleagues to deliver change.

There has been significant training activity in this area too, with over 200 senior leaders having their awareness and knowledge of D&I, the specific subject of an inclusive leadership course. Contributing to the broader cultural change within the organisation, this course challenged them to question how inclusive they are as leaders.

Over 450 construction employees across our developments have experienced our positive workplace sessions that focus on banter, bullying and harassment and which also link to mental health awareness as well as inclusivity.

The Group set stretching diversity targets with the specific objective of increasing the representation of women across the Group by the end of 2025. After two years, our progress against these targets is as follows:

- the percentage of females in the senior management team is currently 34.5%, against a target of 35%;
- of all our management roles in the Company, the female percentage is 31%, against a target of 45%; and
- the percentage of female employees in the Group is 28.5%, against a target of 40%.

The Group has made good progress against its Equality, Diversity and Inclusion strategy, part of which are its goals of increasing diversity at senior levels and the overall proportion of women in management roles. We are making incremental progress in increasing the proportion of females employed in the Group as a whole, the pace of which reflects both the lower level of overall recruitment in 2023 and the fact that site-based roles for skilled tradespeople, operatives and labourers still attract a much higher proportion of male applicants, despite Group and national initiatives to promote site skill-based roles and apprenticeships to more diverse applicants.

In 2023 we introduced an additional measure of progress, which is the percentage of salaried employees whom are female. This currently stands at 39%, comparing favourably to our target of 45% by the end of 2025.

The Persimmon Women's Network, which was launched on International Women's Day in 2023, is now firmly established and has seen a number of online events that have been well attended. The focus in 2024 is to enhance this with regional leads and more local events across the country. A steering group has also been set up to launch Persimmon Pride during LGBTQ+ History Month in February 2024, a network for colleagues from the LGBTQ+ community and allies.

| Our gender data | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Board | Male | 4 (50%) | 6 (66%) | 6 (66%) |
| | Female | 4 (50%) | 3 (33%) | 3 (33%) |
| Senior Executive Committee and direct reports | Male | 36 (66.5%) | 35 (66%) | 51 (72%) |
| | Female | 19 (34.5%) | 18 (34%) | 20 (28%) |
| All colleagues | Male | 3,451 (71%) | 4,045 (73%) | 3,793 (73%) |
| | Female | 1,374 (29%) | 1,509 (27%) | 1,403 (27%) |
| Median gender pay gap | | 9.9% | 13.5% | 18.1% |

# 3 Respecting human rights across the value chain

## Human rights

The Group has a strong commitment and fundamental respect for human rights, defined within our comprehensive suite of Group policies and procedures and embedded throughout our operations. We regularly assess the most significant potential human rights impact areas within our operations to ensure our policies and controls remain appropriate. The key human rights risk areas identified have remained consistent with prior years, and include workforce safety, labour and employment rights of our employees and subcontractors, and supply chain risks such as modern slavery.

### Workforce safety

Ensuring the safety and wellbeing of our workforce, and all those present in the areas in which we operate, is of critical importance. The Group maintains comprehensive health and safety management systems to mitigate the inherent risks to safety in construction activities. These systems are subject to regular internal inspections by the Group Health, Safety and Environment ('HS&E') department, which itself is regularly audited by independent specialists within our Group Internal Audit department. Further safeguards are provided 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.

### Labour rights

The Group adheres to all UK legislation and regulations in respect of labour rights. The Group HR department monitors the legal and regulatory landscape to ensure that systems and controls are in place to address any changes as they arise. The Group is also a Living Wage Foundation accredited employer, paying the Real Living Wage ('RLW') to our employees and promoting adoption of the RLW through our subcontractor base.

### Supply chain

As a housebuilder operating solely within the UK, and with the vast majority of our first-tier supply chain and subcontractors also being UK based, we do not consider that human rights abuses such as modern slavery represent a significant or immediate risk to our business. Nonetheless, the Group recognises that construction remains a sector particularly exposed to modern slavery risk and has established robust controls and procedures to reduce this exposure and to provide assurance that our employees and suppliers continue to work to the high standards we demand.

In 2023, the Group has continued its membership with the Gangmaster and Labour Abuse Authority ('GLAA') through its 'Construction Protocol', ensuring ongoing access to industry good practice in combating modern slavery. The Group has also engaged proactively with the CCLA-led 'Find it, Fix it, Prevent it' initiative, to benchmark its processes and understand stakeholder concerns for our sector. Informed by these inputs, a comprehensive suite of controls has been established. This includes regular audits on supply chain controls and awareness, led by our Group Internal Audit department. Awareness posters are also in place at all sites, encouraging the reporting of potential concerns via our whistleblowing provision. Routine inspections and worker interviews are carried out by the Group HS&E department, and tailored training is in place for employees in Commercial, Procurement and Construction functions, in addition to the annual delivery of a GLAA developed 'Toolbox Talk' for all site-based workers. No reports of modern slavery or labour abuse were reported in 2023 (down from one in 2022). Further details on the Group's measures to combat modern slavery are set out within our most recent Modern Slavery Statement, which is available on our website at www.persimmonhomes.com/corporate.

### Ethical business practices

The Group expects high standards of ethical behaviour and integrity from all employees and stakeholders involved within our operations. This expectation is detailed within our policies, including our Code of Ethics and our Anti-Bribery and Corruption Policy, which are reinforced through regular training. As a further safeguard on human rights and ethical behaviour, the Group maintains a comprehensive whistleblowing provision. This provides a range of mechanisms through which employees and others can raise concerns in confidence, and anonymously if needed. All whistleblowing reports are investigated independently by our Group Internal Audit department, with summary reporting provided to the Audit & Risk Committee. The Group has continued its partnership with the whistleblowing charity Protect, through which it has further strengthened whistleblowing provision through additional training and access to tools to benchmark against best practices.

> **"The Group expects high standards of ethical behaviour and integrity from all employees and stakeholders involved within our operations.**

## Non-financial information and sustainability statement

# Key matters and where to find them

**The following section of our Strategic Report constitutes Persimmon Plc's non-financial and sustainability information. This statement has been prepared to comply with sections 414CA(1) and 414CB(1) of the Companies Act 2006, to provide an understanding of the Group's development, performance and position and the impact of our activities. Information regarding non-financial matters is also included throughout our Strategic Report.**

» An overview of our **business model** is set out on pages 10 and 11

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

| Reporting requirement | Relevant policies and standards governing our approach | Where to read more in this report and how we manage the associated risks |
|---|---|---|
| **Environmental Matters** | Climate change is considered a principal risk for the Group, as disclosed in our **Climate Change Position Statement**. Detailed information on the risks and opportunities posed by climate change can be found throughout this report and our **TCFD** disclosures are set out on pages 59 to 68.<br>We recognise that our activities have an impact on the environment and that we have a responsibility to consider and minimise these impacts. This commitment is formalised through our **Environment Policy**, which forms a key part of the Group's overall approach to sustainability.<br>Ensuring that we operate in a responsible way, and that we build homes and communities that are both efficient and sustainable, is fundamental to the continued success of our business. Our **Sustainability Policy** outlines the Group's three sustainability pillars that shape our approach to how we undertake our activities as a responsible developer. | » See pages 36 to 45, 59 to 68 and 74 |
| **Employees** | Our **HR strategy** is well established and supports our ambition to become the employer of choice in the sector.<br>We place great emphasis on designing our developments and planning our work so that customers have a safe home to live in and our workers are kept safe whilst these homes are being built. Our **Health and Safety Policy** sets out the Group's health and safety aims and is implemented through our health and safety management system for our operational activities.<br>Our aim as set out in our **Equality, Diversity and Inclusion Policy** is to be an Employer of Choice and for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected while realising their full potential. | » See pages 29 to 33 and 72 |
| **Social Matters** | Transforming communities is just one of the sustainability pillars outlined in our **Sustainability Policy** that shape our approach to how we positively transform communities directly connected to Persimmon's activities.<br>Our **Community Champions** programme was established in 2015 and has already donated more than £3m to over 3,500 good causes across Great Britain. We also have a programme of **community events** taking place as part of our partnership with Team GB for the 2024 Paris Olympics, along with other great initiatives. More information on this is available on our website: www.persimmonhomes.com/community-champions-2024 | » See pages 46 to 50 and 21 |
| **Human Rights** | We are committed to treating our employees, customers, suppliers and business partners in a fair and respectful manner. Our **Human Rights Policy** sets out the standards to which we will operate to ensure these rights are upheld throughout our businesses and operations.<br>Our **Modern Slavery Statement** sets out the steps taken by us to prevent modern slavery and human trafficking within the Group's business and its supply chain.<br>We expect our suppliers and supply chain to join us in working as sustainably and ethically as possible, which is why we require all of our suppliers to comply with our **Supplier Principles**. | » See page 53 |
| **Anti-corruption and anti-bribery** | Our aim is to establish a culture within the Group in which bribery and corruption are never seen as acceptable behaviours. Our **Anti-Bribery and Corruption Policy** outlines our approach to the prevention of bribery and corruption, as an extension to our **Code of Ethics**.<br>We value our reputation for complying with all aspects of UK tax law, so we've taken steps to make sure we do everything in our power to stop the facilitation of tax evasion, as set out in our **Tax Evasion Policy**. | » See page 90 |
| **Non-financial KPIs** | We measure a number of non-financial KPIs to ensure the business is effectively managing its responsibilities. | » See pages 24 and 25 |

## Section 172 statement

# Culture and engaging with our stakeholders

**To implement our five key priorities and to promote the success of the Company, we aim to build strong relationships with all of our stakeholders. We regularly engage with our key stakeholders to understand what matters most to them, how we can meet their interests and the likely impact of Board and management decisions.**

The Board receives regular updates on stakeholder engagement at Board meetings. There are standing agenda items in order that the Board can review progress against our five key priorities and their impact on our key stakeholders. The Board also engages directly with key stakeholders, particularly shareholders and employees. Our key stakeholders, how we engaged with them and the results of that engagement are set out on the following pages. The following disclosure forms the Directors' statement required under section 414CZA of the Companies Act 2006.

## 1 Customers

### Relevant material issues

- Build quality and safety
- Reinforcing trust: customers at the heart of our business
- Supporting sustainable communities

### Why do we engage?

Engaging with our customers helps us to be aware of their changing needs and ensure our homes are well positioned in the market. It also enables us to measure how we are achieving our aim to improve the delivery of consistently good quality, sustainable homes and excellent customer service.

Engaging with our social housing partners ensures that we provide the appropriate range of affordable homes to meet the needs of local communities. Maintaining positive relationships with all of our customers minimises reputational risk for the Group and will help to increase long-term demand for our homes.

### How do we engage?

We communicate with our customers in a number of ways:

- Through our sales staff, who are in regular contact with our customers from the point of reserving their new home to moving in day; through our site teams who attend various touchpoints with our customers in the lead-up to and immediately after legal completion; and also 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 both before and after their moving in date.
- We participate in two national new homes surveys run by the Home Builders Federation to obtain independent feedback from our customers.
- We engage with our social housing partners through regular contact and meetings.

### What did they tell us?

- Our customers want attractively priced, high quality, sustainable and energy efficient homes.
- Customers want to be able to communicate with our teams quickly and easily, at times and in ways convenient to them.
- Customers value a blend of digital and interpersonal customer experiences.
- Customers want to be connected to the internet as soon as possible following their move in date.

### How do we measure the effectiveness of our engagement?

The following metrics are regularly reviewed by the Board when considering progress against our five key priorities:

- HBF eight-week and nine-month customer satisfaction survey scores.
- Trustpilot scores.
- Speed of resolution of any customer issues.
- Number of visitors to sites and levels of website traffic.
- Volume of sales.
- FibreNest's achievement of timely connections.

### Outcomes and effects on Board decisions

- Our build quality ambition has grown from 'build right, first time, every time' to 'trusted to deliver five-star homes consistently'.
- We have 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.
- We are increasing our investment in our customer experience function, including in digital technology and in training.

## 2 Employees

### Relevant material issues

- Build quality and safety
- Talent attraction, development and diversity and inclusion
- Supporting sustainable communities

### Why do we engage?

We aim to attract and grow a talented and diverse workforce, believing this to be fundamental to the long-term success of the business. Engaging with the workforce significantly contributes to the success and wellbeing of both the business and our employees. Engaged employees are more likely to be motivated and committed to their work, leading to higher levels of productivity and increased innovation and creativity. Engagement leads to stronger team collaboration, better communication and creates a positive culture enhancing customer satisfaction.

Engaging with our employees also helps ensure they understand and align with the Group's strategy, vision and values and helps us to understand the changing needs of our workforce, to better attract, develop and retain employees.

### How do we engage?

- Through our Employee Engagement Panel, which meets regularly throughout the year. Each meeting is usually attended by a Director and is chaired by the Chief Human Resources Officer. The Chairman, Remuneration Committee Chair and two Non-Executive Directors attended meetings in 2023.
- Through annual employee engagement surveys and the resulting actions and plans.
- Through our Health, Safety and Environment department and increased online training procedures.
- Through improved internal communications to all employees on matters such as our business activities and priorities, the achievements of our business and our employees and our work in local communities.
- Through our Women's Network and Persimmon Pride.
- Through role-specific conferences.

» Further details can be found on pages 29 to 33

### What did they tell us?

- Our 2023 engagement survey had an 81% employee engagement score, with 90% committed to the Group and what we are trying to achieve.
- Recognition is important and employees want to feel valued and appreciated.
- Many of our colleagues have been affected by the rising cost of living.
- Our employees are supportive of the improvements to customer care and quality.
- They would like continued focus on IT improvement and on training and development.

### How do we measure the effectiveness of our engagement?

- Feedback from the Employee Engagement Panel.
- Through the results of our annual employee engagement survey.
- Changes to our employee turnover and absence rates.
- Through our customer satisfaction surveys and quality measures.

### Outcomes and effects on Board decisions

- We have continued to develop our Talent and our Diversity and Inclusion strategies.
- We implemented a 5% base pay increase made in two stages, with a 3% increase in July 2023 and a further 2% in January 2024.
- We continue to be an accredited Living Wage Foundation employer.
- We have further improved our Learning Management System to better record employees' training and enable further development of our e-learning courses.
- We continued to improve our internal communications strategy.
- We continued our communications to promote the support available through our Employee Assistance Programme.

# **Section 172 statement** continued

## 3 Communities

### Relevant material issues

- Supporting sustainable communities
- Reinforcing trust: customers at the heart of our business
- Social impact

### Why do we engage?

Engaging with our local communities, throughout all phases of a development, more accurately identifies their needs and helps us to meet those needs.

During this collaboration, we aim to address any planning and technical issues in order that the impact of our activities on local communities is minimised, including using planning and environmental risk assessments.

### How do we engage?

- Proactive engagement and consultation throughout the planning and development process of each of our developments.
- Feedback from our local pre-launch marketing campaigns.
- Regular engagement with planning authorities.
- Being actively involved in the communities in which we operate, through employing local people and supporting local charities and community groups through our Community Champions Initiative and the Persimmon Charitable Foundation.
- Through our External Affairs team.

» Further details can be found on pages 46 to 49

### What did they tell us?

- Demand for homes in communities with high amenity value is strong.
- Local infrastructure investment is important in improving community environments.
- To be an active part of the community through supporting local charities and community groups.
- To be positive and responsive to the views of local people.
- Leaseholders and occupants of high rise buildings have been concerned with fire safety issues.

### How do we measure the effectiveness of our engagement?

- Speed of achieving planning consents and ability to unlock blocked consents.
- Through the quality of our developments and our ability to demonstrate how local priorities have been met.
- Through the impact of our Community Champions initiative.
- Reports from the Group Director of Strategic Partnerships and External Affairs.

### Outcomes and effects on Board decisions

- Developed a Placemaking Framework, to improve the guidance and tools our planning and design teams need to create attractive developments, which promote wellbeing through, for example, the provision of public open spaces.
- The Company signed self remediation contracts with both the English and Welsh Governments to protect leaseholders from having to pay towards cladding removal or fire-related safety issues on buildings that the Group constructed. We continue to work positively with the Scottish Government on a similar agreement.
- Invested c.£2.3bn in local communities over the last five years.
- Continued to support Community Champions and the Persimmon Charitable Foundation.

## 4 Suppliers and subcontractors

### Relevant material issues

- Climate change action and resilience
- Build quality and safety
- Supporting sustainable communities

### Why do we engage?

The Group benefits from long-standing relationships with many of its suppliers and subcontractors. These assist in securing the quality and supply of materials to deliver the Group's build programmes effectively.

We engage with suppliers and subcontractors to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity, supported by the continued implementation of framework agreements inclusive of policies, KPIs and expected service levels.

Engagement with our suppliers and subcontractors assists us in continuing to improve the long-term sustainability of our supply chain.

### How do we engage?

- Quarterly business reviews and 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 our 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.
- We are partners to the Supply Chain Sustainability School which encourages engagement across the supply chain.
- We are part of the Future Homes Hub Whole Life Carbon Oversight Group.

» Further details can be found on pages 45 and 53

### What did they tell us?

- The Group works in partnership with its suppliers, providing material demand forecasting, with periodic updates detailing any variations. This ensures continuity of supply, providing continuity and visibility of future workflows.
- Timely payment of invoices is important – we pay invoices within agreed timescales.
- They continue to monitor the impact of global supply chain and price-sensitive impacts to enable continued service delivery.
- Material delivery monitoring and reporting is important, to support compliance and identify opportunity for reduction of excess stock to develop a robust supply chain.
- They want to work collaboratively to identify innovative solutions and alternative products to support changes to statutory requirements and Building Regulations (such as transition to Future Homes Standard) and delivery of our objectives.

### How do we measure the effectiveness of our engagement?

- The Group Procurement department provides routine monitoring of trends and supplier performance.

### Outcomes and effects on Board decisions

- Our tendering processes have been strengthened through standardisation of our procurement process, greater central oversight and an expanded use of framework agreements.
- The department seeks 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.
- Developed trials to evaluate the most effective method of transitioning to the Future Homes Standard and beyond to net zero carbon.
- We have also been engaging with our suppliers to assess the embodied carbon of our house types in order to identify materials with the most impact (see page 43).

## 5 Shareholders

### Relevant material issues

- Supporting sustainable communities
- Build quality and safety
- Reinforcing trust: customers at the heart of our business
- Disciplined growth: high-quality land investment
- Industry-leading financial performance

### Why do we engage?

Access to capital is important for 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.

### How do we engage?

- The Executive Directors and IR Director hold regular meetings with analysts and investors as part of the Group's reporting cycle and formal roadshows.
- We hold shareholder roadshows. In addition, throughout the year, the Executive Directors and IR Director participate in calls, investor conferences and site visits to meet prospective and existing investors, to communicate the Group's strategy.
- We obtain feedback from the Company's brokers, market analysts and shareholder groups.
- There is a regular report from the IR Director to the Board.
- All Board members attend the Company's Annual General Meeting, where the Chairman and Group Chief Executive update shareholders, and we conduct the vote on resolutions by poll.
- The Chairman and the Non-Executive Directors are also available to attend meetings with major shareholders to gain an understanding of any issues and concerns.
- The Remuneration Committee Chair engaged with major shareholders on the proposed Remuneration Policy and implementation of the Policy for 2023.

### What did they tell us?

- Fair pay for the whole workforce.
- They would like an environmental metric for incentive awards.
- Requirement of a diverse Board and pipeline of talent for succession to executive positions.
- Preference for a sustainable dividend.

### How do we measure the effectiveness of our engagement?

- Feedback from analysts and investors.
- Movements on the share register.

### Outcomes and effects on Board decisions

- The Group continued to be an accredited Living Wage Foundation employer.
- Maintained a rigorous process for each Board appointment, led by the Nomination Committee.
- Inclusion of an environmental metric in the performance condition for 2023 share awards.

## 6 Government, regulators and industry bodies

### Relevant material issues

- Supporting sustainable communities
- Build quality and safety
- Reinforcing trust: customers at the heart of our business

### Why do we engage?

We engage with national Government regarding Government policy that could affect the Group.

We meet with local councillors and local authority planning departments to ensure we are able to create 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.

### How do we engage?

- We are a member of the Home Builders Federation and Homes for Scotland.
- We engage with Government departments directly, and working with the Home Builders Federation and Homes for Scotland, to explain industry opportunities and challenges.
- By participating in industry meetings with Ministers.
- Regular dialogue with Homes England and with the Health and Safety Executive.
- Engaging with local councillors and local planning authorities.

### What did they tell us?

- 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.
- It is essential to maintain a skilled and well-resourced Health, Safety and Environment Department.
- To better reflect the views of local authorities and communities in the plans we develop.

### How do we measure the effectiveness of our engagement?

- The Board receives updates from the Group Chief Executive and Group Director of Strategic Partnerships and External Affairs regarding direct engagement with Government, Homes England and the Home Builders Federation.
- Our engagement has led to an enhanced planning approach, with c.11,000 plots achieving detailed consent.

### Outcomes and effects on Board decisions

- To protect leaseholders, we signed self remediation contracts with both the English and Welsh Governments to protect leaseholders from having to pay towards cladding removal or fire-related safety issues on buildings that the Group constructed. We continue to work positively with the Scottish Government on a similar agreement.
- We were awarded Building a Safer Future Chartered Champion status in March 2023. We were applauded for the work we have done to act as a spearhead for the industry to step up and take responsibility.

# 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 55 to 57) 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.

A description of the principal decisions made by the Board during 2023 and to the date of this report is provided below. The main activities of the Board are set out on page 85.

## Capital Allocation Policy

The Board recognises the importance of sustainable dividends for shareholders and will continue to prioritise value creation from a strong return on capital. The Board's Capital Allocation Policy follows the following key principles:

- Invest in the long-term performance of the Company by ensuring the business retains sufficient capital to continue our disciplined and appropriately timed approach to land acquisition.
- Operate prudently, with low balance sheet risk, and a continued focus on achieving a superior return on capital.
- Ordinary dividends will be set at a level that is well covered by post-tax profits, thereby balancing capital retained for investment in the business with those dividends.
- Any excess capital will be distributed to shareholders from time to time, through a share buyback or special dividend.

The Board announced an interim dividend of 20p per share in August 2023, which was paid on 3 November 2023. The Board has also recommended the payment of a final dividend of 40p per ordinary share for the year ended 31 December 2023. In determining the capital returns, the Board considered the ongoing performance of the business and prevailing market conditions.

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.

## Building safety

### Developer contract with English and Welsh Governments

The Company remains committed to undertaking any cladding or life-critical fire safety remediation works for buildings it has constructed, and to protecting leaseholders. In March 2023 the Company signed the UK Government's Self Remediation Contract, which turns the Building Safety Pledge we signed in April 2022 into binding commitments for the industry. We also entered into the Welsh Self Remediation Contract with the Welsh Ministers in March 2023.

The contracts are consistent with the approach already announced by the Company in February 2021. We led the industry when we announced our original commitment to protect leaseholders from the costs of cladding removal or the remediation of fire-related safety issues on developments that we constructed. The Board particularly considered the improvements to fire safety for residents of the developments built by the Group when considering whether to enter into the contract. The Board also considered the potential consequences of not entering into the contracts, noting the potential for developers to be deemed to be non-responsible developers and face sanctions under new legislative provisions.

The initial remediation work led to a more detailed understanding of costs, which now include non-cladding fire-related build defects. Combined with the broader scope required by government, which resulted both in an increase in the amount of work required and in the number of eligible buildings, and against a background of significant build cost inflation, we increased our provision for this multi-year programme to approximately £350m. The Directors believe that maintaining a reputation for good build quality and high safety standards, and to be a business with a long-term, responsible and sustainable future, is beneficial for all of our stakeholders, but particularly local communities, previous customers, new customers, employees and shareholders.

## Appointment of new Chief Financial Officer

After an extensive recruitment process, Andrew Duxbury was announced as the Group's new Chief Financial Officer in November 2023. Andrew's start date will be confirmed in due course. Andrew has extensive experience as a finance director in the construction and housebuilding industries, which will be an invaluable asset to the Group as we continue to provide good quality homes for families across the UK and position the business for future growth. The Board considers that Andrew will complement the Group's strong management team.

## Investment in modular home manufacturer

In April 2023, we committed to invest £25m into TopHat, an innovative modular home manufacturer. This investment provides the Group with guaranteed access to TopHat's highly energy-efficient volumetric modular units as well as an innovative brick façade to use with our Space4 timber frame products. The new partnership will provide further build efficiencies, help manage the growing challenge of labour shortages in key trades and expand our product range for customers.

## Revolving Credit Facility

In July 2023 the Group signed a new Revolving Credit Facility ('RCF') of £700m which has a five-year term out to July 2028. This facility replaced the Group's previous £300m Revolving Credit Facility which was due to expire on 31 March 2026. The RCF is a 'sustainability linked' facility within the banks' finance frameworks, with ESG targets covering the facility's term. The targets are consistent with the Group's science-based operational carbon reduction targets, our commitment to deliver net zero homes in use by 2030 and our long-standing ambition to deliver excellent development opportunities for our colleagues.

TCFD

# 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 is identified as a principal risk for the Group, and the Group reports climate-related disclosures consistent with the latest TCFD recommendations and supporting recommended disclosures and will continue to mature its level of reporting in accordance with the requirements.**

In 2022 we undertook a comprehensive TCFD assessment which included a detailed analysis of identified transition risks to assess their potential financial impacts. In addition, detailed physical risk modelling was performed at a regional level to determine potential financial impacts. This assessment provided the direction required for the next few years and actions for 2023 have been based on this.

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 near-term science-based targets for carbon emissions reductions validated by the Science Based Targets initiative ('SBTi').

We have developed a high-level Transition Plan which is shown on pages 36 to 39 and performance against key metrics is shown on page 68. We are in the process of establishing long-term net zero carbon targets in accordance with the Science Based Targets initiative Net-Zero Carbon Standard, which requires most sectors to significantly reduce absolute carbon emissions by around 90% (depending on sector) by 2050 at the latest, with the remainder being offset or neutralised through a suitable mechanism. To achieve this significant but necessary level of carbon reduction, system-level change across sectors is required, with key enablers, such as decarbonisation of the grid, and highly collaborative relationships with supply chains in place.

## 1. Governance

Climate change is considered 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 69 for further detail.

The Board has overall responsibility for the management of risks and opportunities arising from climate change, and on an annual basis undertakes a Group-wide review which includes consideration of climate risk. In particular, the Board has taken an active role in understanding the impacts of future legislation with a focus this year on implementation of the Part L 2021 regulations, and the forthcoming Future Homes Standard.

The Sustainability Committee supports the Board's climate responsibility, and oversees the Group's climate change strategy, to ensure climate issues are being effectively considered, and that the business remains on track to meet its science-based reduction commitments. Progress updates are provided regularly to the Board. During 2023, the Sustainability Committee focused on business readiness planning for the Future Homes Standard and received updates from the FHS Implementation Steering Group and ensured that operational carbon reduction initiatives remained on track to deliver its net zero and science-based target carbon emissions reduction commitments.

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 relevant internal working groups for action.

When considering our land investment opportunities, the Managing Directors of each operating business are responsible for ensuring all environmental surveys including flood risk assessments are undertaken prior to acquisition, with final approval going to the Land Committee which oversees all acquisitions.

Additional processes were implemented in 2023 where all planning applications are reviewed by the Group Planning department prior to submission which provides additional assurance; all developments are required to produce an 'Energy Transition Plan' to ensure consideration of site needs, appropriate energy solutions and customer requirements as new energy standards come into force, and an internal annual climate risk heath check has been put in place.

# **TCFD** continued

## 2. 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 near-term science-based carbon emissions reduction targets of 46% for our Scope 1 and 2 absolute emissions and a target of 22% reduction per $m^2$ completed floor area for Scope 3 emissions by 2030, which have been approved by the Science Based Targets initiative ('SBTi'). 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°C 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.
- Understand performance and customer experience: gather real-life in-use data from our low carbon home trials.
- 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.
- We are currently implementing Part L of the Buildings Regulations 2021 and readiness plans are in place for the forthcoming Future Homes Standard.

### Deliver low carbon site operations

- Reduce our use of diesel across our sites through, for example, driver training or use of low carbon fuels.
- Trial new technologies such as electric and hybrid plant when available and appropriate.
- 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, and any major business change for climate resilience and mitigation.
- Design: design in climate risk measures to mitigate risks, such as window sizing, orientations and modern methods of construction.
- Nature-based solutions: utilise blue and green infrastructure to mitigate against extreme weather events such as flooding and droughts.

### Climate scenario analysis

We have 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.

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

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

These timescales have been chosen as the most relevant to the business, reflecting major future legislative change expected in 2025/6 with the introduction of the Future Homes Standard, and aligning with the Group's net zero carbon and science-based targets 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 scenario analysis outputs

From the scenario analysis which has been undertaken, the residual risks for the business are considered to be low to very low for both transition and physical risk. This is based on current activities and control measures which are in place. The tables on pages 61 to 65 provide a high-level summary of the types of risks, their potential impact, the time horizons which have been considered and the Group's response.

## 3. Transition risk analysis

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 changes to Part L of the Building Regulations 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 | Timeframe of impact | Business readiness |
|---|---|---|---|---|
| **Policy and 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 | Evaluated as part of 2022 in-depth risk analysis |
| Increasing national regulation relating to more stringent environmental standards | Increasing stringency of building and planning regulations and design requirements to enable the UK Government to meet its 2050 net zero carbon target, including Part L of the 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. Further informed by 2022 in-depth climate risk analysis |
| 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 or 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 relevant at the point of the implementation of the Future Homes Standard. | Medium | Short | Under evaluation |
| **Market** | | | | |
| Change in customer demands | There is a risk that 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 | Further informed by 2022 in-depth climate risk analysis |
| 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 | Evaluated as part of 2022 in-depth climate risk analysis |
| 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. | Low – Medium | Short – Medium | Included in employee survey |

# **TCFD** continued

## 3. Transition risk analysis continued

### Quantification of transition risk

The transition risks and opportunities with the most likely material impacts were selected for detailed climate risk analysis over short (2025) and medium (2030) time horizons. The assessment focused on a Low Carbon World (1.5°C) scenario, associated with the most significant level of transition risk. The financial impact quantification relied on assumptions sourced from climate scenarios published by sources including IEA and NGFS, as well as public domain research.

It also built in assumptions agreed with a selection of the Group's internal subject matter experts for aspects such as expected volume delivery and the Group's 'uplift costs' to meet regulatory requirements. The table below summarises the scope of the four transition risks/opportunities impact assumptions, the Group's key mitigations and the residual risk exposure.

Risk was evaluated in terms of gross risk score (i.e. likelihood multiplied by impact). A score is attributed to inherent risk (i.e. without considering Persimmon's risk mitigations) and to residual risk (i.e. after factoring in mitigations). In other words, residual risk takes into account the risk mitigation/adaptation strategies and controls that Persimmon has in place to minimise the impact of the climate risk.

Transition risks are well understood by the business, and plans are already in place to mitigate the risks, and levels of potential residual risk are very low. This is based on the most up-to-date data and assumptions available. The Group will continue to track and monitor transition risks.

**Gross risk score** (Impact x likelihood)

| | | | | | | |
|---|---|---|---|---|---|---|
| **Risk** | 1 | 2 | 3 | 4 | 5 | |
| **Opp** | 1 | 2 | 3 | 4 | 5 | |
| | Lower | | | Higher | | Not assessed |

**Residual risk/opp**

**S –** Short-term (2025)

**M –** Medium-term (2030)

**L –** Long-term (2040)

| Transition risk | Risk name | Low Carbon World scenario S | M | L |
|---|---|---|---|---|
| **1** | **Increasing cost of raw materials** | | | |
| **Description:** There is a risk of increasing cost of raw materials used in construction driven by the transition to a low carbon economy. Persimmon's suppliers could pass on the impact of carbon pricing for high carbon building materials such as steel and cement onto Persimmon, consequently impacting on development costs. | **Impact assumptions:** Carbon prices based on IEA and NGFS forecasts; volume of homes and build type based on internal Persimmon projections; embodied carbon estimated based on current levels; and assumptions on future carbon intensity of input materials. | 2 | 2 | |
| | **Controls/mitigation:** Costs ultimately recovered through land valuation; risk internally monitored by the Group's Procurement department; Scope 3/embodied carbon reduction targets; supplier initiatives; and increasing timber frame construction offers opportunity to reduce embodied carbon. | **Max financial impact:** <£2m (Very low impact) | | |
| **2** | **Pricing of greenhouse gas emissions** | | | |
| **Description:** Under a Low Carbon World scenario, pricing of GHG emissions in the UK is expected to increase. This could impact Persimmon's operating costs. Uncertainty around UK pricing and regulations (e.g. cap and trade schemes) could make planning of future Persimmon operations difficult. | **Impact assumptions:** Carbon prices based on IEA and NGFS forecasts; and emissions based on current Scope 1 and 2 (location based), factoring in the achievement of emission reduction target of 46.2% by 2030. | 1 | 2 | |
| | **Controls/mitigation:** Persimmon's sustainability strategy which includes a core focus on climate action and resilience; on-site energy efficiency initiatives to reduce emissions from construction; more efficient build methods and staff education around energy use. | **Max financial impact:** <£2m (Very low impact) | | |
| **3** | **Climate-related regulations impacting products and services** | | | |
| **Description:** The UK may need to increase the stringency of building regulatory requirements as part of its efforts to meet its net zero 2050 target. This could affect Persimmon's developments in the form of increasing development costs to ensure all new buildings are zero carbon ready by 2030. | **Impact assumptions:** Volume of homes and build type based on internal Persimmon projections; uplift costs to meet Future Homes Standard based on internal Persimmon calculations; and assumptions on cost of air source heat pumps are linked to the UK's Low Carbon Heat Scheme. | 2 | 2 | |
| | **Controls/mitigation:** Costs ultimately recovered through land valuation; Persimmon's sustainability strategy includes the strategic focus area of 'Create Low Carbon Homes'; innovation e.g. technology trials, investment in manufacturing facilities and building strategic relationships; and an active role taken by the Board in managing regulatory risk. | **Max financial impact:** <£2m (Very low impact) | | |
| **4** | **Changing consumer preferences** | | | |
| **Description:** There is a risk that by 2030 property buyers will want lower carbon homes as they try to harness the opportunity of green mortgages and greater operational energy efficiency. If Persimmon is able to deliver low carbon homes by 2030, this could create opportunity for increased revenue by taking advantage of 'green premiums' on new build properties. | **Impact assumptions:** Consumer research is indicating a premium for more energy-efficient homes, and a willingness to pay more for cost effective energy efficient homes. Green mortgages also have an opportunity to support the transition to sustainable homes. However, the market is still evolving and financial valuation for green products is maturing. | 1 | 2 | |
| | **Controls/mitigation:** Persimmon has clear plans in place to deliver low carbon homes, ensuring they are affordable and cost effective to run for customers. Monitoring of consumer trends will continue to ensure opportunities are maximised. | **Max financial impact:** Ongoing | | |

## Physical risk analysis

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 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.

| | Summary description of physical risks | Potential impact ranking | Timeframe 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 | Included in detailed 2022 climate risk analysis |
| 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 | Included in detailed 2022 climate risk analysis |
| 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 | Included in detailed 2022 climate risk analysis |
| 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, and further informed by detailed 2022 climate risk analysis |
| 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, and further informed by detailed 2022 climate risk analysis |
| Sea level rise | Expected between 0.2m–0.6m under the net zero scenario and up to 1.1m in the Hot House scenario. 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 |

# **TCFD** continued

## 3. Transition risk analysis continued

### Quantification of physical risk

For physical risk, the risk to the Group's portfolio of owned assets was explored in relation to eight physical climate perils: chronic heat stress, chronic drought stress, sea level rise, extratropical cyclone, fire weather, river flood, precipitation/flash floods and subsidence.

The exposure to these climate perils (hazard exposure) was modelled by taking the regional view of the UK, weighted by the average volume delivery where Persimmon has operated over the past four years. The models assess the climate hazards under a range of GHG emission trajectories (1.5°C–2°C, and 4°C global warming) and the 2030 and 2040+ time horizons. This information was then used to assess the potential consequences to the Group's business and explore with the Group's internal subject matter experts what controls and strategies exist in place to address the possible consequences and how those will flow through the value chain.

| | By 2030 assuming 1.5°C–2°C global warming | | | By 2050 assuming 4°C global warming | | |
|---|---|---|---|---|---|---|
| | Hazard exposure | Residual risk | Chronic risks | Hazard exposure | Residual risk | Chronic risks |
| **Heat stress** | Very low | Very low | Currently the UK is exposed to very low heat stress, meaning on average there are less than five heatwave days in a year. Changes in regulations and design with regards to overheating and energy efficiency are likely for the short-term (2025-2030), but the additional costs to the business to implement them would not be significant, as those could be factored into the land valuation process. No other impacts or vulnerabilities are foreseen and therefore Persimmon's residual risk is very low. | Moderate | Very low | Under this scenario, some regions of the UK, mainly London and the South, will be exposed to a higher heat stress, seeing an average of 5-20 heatwave days in a year. Those conditions could be relevant to ~40% of the average homes built by Persimmon, primarily in the south east of England. However Persimmon currently factors in conservative temperature and heat stress forecasts in its design to address overheating. Heat minimising solutions could be factored into building design and planning. Future regulation could require further adaption/design measures that are typically considered in any land valuation exercise. More frequent interruptions to construction operations and supply chain are likely in the summer periods. |
| **Drought** | Low | Very low | Around 50% of the volume delivery in the regions where Persimmon operates have some level of drought stress potential, meaning on average ranging from less than a month to over two months of drought duration per year, in particular the Midlands and the south of the UK, whilst the remaining 50% have a lower drought stress potential. Persimmon takes measures for its current homes with regards to keeping water usage lower than average. Any additional development costs are typically recovered through land valuation. There has been no significant financial impact to the business so far, and the residual risk is therefore considered very low. | Moderate | Low | The risk increases. A third of Persimmon's typical operating regions/homes could face three to four months of drought duration per year, in particular in the south of the UK. There could be further regulations with regards to water (re)usage that could put additional costs on developments in the South East. Persimmon would consider this issue on a site-by-site basis and currently undertakes water usage calculations for its developments. Any additional costs would be considered in the land valuation process. Operationally, water scarcity could cause delays in construction or supply and cost issues for water-based construction materials. |
| **Sea level rise** | Very low | Very low | Some regions of the UK where Persimmon operates are exposed to coastal flooding and storm surges. Typically only a small fraction of plots and volumes could be exposed; however, the robust land investment appraisal process today considers such localised high risk areas, and minimises the possible business impacts. | Very low | Very low | Although the sea level is projected to rise and increase the frequency and severity of storm surges to those coastal regions already exposed, the fraction of land and possible future developments in the regions Persimmon operates in is likely not to increase significantly. The risk is minimised through the Group's robust land investment valuation process. |
| **Subsidence** | Low | Very low | No significant changes in subsidence conditions today and in the short-term. Typically Persimmon operates outside London where higher concentration of susceptible clay soils is found. Current design regulations mitigate the risk. | Moderate | Very low | Possible increased risk for future development and some exposure in the South East. More conservative regulations could be introduced for foundation design and ground works. Any additional costs would typically be mitigated via land procurement. |

**Risk scale**

| Very high | High | Moderate | Low | Very low |
|---|---|---|---|---|

| | By 2030 assuming 1.5°C – 2°C global warming | | | By 2050 assuming 4°C global warming | | |
|---|---|---|---|---|---|---|
| | Hazard exposure | Residual risk | Chronic risks | Hazard exposure | Residual risk | Chronic risks |
| **Windstorm** | Moderate | Low | All of the UK is in stormy regions, with 1% annual chance of having severe wind gusts of over 121km/h, and approximately half of the typical regions and homes Persimmon delivers could see higher wind gusts of 161–200km/h. Persimmon currently complies with all up-to-date regulations with regards to wind design for its developments which mitigates the risk.<br>Operational disruptions in construction, supply chain and utilities are, however, possible. Direct and indirect physical damage from extreme storms could create financial impacts and delays to construction programmes. | Moderate | Low | There is no scientific evidence that extratropical cyclone intensities and frequencies will increase significantly; therefore, the risk profile could be broadly similar to current conditions. Although the risk is not changing significantly and adaptation is likely not required, we will consider a strict level of wind protection in design and risk management for operations on site. |
| **Fire** | Very low | Very low | Currently 25% of the typical volumes and regions are exposed to low fire weather stress, with 5–20 days of fire weather conditions per year. Other regions have a very low exposure to fire weather conditions, equal to less than five days annually. As a consequence fire weather is not considered a material risk. There is potential for indirect risks with regards to supply chain and sourcing of timber material from overseas. No financial impacts have been reported at present. | Low | Very low | Under the high emissions scenario by 2050, the fire weather conditions increase for some regions Persimmon operates in, but are still considered relatively low and as a consequence fire weather is not considered a direct material risk to the business.<br>There is a potential that timber raw materials could be disrupted due to wildfires elsewhere; however, that risk is not projected to increase for key regions like Scandinavia that Persimmon relies on. |
| **Flooding** | Very low | Very low | Some regions of the UK where Persimmon operates are exposed to river flooding. However this is a very localised risk. Typically only a small fraction (~5%) of plots are in zones with 1% probability of significant flooding in a year. The robust land selection process in place today, together with extra flood design considerations and loading factors for future changes minimise key impacts to current and future homes. | Very low | Very low | Although the percentage of plots in flood zones does not increase significantly, projected changes indicate that the frequency of flood events could increase in the UK. Persimmon could be impacted by additional flood regulations and higher adaption/mitigation costs for developments, as well as potentially more frequent interruptions to operations. Restrictions on land supply are also possible. Persimmon carries out due diligence prior to land investment, and factors in increased river flows in flood design and planning, minimising impacts. Any additional costs are normally considered in the land investment appraisal process. |
| **Precipitation** | Very low | Very low | A small proportion of regions (3%) is exposed to moderate or higher risk of precipitation, meaning two to seven days with more than 30mm of rainfall. Persimmon considers rainfall parameters in drainage design which minimises this risk. | Very low | Very low | There is a small projected increase in heavy rainfall compared to the present day. Current design considerations could be sufficient for future changes but additional regulation could emerge, creating additional costs. |

Please note in last year's table incorrect colour coding and rating was applied to several of the hazard exposure and residual risk columns. In all cases this overstated the level of exposure or risk.

**Risk scale**

| Very high | High | Moderate | Low | Very low |
|---|---|---|---|---|

# TCFD continued

## 3. Transition risk analysis continued

### Quantification of physical risk continued

The Group benefits from having a wide range of developments across all regions of the UK, which mitigates the range and variety of physical risks that it is exposed to. This also informs where risk may become more predominant, and avoidance and mitigation strategies can be put in place. The Group has a robust land investment appraisal and planning process where all potential sites are evaluated for climate risk, thereby mitigating potential business impacts.

### Resilience of the Group's business strategy and business model

The Group has in place a number of climate change mitigation strategies and identified opportunities as part of its business model. These have been further informed by the detailed climate risk analysis which has considered the potential risks and opportunities at a more granular level and assessed potential financial implications.

The Group, as is standard in the industry, reflects development costs when performing land valuations and potential climate risks are considered in the same manner. Land values will be reflective of potential mitigation costs; however, there may be challenges in the future where land in certain locations is in scarce supply, or where land values are regionally low and will not support potential additional reductions from climate mitigation costs.

An internal annual climate risk health check was performed in 2023 to ensure the controls and mitigation measures identified as part of the climate risk assessment remain in place and are effective, and to identify whether anything had changed within the business to present a new risk or opportunity. The review was structured against the identified transition and physical risk and took the form of a questionnaire and interviews with subject matter experts in Group Planning, Group Technical and Group Procurement. The approach was supported by Group Internal Control.

### Transition risk mitigations and opportunities

- The Group has core house types used across its national network of development sites which help 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 of the Building Regulations requiring new build homes to produce c.30% less carbon emissions compared to current standards. Homes have improved insulation, improved ventilation, more efficient boilers and many have solar panels to achieve this improved efficiency. The Future Homes Standard ('FHS'), expected in 2025/6, 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 is already well placed to deliver this.
- All development sites have an Energy Transition Plan in place which identifies the site build maturity and regulatory transition periods and identifies appropriate energy heating solutions. The next few years will see a combination of heating solutions as, in some cases, existing planning permissions will be for gas systems.
- 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; assess the most effective build methods of achieving the improved efficiency required using a 'fabric first' approach; and 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, are currently cheaper to run 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 will assist in building low carbon homes, with a reduced build time.
- The Group has gained a more detailed understanding of the embodied carbon risk of its house types, and the detailed climate risk analysis performed this year, and has highlighted the potential carbon pricing and subsequent raw material cost increase risks. The Group Procurement team is increasing supply chain engagement on high carbon materials.
- The Group's UK-wide and diverse high quality land holdings support its strong network of outlets and ensure the business is well positioned to invest in land at the right time in the cycle. The strong gross margins embedded in the Group's existing landholdings help to absorb potential volatility caused by increasing building costs.
- The Group's significant ongoing investment in training ensures that it maintains an appropriate skill base to manage changes to operations and processes required by climate change mitigation requirements.

### Physical risk mitigations and opportunities

The Group already manages a number of potential physical risks, such as flooding, as part of its planning activities. These have been further informed by the detailed climate risk analysis which considered the potential risks and opportunities at a more granular level and identified potential financial implications.

- The Group undertakes comprehensive environmental and flood risk assessment for each potential land acquisition that it makes, and for strategic land considerations.
- Planning requirements principally influence the requirements for any flood mitigation, and drainage requirements, and there is increasing consideration for use of blue and green infrastructure. The forthcoming new mandatory sustainable urban drainage ('SUD') regulations are being assessed with the opportunity to support biodiversity net gain requirements.
- The detailed climate risk analysis undertaken in 2022 has further informed potential physical climate risks, and the impact they could have on the business over the medium to long-term horizons. This information has informed the Group Land and Planning team when considering future site locations and land viability costs.
- The Group has a UK-wide network of sites and therefore has significantly reduced exposure to potential regional climatic risks, and is able to strategically consider potential development locations.

## 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 69. 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 Audit and 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, the Group Sustainability Director and Group Director of Internal Audit. A wide range of insights and resources are used to ensure climate-related impacts are effectively tracked and considered to include: climate insights and 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 manage/mitigate 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 and detailed climate risk analysis and modelling 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 the Group will continue to embed the findings into its climate risk and opportunities management.

## 4. 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 Edition). Detailed GHG emissions information is located on page 44 in accordance with the requirements of the Streamlined Energy and Carbon Reporting requirements, and disclosures are for Scope 1, 2 and an emerging level of information for Scope 3 (supply chain products and 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 and 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 and changes to current operational processes.

In 2022, an environmental target was set making up 5% of the Executive annual bonus, and focused on steps to support achievement of our Scope 1 and 2 science-based targets (see page 121). The Board believes in the importance of ESG and the Remuneration Committee implemented an environmental 2023 PSP Environmental target linked to Scope 1 and 2 carbon intensity.

# TCFD continued

## 4. Metrics continued

| Time period | Target | Metrics | Climate risk/ opportunity | 2023 status |
|---|---|---|---|---|
| Short-term (2022–2025) | Continue to embed climate risk and opportunity analysis into the business strategy and operations | Qualitative | | Data visibility – Group Executive, Regional Chairs receive business-wide bi-monthly diesel use figures<br>Driving change – Establishment of Future Homes Implementation Group |
| | Scope 1 and 2 – Reduce our operational footprint | Absolute carbon reduction<br>(market-based) | Carbon pricing | 12% reduction (v 2022) |
| | Maintain 100% carbon neutral electricity purchased – green/REGO backed | 100% REGO backed electricity | Carbon pricing | 100% achieved |
| | Undertake embodied carbon assessments, set reduction targets | Tonne $CO_2/m^2$ completed floor area | Increasing cost of raw materials | Embodied carbon study undertaken<br>Targets under development |
| | Supply chain engagement on embodied carbon | Action plans in place to reduce carbon content of top $CO_2$ contributors | Increasing cost of raw materials | Trial at our Brickworks factory to replace cement with GGBS which will give a c.30% carbon reduction |
| Medium-term (2030) | Homes to be net zero carbon in use by 2030 | % homes receiving completed per year with an EPC A or B rating | Changing consumer preferences | 99.8% achieved |
| | Reduce absolute Scope 1 and 2 GHG emissions by 46% by 2030 (2019 baseline) | Transition pathway – tonnes/$CO_2$ against a 2019 baseline | Carbon pricing | Achieved against Science Based target commitment |
| | Reduce Scope 3 carbon emissions (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 | Climate-related regulations impacting products and services | Begin implementation of Part L Building Regulations 2021<br>Embodied carbon study undertaken to assess most significant materials<br>Participate in FHH working group |
| Longer-term (2040+) | Net zero carbon emissions in our own operations (Scope 1 and 2) by 2040 | % carbon offsets purchased by 2040 | Business resilience | Not required |

## Progress in 2023 and 2024 priorities

The detailed climate risk analysis undertaken last year has provided the Group with detailed understanding of potential climate-related risks and financial implications.

Progress against the actions identified for 2023 is shown below:

| 2024 priority | 2023 progress |
|---|---|
| Climate risk health check: whilst the level of risk is overall quantified as very low to low, this is based on mitigation measures remaining in place, and the Group will ensure there is no loss of focus and rigour in its approach. An annual 'climate risk health check' will be undertaken as part of the Group's risk management strategy. | Annual climate risk health check undertaken and confirmed no material changes to current controls and measures, and the potential risks remain the same. |
| Water efficiency and scarcity: the climate analysis has highlighted the risk of drought stress occurring in the southern areas of the UK. It is likely that planning requirements will increasingly consider water efficiency and scarcity in identified drought stress areas. The Group will evaluate water efficiency and integration of blue and green infrastructure into developments. | Ongoing.<br>Our current specification for water efficient appliances in the home is for 99 litres per person per day.<br>The Group has evaluated the draft regulatory requirements for sustainable urban drainage systems. |
| New energy efficiency opportunities: the Group undertook detailed customer research in 2022 on energy efficiency and low carbon energy transition. This research will be further considered and support maximising the transition opportunity. | The Group Sales Director sits on the FHH Valuations Working Group which is working with mortgage lenders and valuers to ensure energy-efficient homes with lower operating costs can be recognised and rewarded through the mortgage process. |

### Priorities for 2024

- The Group will publish a long-term net zero Transition Plan in the 2024 Annual Report
- The Group will conduct an annual climate risk health check to ensure controls remain in place and are effective

# Principal risks and material issues
# Mitigating risk

## Principal and emerging risks overview

The Group defines its principal risks in line with the UK Corporate Governance Code 2018, as those risks which it has considered could have a potentially material impact on its strategy and business model, including its future performance, solvency, liquidity and reputation. Emerging risks are defined as those which are evolving in ways that are not yet clear, and where the full impact and potential timing of risk realisation remain uncertain.

## Overall assessment

In line with the requirements of the UK Corporate Governance Code 2018, the Board has completed its assessment of the Group's principal and emerging risks. This has included an assessment of each risk and the movement in both likelihood and potential impact against the prior year assessment. The results of the assessment are set out below. The overall assessment, along with a range of sensitivity analyses against various risk scenarios materialising together, and the likely responses of the Board, have informed the broader assessment of the resilience of the Group's business model, as detailed within the Viability Statement (see pages 76 to 78).

## Material issues and key priorities

The Board continues to recognise the value of stakeholder engagement in ensuring the Group's ability to create and protect value over the long-term. A materiality assessment has previously been performed to identify the most important issues for our stakeholders. The results of this assessment are closely linked to the Group's principal risks, as detailed within the principal risks heat map and tables on pages 71 to 75. The principal risks also align closely with the Group's key priorities:

1. **Build quality and safety**
2. **Reinforce trust: customers at the heart of our business**
3. **Disciplined growth: high quality land investment**
4. **Industry-leading financial performance**
5. **Supporting sustainable communities**

» Read more on pages 20 and 21

## Risk management framework

### Risk management framework

The Board determines the Group's overall strategy and has responsibility for the identification and management of risks that could disrupt the delivery of the strategy, including threats to the Group's five key priorities. To do so, the Board:

- conducts reviews of principal and emerging risks;
- monitors a range of indicators of risk performance in order to inform strategic decision making;
- periodically reviews the Group's risk registers in their entirety;
- ensures an effective system of internal controls is in place to manage risks to acceptable levels; and
- obtains assurance on the performance of internal controls and risk management processes.

### Risk identification, mitigation and monitoring

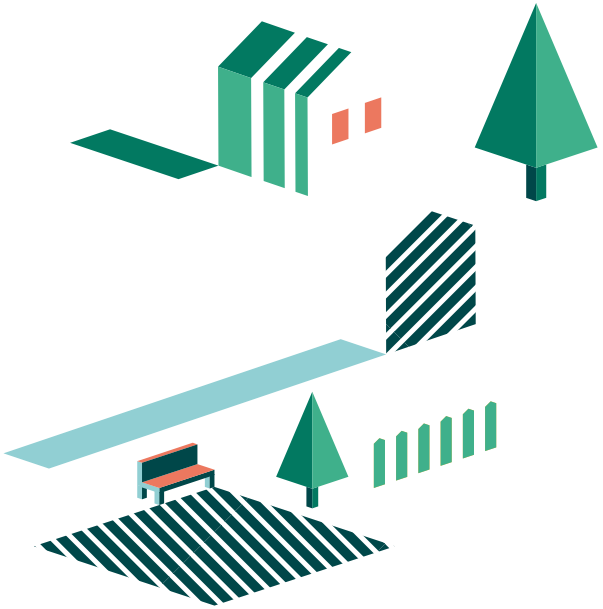
| Audit & Risk Committee | Management oversight | | Group Internal Audit department |
|---|---|---|---|
| | Operational management<br>First line of defence | Group functions<br>Second line of defence | Third line of defence |
| • Monitors the integrity of the Group's corporate reporting processes.<br>• Approves the Director of Internal Audit's risk-based annual audit plan and monitors the effectiveness of internal audit.<br>• Monitors the external audit and reviews its effectiveness.<br>• Receives reporting from management and external providers of assurance on the effectiveness of risk management and internal control. | • Responsible for managing the day-to-day operational performance of the business, including identification of any changes in key risks affecting operations.<br>• Ensure the effective implementation of internal controls set by the Board and Group functions within the business.<br>• Routinely interact with management at regional and Group levels and the Board. | • Provide ownership of individual operational level risk registers for each function, with regular updates to ensure accurate capture and assessment of functional risks.<br>• Contribute to the formulation of Group policies, procedures and control mechanisms designed to mitigate risks.<br>• Conduct routine monitoring and assurance on the implementation of controls at operational level.<br>• Support steering groups on key risk areas including the Group's Security Council and General Data Protection Regulation (GDPR) Steering Group. | • Delivers a risk-based annual internal audit plan to provide assurance on key areas of risk and compliance.<br>• Administratively maintains the Group's risk registers and oversees the annual review process with risk owners and relevant subject matter experts.<br>• Facilitates the annual principal and emerging risk survey of the Board and senior management.<br>• Produces lead indicator reporting on the Group's principal risks for the Board.<br>• Provides an annual summary report on the effectiveness of risk management and internal control. |

## Principal risks and material issues continued

# Emerging risks

## Emerging risks

The emerging risks facing the Group are identified through a detailed survey of the Board and senior management, the results of which are presented for review and challenge through the Audit & Risk Committee. The Group's 2023 assessment has identified 'market competition' as an emerging risk which could evolve over time to meet the criteria of a principal risk. The Group also continues to assess 'planning uncertainty' as an emerging risk area, distinct from the principal risks around land and Government policy. This reflects continued uncertainty in planning regimes and the potential impact this could have over time on the Group's overall strategy and business model.



## 1 Market competition

### Risk

The Group's 2023 assessment of emerging risks identified that the evolution of market conditions, including higher mortgage rates and ongoing economic uncertainty, may drive changes in competitor strategies and actions that could pose a threat to the Group's overall strategy and business model. Examples of such changes and market disruption could include increased consolidation within the sector or heightened use of modular construction.

### Impact

Market disruption and changes to competitor strategies could result in reduced competitive advantage, with potential for increased competition for skilled staff, key materials and investment opportunities.

### Our actions

- Regular review of our strategy to ensure ongoing appropriateness.
- Disciplined approach to investment decisions, both in land and other potential strategic opportunities.
- TopHat investment and existing Space4 production to support future volume growth and build efficiencies relative to peers.

## 2 Planning uncertainty

### Risk

Continued uncertainty in planning regimes, and other aspects of Government policy and regulation toward the housebuilding sector could, over time, materially impact upon the Group's overall strategy and business model.

### Impact

Heightened planning uncertainty may result in increased costs and timeframes in bringing sites through to construction. This in turn may affect the Group's ability to deliver increased volumes and could have a negative impact on margins.

### Our actions

- The Group maintains strong land holdings throughout the cycle.
- Experienced management teams conduct robust viability assessments of all potential land investments.
- Land Committee process to review and approve investment decisions to ensure alignment with the Group's required returns and strategy.
- Ongoing stakeholder engagement processes to identify and address potential concerns at an early stage and drive improved planning outcomes.

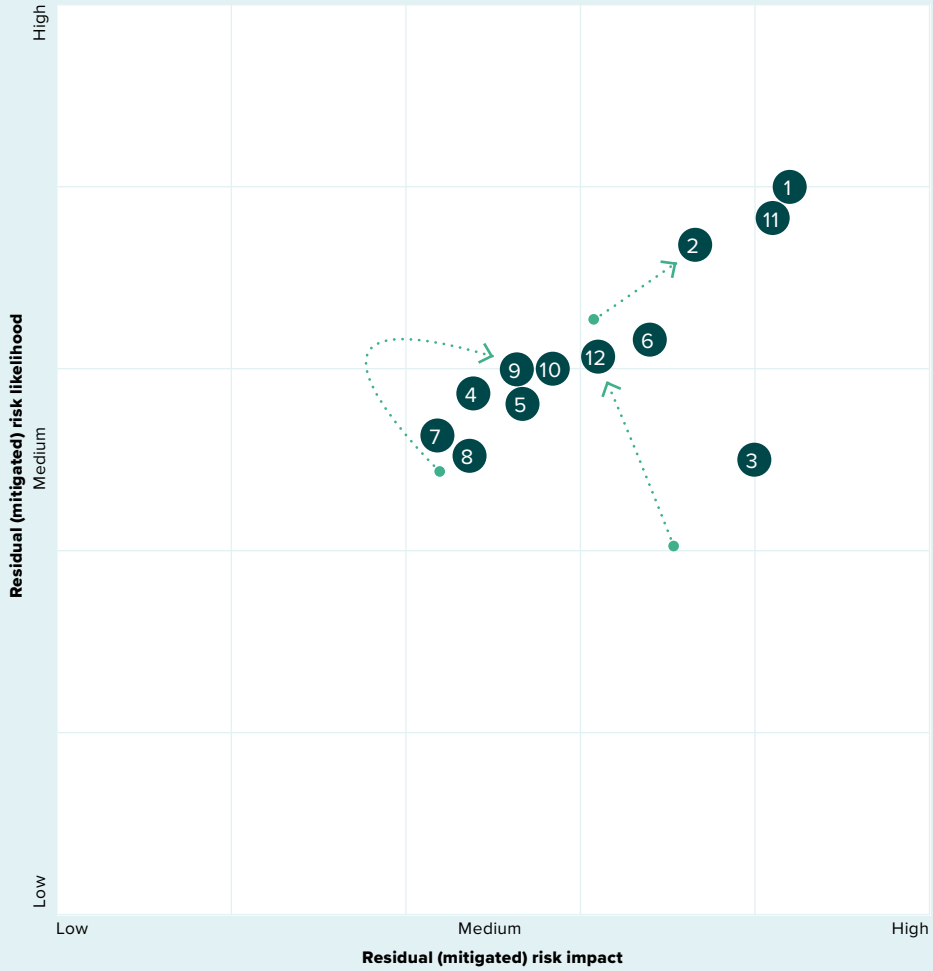
## Principal risks

Following the Group's comprehensive appraisal of its principal risks, it has been determined that 12 risk areas meet its criteria for consideration as principal risks. These risks are detailed further on pages 72 to 75. The principal risks faced by the Group remain largely consistent with prior years, reflecting the Group's continued sensitivity to external risks such as economic conditions, mortgage availability and Government policy and political risk. The key change from the Group's 2023 assessment has been to separate the previously reported 'materials and land' principal risk into discrete 'land' and 'supply chain' risks, rated as high and medium respectively. This better reflects the different nature of each risk, including the controls deployed to mitigate them. The 2023 assessment has also noted movements in the likelihood and impact of legacy buildings, skilled workforce and cyber and data risks.

## Principal risk movements 2022-2023

- The heat map (right) illustrates movements from the 2022 assessment of the Group's principal risks through to 2023.
- The most pronounced movements include an increase in Government policy and political risk, reflecting policy uncertainty and the point of the electoral cycle.
- Regulatory compliance risk has also increased, reflecting the continued expansion of regulatory considerations, including those specific to our sector.

### Principal risks – heat map




**Principal risk**

1. UK economic conditions
2. Government policy and political risk
3. Health, safety and environment
4. Skilled workforce, retention and succession
5. Supply chain
6. Land
7. Climate change
8. Reputation
9. Regulatory compliance
10. Cyber and data risk
11. Mortgage availability
12. Legacy buildings

Current year

Movement from year prior

# Principal risks and material issues continued

# Principal risks

Links to key priorities

- 1 Build quality and safety
- 2 Reinforce trust: customers at the heart of our business
- 3 Disciplined growth: high-quality land investment
- 4 Industry-leading financial performance
- 5 Supporting sustainable communities

» Read more on pages 20 and 21

## 1 UK economic conditions

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Very High | Overall | — | 3 4 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Regional Chairs |

### Risk description

The housebuilding industry is inherently cyclical in nature and particularly sensitive to changes in the economic environment. Changes in factors such as unemployment levels, interest rates and overall consumer confidence can adversely affect demand and pricing for new homes. This could in turn impact upon our revenues, margins, profits and cash flows and potential impairment of asset values.

### Approach to risk mitigation

In order to minimise risk and maintain financial flexibility, the Group pursues a highly disciplined approach to investments in land and work in progress, ensuring these are appropriate and reflective of current and anticipated levels of demand.

Pricing structures are regularly reviewed to reflect local market conditions. The Group benefits from a UK-wide network (with no significant presence in London), mitigating the effects of regional economic fluctuations.

### How we monitor the risk

- The Board closely monitors sales activity and UK economic trends.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of economic indicators, using both internal and external sources.

## 2 Government policy and political risk

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Very High | Overall | — | 1 5 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | ↑ | Group Director of Strategic Partnerships and External Affairs<br>Group Planning Director<br>Regional Chairs |

### Risk description

Changes to Government policy can have a material impact on the delivery of our strategy and affect our operational performance. This can include amendments in areas such as planning regulations, support schemes or the imposition of specific industry taxation. Such changes have the potential to adversely affect revenues, margins, tax charges and asset values, and potentially impact on the viability of land investments.

### Approach to risk mitigation

Our mission and our five key priorities (see pages 20 and 21) are aligned with the stated ambition of the Government and main political parties to increase housing stock.

Investment decisions in land and work in progress are tightly controlled in order to mitigate exposure to external influences, including potential changes in Government policy.

The Group has expertise in managing and responding to relevant areas subject to Government involvement at both local and national level, including through our Group Planning, Technical and External Affairs departments.

### How we monitor the risk

- Likely evolutions in Government policy in relation to the housing market are monitored closely by our External Affairs, Technical and Land and Planning departments, with regular feedback to the Executive Committee and Board.
- We routinely engage with industry bodies to review the impact of any anticipated legislative or regulatory changes.
- We proactively engage with local authorities to anticipate any potential concerns over development and ensure our approach is aligned with local priorities.

## 3 Health, safety and environment

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| High | Overall | — | 1 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Group HS&E Committee<br>Group HS&E Director<br>Group Construction Director<br>Group Special Projects Director |

### Risk description

The health, safety and wellbeing of our workforce, visitors and customers is of paramount importance. Any failure to adhere to the Group's robust framework of Health, Safety and Environment (HS&E) procedures could result in serious injury or loss of life. In addition to the human impacts of any health, safety or environmental breach or incident, there is the potential for reputational damage, construction delays and financial penalties.

### Approach to risk mitigation

The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. Operationally, this commitment is implemented by a range of measures, including:

- comprehensive policies and procedures to manage construction activities safely;
- training programmes to embed the Group's policies effectively;
- inspection regime led by our Group Health, Safety and Environment department, with additional assurance from specialist resource within our Group Internal Audit department; and
- engagement with industry forums and best practice groups.

### How we monitor the risk

- Data from inspections by the Group Health, Safety and Environment department feed into management reports at all levels of the Group.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include analysis of inspection metrics provided by the Group Health, Safety and Environment department.
- The Group Health, Safety and Environment Director is a member of the Group Executive Committee, and provides additional periodic reports and updates to both the Board and the Audit & Risk Committee.
- The results of routine HS&E assurance engagements conducted by the Group Internal Audit department are reported to both executive management and the Audit & Risk Committee.

## 4 Skilled workforce, retention and succession

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Medium | Overall | ↓ | 1 |
| | Impact | ↓ | **Risk owners and accountability** |
| | Likelihood | — | Chief HR Officer<br>Director of Talent & Diversity |

### Risk description

The Group's ability to deliver its strategic objectives relies upon being able to recruit and retain both a highly skilled workforce and supporting management teams. Heightened competition for skilled labour, and the ageing construction workforce in the UK create risks of increased costs, operational disruption and potential delays to build programmes.

### Approach to risk mitigation

The Group has deployed a range of measures to attract and maintain an appropriately skilled workforce, including:

- a comprehensive range of training programmes managed by the Group Training department, including apprenticeships, graduate scheme and the Persimmon Pathways in core disciplines;
- talent management and succession planning programmes;
- remuneration benchmarking to ensure reward is appropriate to attract and retain talent at all levels;
- utilisation of our Space4 products, which improve build efficiency and reduced labour requirements than in traditional construction;
- increased focus on employee engagement measures; and
- deployment of hybrid working practices, where appropriate.

### How we monitor the risk

- The Group HR department provides reporting, including metrics such as training hours, to management at all levels of the Group.
- The Chief HR Officer is a member of the Group Executive Committee, and provides additional periodic reports and updates to the Board on employment trends.
- Feedback from the Employee Engagement Panel is reviewed by the Board.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include staff turnover data and commentary from the Group HR department.

## 5 Supply chain

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Medium | Overall | NEW | 1 4 |
| | Impact | NEW | **Risk owners and accountability** |
| | Likelihood | NEW | UK MD<br>Group Commercial Director<br>Group Procurement Director |

### Risk description

This has been recognised as a standalone principal risk for 2023, having previously been merged with the Group's land risk. The delivery of high quality homes requires consistent access to materials of the requisite quantity and specifications. Increases in demand for materials, or other supply chain disruptions, could cause availability constraints and increase cost pressures. Build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and overall customer experience.

### Approach to risk mitigation

The Group has established a range of measures to ensure consistency in material supply and ongoing cost efficiency:

- vertical integration through the Brickworks, Tileworks and Space4 facilities;
- strategic approach to procurement, led by our Group Procurement team;
- supply chain engagement, including robust processes for appointing suppliers and reviewing their performance thereafter; and
- detailed forecasting and planning of material requirements to inform supplier negotiations.

### How we monitor the risk

- The Group Procurement department provides routine monitoring of trends and supplier performance.
- Site budgets and performance, including availability and pricing of materials, are assessed through the bi-monthly valuation process.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include commentary from the Group Commercial Director on material purchasing trends and issues.

## 6 Land

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| High | Overall | — | 3 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Group Planning Director<br>Group Director of Land Operations<br>Group Director of Transformation and Land Strategy<br>Regional Chairs |

### Risk description

The Group's continued ability to secure an appropriate supply of land is crucial to the delivery of our strategy. Failure to maintain an adequate supply of land, or to secure land of the requisite quality, could adversely affect future sales, margins and return on capital employed.

### Approach to risk mitigation

The Group maintains strong land holdings. All land purchase decisions are made following comprehensive viability assessments to ensure specific levels of projected returns and alignment with the Group's overall strategy, taking into account anticipated market conditions and sales rates.

### How we monitor the risk

The Group's Land Committee meets regularly to review the Group's current land holdings and future needs, and to assess potential land transactions.

# Principal risks and material issues continued

## Principal risks continued

Links to key priorities

1. Build quality and safety
2. Reinforce trust: customers at the heart of our business
3. Disciplined growth: high quality land investment
4. Industry-leading financial performance
5. Supporting sustainable communities

» Read more on pages 20 and 21

### 7 Climate change

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Medium | Overall | — | 2 5 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Group Strategy & Regulatory Director<br>Group Sustainability Director |

#### Risk description

The UK's continued transition to a lower carbon economy could lead to increasing levels of complex 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 and skills.

Changes in weather patterns and the frequency of extreme weather events caused by climate change, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may also be affected as financial institutions consider their responses to the impacts of climate change.

#### Approach to risk mitigation

The potential impacts of climate change are considered systematically in key business decisions, from land acquisition through to planning and build processes. These considerations have informed the Group's ambitious carbon reduction targets, which have been fully accredited by the Science Based Targets initiative. The Group has the target to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040.

» For more detail please see pages 40 to 42

#### How we monitor the risk

- The Sustainability Committee meets regularly to review progress on the Group's climate-related initiatives.
- Key indicators including $CO_2$ emissions and waste generation are monitored and reported on.

» See TCFD report page 59

- Our Scope 1, Scope 2, Scope 3 Category 1 (Purchased goods and services) and Scope 3 Category 11 (Use of sold products) emissions are subject to external review.

» For more details please see pages 59–68

### 8 Reputation

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Medium | Overall | — | 1 2 4 5 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Group Director of Strategic Partnerships and External Affairs<br>Group Investor Relations Director<br>Chief Customer Experience Officer |

#### Risk description

The Group aims to maintain a reputation for high standards of business conduct in all aspects of its operations. Failure to live up to our expected high standards in areas such as governance, build quality (including remediation of legacy issues), customer experiences, health and safety, or in dealing with local planning concerns could damage stakeholder relationships and have a detrimental impact on financial performance.

#### Approach to risk mitigation

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

To support our commitments to quality, we have continued to make significant investments in build quality, through The Persimmon Way, our commitment to the objectives underpinning the New Homes Quality Code ('NHQC'), and in addressing legacy issues.

The Group also works to build positive relationships with all of our stakeholders, including local authorities and the communities in which we build, through addressing housing need, supporting local employment and making valuable contributions to local infrastructure and community causes.

#### How we monitor the risk

- Operational performance, including build quality and customer experience, are subject to routine management oversight, with reporting to the Executive Committee and Board.
- The Board also oversees stakeholder engagement, including monitoring feedback from shareholders, and the results of our employee engagement surveys and the Employee Engagement Panel.
- The Principal Risk Lead Indicator report issued to each meeting of the Board include analysis of media coverage and trends that could be indicative of the Group's overall reputation.

### 9 Regulatory compliance

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Medium | Overall | — | 1 2 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Chief Customer Experience Officer<br>Group Construction Director<br>Group Director of Legal Services<br>Company Secretary<br>Group Strategy & Regulatory Director |

#### Risk description

The regulatory landscape for the housebuilding industry has become increasingly complex, particularly in land acquisition, planning, Building Regulations and the environmental impact. Further regulatory evolutions through the NHQC, for example, will affect many of our processes. Failure to comply with regulations in any of these areas could result in imposition of financial penalties and potential damage to the Group's reputation.

#### Approach to risk mitigation

The Group maintains comprehensive management systems to ensure regulatory and legal compliance, including policies and procedures for key areas of regulation. Additional oversight is in place through the Group functions and cross-functional steering groups for key areas, such as GDPR compliance.

In respect of land and planning, experienced management teams are in place at Group and local levels. These enable effective engagement with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption.

#### How we monitor the risk

The Board and Audit & Risk Committee are provided with regular updates on core areas of regulatory compliance and preparation for upcoming regulatory change.

## 10 Cyber and data risk

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| High | Overall | — | 2 5 |
| | Impact | ↓ | **Risk owners and accountability** |
| | Likelihood | — | Chief Information Officer<br>Chief Information Security Officer |

### Risk description

In common with most modern businesses, the Group is reliant on the consistent availability and security of its IT systems. Failure or significant disruption to 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 has a dedicated Security Council, chaired by the Chief Information Security Officer and attended by senior leaders within the business, which oversees the Group's cyber security arrangements.

Dedicated resource is in place to manage and oversee security controls. This includes use of third-party expertise to ensure implementation of good practice controls, both through cyber security assessments and periodic penetration testing.

Training and regular communications are delivered to all users to increase awareness of cyber risks, and good preventative practices to reduce the Group's exposure to attack.

### How we monitor the risk

- The Board receives reports from the Group's Chief Information Officer ('CIO') at each of its meetings. The CIO also serves as a member of the Group Executive Committee, ensuring IT and cyber risks are actively considered in all key business decision making.
- Routine reporting on cyber security and IT developments is presented to the Audit & Risk Committee.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include a section on IT developments.
- The Group has an internal GDPR Steering Group to monitor all processes, risks and controls associated with personal data.

## 11 Mortgage availability

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| Very High | Overall | — | 2 4 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | — | Regional Chairs<br>Chief Customer Experience Officer<br>Group Sales Director<br>Group Marketing Director |

### Risk description

Higher interest rates or tightening of bank risk appetites and lending criteria could reduce both the affordability and availability of mortgages for our customers. This could reduce demand for new homes and affect sales prices, revenues, profits, cash flows and asset values.

### Approach to risk mitigation

The Group closely monitors the economic outlook for the UK, including indicators on mortgage availability and affordability. Investments in land and work in progress are moderated to align with our level of sales and expectations of the current market conditions. Sales prices and incentive schemes to support sales are kept under constant review by management, and can be flexed according to underlying market conditions.

### How we monitor the risk

- The Board closely monitors sales activity and UK economic trends, including Bank of England commentary on credit conditions, lenders' announcements and reports from UK Finance.
- The Principal Risk Lead Indicator report issued to each meeting of the Board include analysis of lending trends and mortgage approval rates.

## 12 Legacy buildings

| Residual risk rating | Risk trend assessment | | Link to key priorities |
|---|---|---|---|
| High | Overall | — | 1 2 |
| | Impact | — | **Risk owners and accountability** |
| | Likelihood | ↑ | Group Construction Director<br>Group Special Projects Director |

### Risk description

In line with our commitments under the Developer Pledge, the Group has identified a number of legacy buildings it had constructed, which require cladding or life-critical fire safety remediation works in order to ensure resident safety. Financial provisions have been made for the anticipated costs of this work, but given the complexity of the projects to do so and the potential for legislation or regulation in this area to evolve, further properties could be identified, or costs could prove to be greater than anticipated.

### Approach to risk mitigation

The Group has a dedicated Special Projects team, responsible for the identification of affected buildings, assessment of any remediation required, and ensuring that the work is completed as quickly as practicable.

Detailed investigations are undertaken on all identified buildings and independent fire risk assessments completed. Specialist contractors are appointed to carry out the necessary works, with regular monitoring and routine review from the Special Projects team.

The Group's assumptions on the estimated financial costs associated with the remediation works have been subject to comprehensive challenge and are regularly reassessed.

### How we monitor the risk

- The Board receives routine reporting on the progress of the works on legacy buildings.
- All identified buildings are assessed and, where necessary, interim measures carried out to ensure resident safety until remedial works are carried out.
- The Finance team monitors costs incurred and provides assurance on the utilisation and ongoing appropriateness of the Group's provision.

## 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, also form part of the Board's assessment of long-term prospects and viability*.

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

### Assessing Persimmon's long-term prospects

Persimmon has built a strong position in the UK's housebuilding 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 inherently 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 caused by the cost of living crisis and ongoing geopolitical uncertainty. The future impacts of these disruptions in creating uncertainty within the UK economy and subsequent effect on 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;
- long-term healthy supplier engagement; and
- vertical integration ensuring internalised supply of key materials.

By continuing to build on these solid foundations through, for example, The Persimmon Way and our ongoing investments in the customer experience, its land, development sites and in its supply chain, the Group aims to create enduring value for the communities we serve and our wider stakeholders. This is reflected within the Group's materiality assessment, which ensures a thorough review of stakeholder interests is 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 housebuilding businesses and senior management, with input and oversight by the Board. The Group combines detailed five-year business plans generated by each housebuilding 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 12-month budgets are established for each business annually.

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 five key priorities and overall 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

- Sales network of 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 a new £700m working capital credit facility maturing July 2028 with the possibility to extend for a further two years to 2030. We do not intend to rely on the facility at this time but have assumed we will exercise this extension.

#### 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 adversely affecting demand for and pricing of new homes, or contributing to inflationary pressures.
- Changes in Government policy affecting the housebuilding sector, such as those relating to taxation, planning conditions or market support.

## Key factors in assessing the long-term prospects of the Group continued:

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

- Changes in market conditions affecting the availability and pricing of land.
- Disruption to supply chains, affecting the availability of key construction materials.
- Reduction in mortgage availability and/or affordability arising from, for example, reduced risk appetite of lenders or significant regulatory change.
- Climate change risk, comprising both transition (legal and regulatory changes affecting the housebuilding sector) and physical (operational disruption through more frequent and prolonged adverse weather) elements.
- Adverse market competition and construction workforce trends, resulting in an inability to attract and retain high quality workers and an appropriately experienced management team.
- Cyber and data risk, including potential for significant or prolonged operational disruption arising from cyber-attack or failure of critical IT systems.

See pages 72 to 75 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 housebuilding 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 objectives of the Group including our five key priorities (see pages 20 and 21). 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.

The Board reviews and agrees 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, funding projections, reviews of the Group's liquidity and capital structure, and for the identification of surplus capital available for return to shareholders via the Group's Capital Allocation Policy.

## 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.

A key feature of the Group's strategy, as 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 introduction in November 2022 of the Group's Capital Allocation Policy ('CAP').

The key principles of the CAP are:

- invest in the long-term performance of Persimmon by ensuring the business retains sufficient capital to continue our disciplined and appropriately timed approach to land acquisition;
- operate prudently, with low balance sheet risk, and a continued focus on achieving a superior return on capital;
- ordinary dividends will be set at a level that is well covered by post-tax profits, thereby balancing capital retained for investment in the business with those dividends; and
- any excess capital will be distributed to shareholders from time to time, through a share buyback or special dividend.

On 1 March 2023, the Directors announced the scheduled CAP payment, in respect of the financial year ended 31 December 2022, of 60p per share which was paid on 5 May 2023.

On 10 August 2023, the Directors announced their intention to pay 20p per share as an interim cash dividend in respect of the financial year to 31 December 2023. This interim dividend was paid to shareholders on 3 November 2023.

On 12 March 2024, the Directors announced the scheduled CAP payment of 40p per share as a final dividend in respect of the financial year 31 December 2023.

Further details on these CAP payments can be found in the Financial review on page 28.

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 assumptions on the CAP.

The Directors have also carried out a robust assessment of the principal and emerging risks facing the Group (as set out on pages 69 to 75), 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 pages 55 to 57), and through a comprehensive survey to incorporate input from the Board and senior management from across the Group. The Directors have considered the impact of these risks on the viability of the business by performing a range of sensitivity analyses when compared to base position being the actual performance for full year 2022, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

# **Viability statement** continued

## **Assessing Persimmon's viability** continued

The scenarios emphasise the potential impact of severe market disruption including, for example, the effect of economic disruption from a cost of living crisis or a war 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.

The first scenario modelled is a severe but plausible downside scenario that models a fall in housing revenue, when compared to full year 2023, of c.53% for full year 2024 followed by a gradual recovery. The housing revenue modelled factors in changes in both volumes and average selling prices. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis 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 the same significant downturn in 2024 followed by a period of enduring depression of the UK economy and housing market during 2025, assuming that delayed volumes and revenue recovery occur through to 2028.

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. Each scenario fully reflects the current estimate of cash outflows, value and timing, associated with the legacy buildings provision. In each of these scenarios, the Group is able to operate within its facilities.

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 2028.

This Strategic Report has been approved by the Board:

**Tracy Davison**
**Company Secretary**
11 March 2024

# Governance at a glance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| | |
|---|---|
| 0–3 years | 50 |
| 3–6 years | 37.5 |
| 6–9 years | 12.5 |

| | |
|---|---|
| Male | 50 |
| Female | 50 |

| | |
|---|---|
| White | 7 |
| Arabic | 1 |

| | |
|---|---|
| Executive Directors | 14 |
| Independent Non-Executive Directors | 86 |

## Chairman's introduction to governance

# Leading Persimmon towards success

**Cost of living challenges remained during the year and the Group has continued to support its workforce during this period.**

**Roger Devlin**
**Chairman**

The Group performed well during 2023, successfully navigating challenging market conditions to deliver the sale of 9,922 new homes, ahead of expectations, and with a particularly strong delivery in the fourth quarter of the year. The Group's performance successfully balanced our need to control costs, whilst investing in the business to position it for sustainable growth when conditions improve.

Customers remain at the heart of our business; we continued to provide exceptional service to our customers and we are proud to have maintained our 5-star HBF rating. Quality is also a key focus for the Group and during the year we further improved our quality metrics to what we believe are our best ever.

Good corporate governance underpins the long-term success of the Group and the generation of sustainable value for all of our stakeholders. Guided by our Mission, Vision and Values, the Board continues to provide effective leadership, setting the strategic direction and standards of the Group and exercising diligent oversight of the Group's activities.

## Board changes

During the year the Group announced that Jason Windsor, Chief Financial Officer (CFO), had informed the Board of his intention to leave the Group to become CFO of abrdn plc. Jason left the Group on 1 September 2023 and I reiterate the Board's thanks to Jason for his contribution.

Agreeing that it was important for Jason's successor to have relevant industry experience, the Nomination Committee led the process to identify a new CFO. After a thorough and rigorous selection process, on 8 November 2023 the Board was pleased to announce that Andrew Duxbury would be appointed as the Group's new CFO.

Andrew is currently the Group Finance Director of Galliford Try, one of the UK's leading stock exchange listed construction groups. Andrew has significant experience as a finance director in the construction and housebuilding industries, having held a variety of finance roles at Galliford Try for over 10 years, including roles within Galliford Try's former housebuilding operations, Linden Homes. Prior to Galliford Try, Andrew spent 16 years at PwC, leading a portfolio of significant clients across a range of sectors including construction and housebuilding.

We are delighted to welcome Andrew to the Group. Andrew's extensive experience will be an invaluable asset as we continue to provide good quality homes for families across the UK and position the business for future growth. We look forward to Andrew joining the Group in spring 2024.

During the year we also welcomed Alexandra Depledge and Colette O'Shea to the Board as Independent Non-Executive Directors. Alex and Colette both bring highly valuable and complementary relevant industry experience to the Board. Alex is a serial technology entrepreneur and currently Chief Executive Officer of Resi.co.uk, the UK's largest residential architectural practice and a leading property technology business. Colette is the former Chief Operating Officer of Land Securities Group PLC, one of the UK's leading real estate companies. We consider that Alex's experience in property-related technology and innovation, and Colette's experience in town planning, property investment and development, are excellent additions to the Board's skillset.

Board refreshment is, of course, a feature of all effective boards and at the conclusion of the Company's AGM on 26 April 2023 both Simon Litherland and Joanna Place left the Board. On behalf of the Board, I thank Simon and Joanna for their most valuable contributions, their wise counsel and support; we wish them every future success.

## Sustainability

Sustainability is integral to how the Group operates and the Board has continued to exercise oversight of the Group's sustainability activities, receiving regular updates within Board reports, and six-monthly presentations from the Group Sustainability Director. During the year the Group focused on continuing to develop low carbon transition plans to ensure Future Homes Standard readiness, developing carbon reduction glidepaths for Scope 1 and 2 emissions aligned to the Group's Science Based targets, and putting in place an environmental metric for the 2023 PSP award. Climate risk and resilience remain a priority and the Group reported in line with the TCFD requirements, undertaking detailed climate scenario analysis and assessment of potential financial risk. The Board has also been updated on the biodiversity net gain regulations coming into force in February 2024 and the comprehensive plans the Group has in place.

## Executive remuneration

We remain committed to a responsible approach to executive pay, as I hope the Directors' Remuneration Report demonstrates.

At the 2023 AGM shareholders were asked to vote on the Group's proposed Remuneration Policy. The proposed Policy was aligned to best practice and the Group's strategy, and it was pleasing that over 98% of votes received were in favour. The Remuneration Committee believes that the shareholder-approved Policy operated as intended during 2023 and considers that the remuneration received by the Executive Directors during the year is appropriate, taking into account the Group's performance, personal performance, and the experience of shareholders, employees, and our customers.

Particular areas of focus for the Remuneration Committee during the year included the Group's support of our workforce through a period of continuing high inflation, agreeing Andrew Duxbury's remuneration, agreeing a robust and measurable environmental target for PSP awards based on our Science Based Targets for Scope 1 and Scope 2 emissions reduction, and agreeing very stretching targets for the annual bonus and PSP awards whilst being mindful of the high degree of market uncertainty and the risk of windfall gains.

Wider workforce remuneration is an important consideration for the Remuneration Committee. Cost of living challenges remained during the year and the Group has continued to support its workforce during this period, for example by implementing Real Living Wage increases in February 2024 in advance of the required May 2024 timeline, as part of our accreditation as a Living Wage employer; and by agreeing a pay review for the wider workforce of 5%, which was implemented on a phased basis (3% effective July 2023 plus an additional 2% effective January 2024).

**"Good corporate governance underpins the long-term success of the Group and the generation of sustainable value for all of our stakeholders.**

As explained in the Directors' Remuneration Report, Jason Windsor received his salary and contractual benefits up to and including his leave date. Jason will receive no bonus for 2023 and all unvested incentive plan awards lapsed on his leaving the Group. The remuneration of Jason's successor, Andrew Duxbury, will include buy-out awards for remuneration which will be forfeited when Andrew leaves Galliford Try. The buy-out awards will be made on the basis that any compensation due should not result in an outcome where the individual receives more than would have been due had they remained in post.

## Diversity & Inclusion

Diversity & Inclusion (D&I) has been an important area of focus during the year, with the Nomination Committee considering the FTSE Women Leaders Review, the Parker Review, the Group's performance against its own internal gender diversity targets and the Group's wider D&I activities.

As at 31 December 2023 the Board was 50% female and the Board included one Director from a minority ethnic group. We acknowledge that no senior Board positions* were held by females during the year. We reiterate that it is our firm intent that a woman be appointed as the Group's next Senior Independent Director; we anticipate this will be Annemarie Durbin.

As explained in the Nomination Committee Report, the Group considers that improved employee ethnicity data is required before a target can be set in accordance with the Parker Review for the ethnic diversity of our senior management team. Data collection efforts will be intensified and it is the Nomination Committee's intention that a senior management ethnic diversity target will be set in 2024.

## Engaging with stakeholders

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

Engagement between the Board and the Group's employees continued during the year; Board members attended the Employee Engagement Panel's quarterly meetings and the Board hosted an informal dinner for Panel members in advance of the 2023 AGM. Such engagement provides the opportunity for constructive feedback to the Board and provides valuable insights to aid Board decision making. Our Section 172 Statement on pages 55 to 57 sets out how the Board and the Group maintained its programme of engagement with customers, employees, communities, suppliers, shareholders, employees, government, regulators and industry bodies during the year.

## Assurance

During the year the Audit & Risk Committee maintained its focus on the integrity and quality of financial reporting, ensuring an effective external audit, reviewing the effectiveness and independence of the Group Internal Audit department, and ensuring the adequacy of the Group's risk management and internal controls. In the context of political and economic uncertainty during the year, particular focus areas for the Committee included the Group's estimates and areas of accounting judgement, the adequacy of the legacy buildings provision and asset carrying values. During the year the Committee also exercised oversight of the Group's risk management and internal control improvement plan, which was established to deliver improvements and to enhance the overall maturity of the Group's system of internal controls.

The UK Corporate Governance Code 2018 ("the Code") was applicable to the financial year ending 31 December 2023. As explained on page 84, during 2023 the Company complied with the Code, except for one week of non-compliance resulting from the timings of changes to the composition of the Board's Committees. During this brief period of non-compliance the Board and its Committees continued to act in accordance with the spirit of the Code's Principles.

**Roger Devlin**
**Chairman**
11 March 2024

* Chair, Senior Independent Director, CEO and CFO.

## Board leadership

# Board of Directors

The Board consists of our Chairman; ordinarily, two Executive Directors (Andrew Duxbury has been appointed as Chief Financial Officer and will join the Board in spring 2024); and six Independent Non-Executive Directors, including a Senior Independent Director.

### Roger Devlin
**Chairman**

**Date of appointment:** 1 June 2018

**Committee membership:** N CF

**Age:** 66

**Experience and external appointments:** Roger 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 and brewing, sport and transport.

Roger is a highly experienced Board Director, having previously served as Chairman of William Hill PLC, Chairman of Marston's PLC and as Senior Independent Director at the Football Association.

In May 2022 Roger was appointed to the Board of The Sutton Trust, a charity designed to improve social mobility and address educational disadvantage.

**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.

### Dean Finch
**Group Chief Executive**

**Date of appointment:** 28 September 2020

**Committee membership:** S CF

**Age:** 57

**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. Since his appointment, Dean has gained extensive housebuilding experience. He has led the Group's programme of transformative change in its drive to become Britain's leading homebuilder, delivering substantial strategic and operational improvements, while driving the development of the Group's culture, with a focus on build quality, customer care, stakeholder value and strong financial returns for investors.

### Nigel Mills
**Senior Independent Director**

**Date of appointment:** 4 April 2016

**Committee membership:** N R

**Age:** 68

**Experience and external appointments:** Nigel is the Senior Independent Director at both John Wood Group Plc and Greggs plc. Nigel is also a Director of The Queen's Club.

Nigel has extensive experience in advising some of the UK's largest companies, having held a variety of executive positions in the banking sector including Senior Advisor at Citigroup Global Markets, Chairman of Corporate Broking at Citi and Chief Executive of Hoare Govett.

**Skills and contribution:** Nigel has strong commercial judgement, drawing on a 30-year executive career advising quoted companies. Nigel has broad experience of financial markets, strategy, risk, shareholder attitudes and corporate governance, which enable him to provide sound advice to the Board.

### Annemarie Durbin
**Independent Non-Executive Director**

**Date of appointment:** 1 July 2020

**Committee membership:** R N

**Age:** 60

**Experience and external appointments:** Annemarie has 30 years' broad-based retail, commercial, corporate and institutional banking experience across Asia, Africa and the Middle East and is an experienced executive coach and mentor. Annemarie is currently Chair Designate of Yorkshire Building Society and Remuneration Committee Chair of Petershill Partners plc. Annemarie spent the bulk of her executive career at Standard Chartered, a FTSE 100 international bank, where 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 has previously held a variety of non-executive positions including Senior Ringfence Director and Remuneration Committee Chair of Santander UK plc, Chair of Cater Allen Limited, Remuneration Committee Chair of WH Smith PLC, and Chair of Merryck & Co. Ltd.

**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. Annemarie 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.

### Andrew Wyllie CBE
**Independent Non-Executive Director**

**Date of appointment:** 4 January 2021

**Committee membership:** AR N

**Age:** 61

**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 UK.

Andrew currently serves as the Senior Independent Director of Yorkshire Water and as Remuneration Committee Chair of the Institution of Civil Engineers. He was previously a Non-Executive Director of BMT Group Ltd and 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 are valuable to the Board as the Group continues to build a sustainable business.

## Shirine Khoury-Haq

### Independent Non-Executive Director

**Date of appointment:** 1 July 2021

**Committee membership:** AR N

**Age:** 52

**Experience and external appointments:** Shirine is the Chief Executive Officer of The Co-operative Group, having been appointed in August 2022. Prior to this, Shirine was the Chief Financial Officer of The Co-operative Group, where she was responsible for finance, technology, transformation and corporate development, and also served as the Chief Executive Officer of The Co-operative Group's Life Services sector, which included the insurance, legal services and funeral businesses.

Before joining The Co-operative Group, Shirine was Chief Operating Officer of Lloyd's of London and had previously held senior positions at Catlin, IBM and McDonald's.

Shirine is a qualified accountant and holds an MBA from Ohio State University.

**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 is of great benefit as the Group continues to build a sustainable business in every sense.

## Alexandra Depledge MBE

### Independent Non-Executive Director

**Date of appointment:** 1 May 2023

**Committee membership:** N R

**Age:** 43

**Experience and external appointments:** Alex is a technology entrepreneur and the co-founder and CEO of Resi.co.uk, the UK's largest residential architectural practice and a leading property technology business. Prior to establishing Resi.co.uk, Alex co-founded Hassle.com, Europe's largest domestic cleaning online marketplace.

In recognition of Alex's achievements and entrepreneurial success, she has won various awards and was made an MBE for her services to the Sharing Economy.

Alex previously sat on the board of the London Economic Action Partnership, the local enterprise partnership chaired by the Mayor of London, which is responsible for over £100m of investment into London's culture and communities.

**Skills and contribution:** Alex's appointment adds highly relevant skills to the Board, with her valuable property-related technology and innovation experience. Alex's impressive entrepreneurial track record of building and scaling consumer-facing technology businesses adds further depth to the Board's capabilities.

## Colette O'Shea

### Independent Non-Executive Director

**Date of appointment:** 1 May 2023

**Committee membership:** AR N W

**Age:** 55

**Experience and external appointments:** Colette has a wealth of property market investment and development expertise gained in her 20-year career with one of the UK's leading real estate businesses, Land Securities Group PLC ('LandSec'). Colette spent the majority of her executive career with LandSec, having held the position of Chief Operating Officer between 2020 and 31 March 2023. Prior to this, Colette held a number of senior executive positions at LandSec, including Managing Director, London & Retail; and Head of Development. Colette has also previously served as a Non-Executive Director of a leading housing association.

**Skills and contribution:** With extensive industry experience, and a particular expertise in planning, Colette's contribution to the Board is valued. As well as a respected leader, Colette brings a wealth of development and investment knowledge, which assists the Group with the sector-related challenges that it faces at present and in the longer-term.

## Andrew Duxbury

### Chief Financial Officer

**Anticipated start date:** spring 2024

**Committee membership:** N/A

**Age:** 49

**Experience and external appointments:** Andrew will bring significant and relevant industry experience to the Board, having served as Group Finance Director at Galliford Try, one of the UK's leading stock exchange listed companies since March 2019. During his career at Galliford Try, Andrew has held various finance roles for over ten years, including roles in Galliford Try's former housebuilding operations, Linden Homes. Prior to that, Andrew spent 16 years at PwC, leading a portfolio of significant clients across a range of sectors including construction and housebuilding.

Andrew is also a Fellow of the Institute of Chartered Accountants.

**Skills and contribution:** Andrew brings an extensive financial background, with a wealth of experience operating in the construction and housebuilding industries. Andrew will be a valuable asset to the Group as we continue to provide good quality homes for families across the UK and position the business for future growth. We look forward to welcoming Andrew.

## Committee key

- N Nomination Committee
- S Sustainability Committee
- AR Audit & Risk Committee
- R Remuneration Committee
- W Workforce Non-Executive Director
- CF Trustee of the Persimmon Charitable Foundation
- ● Committee Chair

## Board meeting attendance 2023

| | Scheduled meetings attended | Percentage of meetings attended |
|---|---|---|
| Roger Devlin | 7/7 | 100% |
| Dean Finch | 7/7 | 100% |
| Nigel Mills | 7/7 | 100% |
| Annemarie Durbin | 7/7 | 100% |
| Andrew Wyllie | 7/7 | 100% |
| Shirine Khoury-Haq | 7/7 | 100% |
| Alexandra Depledge[1] | 4/4 | 100% |
| Colette O'Shea[1] | 4/4 | 100% |
| Jason Windsor[2] | 5/5 | 100% |
| Simon Litherland[3] | 3/3 | 100% |
| Joanna Place[3] | 3/3 | 100% |

1. Appointed on 1 May 2023
2. Left on 1 September 2023
3. Left on 26 April 2023

# Corporate governance statement

## UK Corporate Governance Code 2018

During the year, the Board has fully complied with the UK Corporate Governance Code 2018 other than provisions 24 and 32. For one week, between 26 April 2023, when Simon Litherland and Jo Place left the Board, and 1 May 2023, when Alex Depledge and Colette O'Shea were appointed to the Board, both the Audit & Risk and Remuneration Committees consisted of two directors. This was below the minimum membership of three directors as set out in the UK Corporate Governance Code 2018. The departure from the UK Corporate Governance Code 2018 had no impact on the decisions made by either committee. During the year the Board and its committees have acted in accordance with the spirit of the UK Corporate Governance Code 2018's Principles. 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.

**Increasing**
**the depth of our Board with two new Non-Executive Director appointments – Welcoming Directors with highly relevant experience and complementary skills.**

**Strengthening**
**our Finance function via the appointment of a CFO who will join the Group during 2024 – Significant financial experience within the construction and housebuilding sectors.**

**Updating**
**the Remuneration Policy to align to best practice and support the five key priorities of the Group – Liaising with our shareholders to ensure that their views were taken into account.**

## Board activities

Board meetings and activities are planned in advance to ensure that matters receive appropriate time and consideration. However, not all matters can be planned and therefore the Directors act flexibly to attend meetings and calls as and when necessary. During the year, the Board held seven scheduled meetings. Additional Board meetings and calls were held for a number of topics, for example the appointment of Andrew Duxbury, the Group's new CFO.

Regular Board dinners take place, which allow the Directors to engage and build on their relationships. Attendees ranged from solely Non-Executive Directors, to the Board as a whole, Regional Chairs and the Employee Engagement Panel. Additional attendees may also receive invitations to some meetings. A Regional Chair also attends part of each Board meeting to provide business updates on their region.

### Board meetings generally include the following:

- CEO Report and Business Update discussing the key matters which are affecting and/or could affect the Group.
- Reports from Regional Chairs explaining the progress of their region. This gives them an opportunity to receive input from the Board on the Group's expectations and provides the Board with an update on performance and issues at a regional level.
- CFO's Report. This generally includes updates in relation to the accounts, investor relations, cash forecasts, IT and the Capital Allocation Policy.
- Updates from the Board Committee Chairs.
- Updates in relation to areas which are of strategic importance. This could include matters such as health, safety and environment, customer care, and sustainability.
- The Board receive bi-annual detailed sustainability reports from the Group Sustainability Director.

## Board activities timeline

### January 2023
- Company Secretary and Chairman worked on action points following results of Internal Board Evaluation (read more on pages 93 to 96).

### February 2023
- Board and Committee meetings.
- Reviewed effectiveness of internal controls (read more on pages 108 and 113).
- Draft 2022 Final Results approved.
- Draft 2022 Annual Report and 2023 AGM documents approved.
- Final dividend recommended (read more on pages 28, 58, 79, 114 and 165).
- Board evaluation results reviewed (read more on pages 93 to 96).
- Approval of updated Committee Terms of Reference.
- Shareholder engagement regarding proposed changes to Remuneration Policy (read more on page 125).

### March 2023
- Signing the English and Welsh self remediation contracts (read more on pages 14 and 58).
- Employee Engagement Panel meeting attended by Jo Place.

### April 2023
- Board and Committee meetings.
- Trading Update approved.
- AGM – Attended by Board, all resolutions passed with a high percentage of votes in favour (read more on page 90).
- Announced investment in industry-leading modular house builder TopHat (read more on page 58).

### May 2023
- Appointment of two new Non-Executive Directors (read more on pages 86 and 100).
- Inductions for new Non-Executive Directors.

### June 2023
- Board and Committee meetings.
- Approval of new £700m Revolving Credit Facility (read more on pages 28 and 58).
- In depth Legacy Building Fire Safety Update.
- Whistleblowing procedures approved (read more on page 90 and 113).
- SAYE invitation reviewed and approved (read more on pages 123 and 130).
- Site visits to Canonbury Rise and Blackbridge Farm.

### August 2023
- Board and Committee meetings.
- Approval of Half Year Results (read more on page 109).
- Interim dividend approved (read more on pages 28 and 58).

### September 2023
- Employee Engagement Panel meeting attended by Roger Devlin and Colette O'Shea.

### October 2023
- Board meeting.
- Board Strategy Day.

### November 2023
- Announced appointment of incoming CFO (read more on pages 58, 86 and 99).
- 2023 Board Evaluation completed by Board. Results reviewed by Company Secretary and Chairman (read more on pages 93 to 96).
- Employee Engagement Panel meeting attended by Annemarie Durbin.

### December 2023
- Board and Committee meetings.
- Board Evaluation results (read more on pages 93 to 96.
- Approval of Matters Reserved for the Board (read more on page 92).
- Approval of proposed Forward Agenda.

# **Corporate governance statement** continued

## Board inductions

### Alex Depledge & Colette O'Shea

**When: May and June 2023**

**How: Introductory Sessions**

On 1 May 2023 Alex Depledge and Colette O'Shea joined the Board as Independent Non-Executive Directors. The comprehensive and formal inductions enabled both Alex and Colette to meet a number of senior executives from across the business. Learning about the various aspects of the business, these also allowed the Directors to gain insight of the business as a whole. Topics covered included health, safety & environment, Group strategy and corporate governance. To enable the best use of time, both virtual and face-to-face meetings took place over a number of days which spanned a two-month duration. Additional materials were made available to the Directors to assist with their knowledge and understanding.

Our induction sessions are tailored to each Director who joins the Board, focusing on their specific roles and on which committees they will sit. The Directors are made aware of the Group's culture and are encouraged to promote this. All of our Independent Non-Executive Directors make themselves available to enable further training to take place should this be required. Supported by the Company Secretary, these sessions allow collaborative engagement. Feedback on the effectiveness of the sessions is actively encouraged to improve these going forward.

## Board appointment

### Andrew Duxbury

**When: July–November 2023**

Following the resignation of our former Chief Financial Officer, Jason Windsor, in July 2023, the Board agreed that it was important his successor to have housebuilding experience and, to support the Nomination Committee's work to identify a successor, an executive search firm was asked to provide a list of suitable candidates.

A long list of candidates was considered, and a short list of candidates was interviewed by the Chairman and Group Chief Executive, supported by the Group HR Director.

Short-listed candidates also undertook externally-facilitated assessments, including an interview with a Principal Psychologist.

The final two candidates, one of whom was female, were interviewed by the Group Chief Executive and all members of the Nomination Committee. Following this thorough and rigorous selection process, the Board was pleased to announce Andrew Duxbury's appointment as CFO on 8 November 2023.

# Culture

**The Board regularly discusses the Group's culture and monitors key metrics to ensure alignment with our values. Our Mission, Vision and Values are defined further in our Strategic Report, see page 3.**

Further details on the culture of the Group are on pages 29 to 33.

Our equality, diversity and inclusion activities throughout the year have been extensive and supported by the Director of Talent & Diversity, see pages 104 to 105. As a Group, we have continued in our commitment to health and safety, with the number of work-related incidents remaining as a KPI and having reduced during the year. Our Key Priorities, which include build quality and safety, remain our focus and are supported by our sustainability pillars, including safe and inclusive.

## Our values

**Customer focused**

**Value driven**

**Team work**

**Social impact**

**Excellence always**

## Employees

**34.5%**
female employees in our senior management team.

**Mental health focus raising awareness throughout our workforce.**

**81%**
Overall employee engagement for 2023 YourSay employee engagement survey.

**Established a Persimmon Pride network for LGBTQ+ colleagues.**

**90%**
of employees are committed to Persimmon and what we are trying to achieve.

**Employee Engagement Panel meetings including representatives of salaried and weekly paid employees.**

**Over 200**
senior leaders received training in equality, diversity and inclusion.

**Women's Network created and held seven sessions covering topics including menopause and making a positive impact.**

## Customers and Quality

**92.9%**
HBF eight-week survey – percentage of customers who would recommend Persimmon to a friend.

**43%**
improvement in NHBC Reportable Items during the year.

**c.720**
apprentices and trainees within the business.

**14,600**
training days delivered.

**382**
training interventions at excellence level*.

**89.6%**
NHBC customer build quality satisfaction score.

* The training interventions at excellence level have been externally verified to a limited level of assurance by Ernst & Young LLP: www.persimmonhomes.com/corporate/sustainability

## Health, Safety and Environment

**Persimmon Excellence Awards and Health, Safety and Environment Excellence Awards continued with winners being announced to the business.**

**98%**
operational waste recycled.

**Reduction of RIDDOR events reported per 1,000 workers in our housebuilding operations.**

## Community

**c.£734,000**
Donated to 384 charities, sports clubs and local community groups across the UK.

**£2.3bn**
Investment in local communities over the last 5 years.

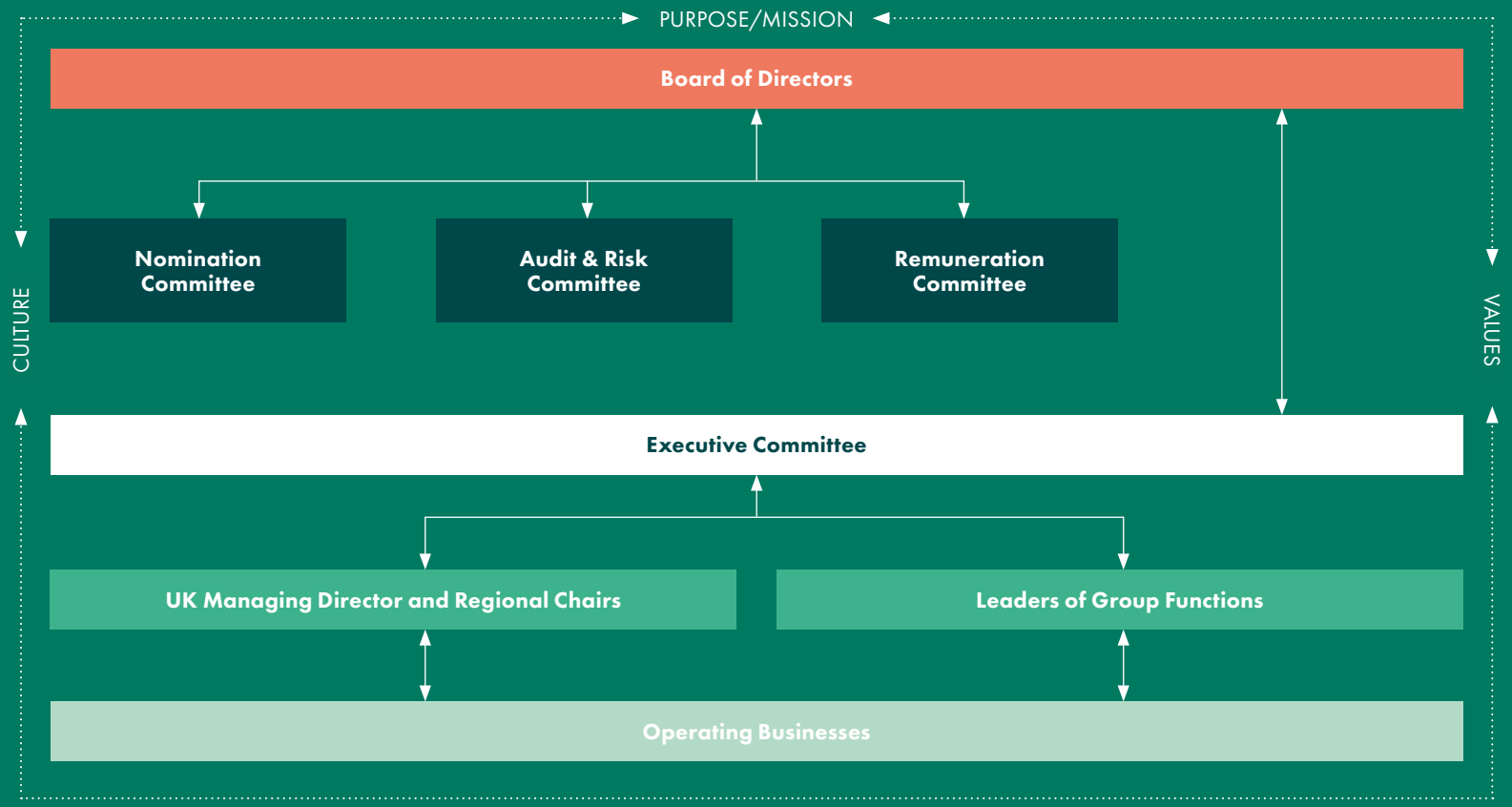
**c.76,000**
Jobs supported across the wider supply chain community.

## **Corporate governance statement** continued

# Governance structure

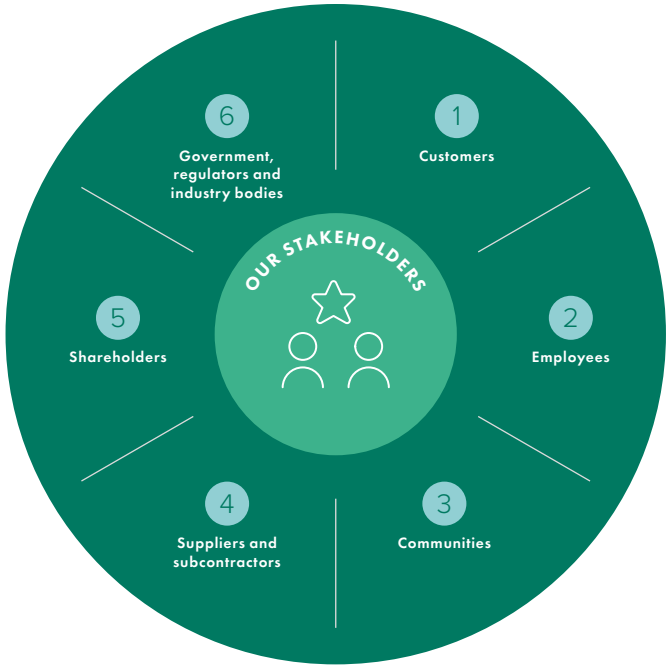
**The primary role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society, including our wider shareholders.**

In addition to the governance functions stated on the chart opposite, the Group has a number of other committees and steering groups which play an important role in our governance structure. These include the Disclosure Committee, Land Committee, the Health, Safety & Environment Committee and the Sustainability Committee. Further information on the Sustainability Committee can be found on page 89.



## Stakeholder engagement

Implementing our five key priorities means engaging with our stakeholders to strengthen our existing business relationships and to nurture new ones where possible. As a Group, we regularly engage with our stakeholders to promote transparency and ensure business sustainability. This engagement plays a role in the Board's decision making, which feeds down to management decisions. The Board receives regular updates on stakeholder engagement including from the Investor Relations Director, the Chief Customer Experience Officer and the Group Health, Safety & Environment Director. Our engagement with stakeholders, including how we measure the effectiveness of our engagement, and the outcomes and effects on Board decisions, is described in detail in the Section 172 Statement on pages 55 to 57.




## Workforce engagement

We have at least four Employee Engagement Panel meetings each year, with various members of the Board attending and reporting back to the Board. To encourage further engagement, during the year members of the Employee Engagement Panel attended an informal dinner with the Board. Examples of matters raised by the Panel during the year included:

IT Weekend Support

| | |
|---|---|
| **Matter** | Members of the Employee Engagement Panel suggested better IT support out of hours and on weekends would be beneficial. |
| **Initial Actions** | Our IT Improvement Plan addressed this issue, providing increased support to colleagues. |
| **Update** | During the year IT support became available 24/7. This has been well received amongst our colleagues, particularly our Sales teams who work at weekends. |

Menopause Support

| | |
|---|---|
| **Matter** | Members of the Employee Engagement Panel suggested we could improve our menopause support within the Group. |
| **Initial Actions** | The Group HR Director looked into how support could be improved and how the business as a whole could be made aware of how, and when, menopause affects women. |
| **Update** | We issued a Menopause Policy to the business. Individuals affected were encouraged to seek support from their line managers, the Group HR department and colleagues, as appropriate, and they were reminded of the support offered via the Employee Assistance Programme. The Women's Network hosted a specific session on the issue. |

## The Sustainability Committee

The Sustainability Committee is responsible for developing and overseeing the sustainability strategy, policies and objectives. Reporting directly to the Board, the Sustainability Committee is chaired by the Group Chief Executive, Dean Finch, and members include the Group Strategy and Regulatory Director, the Company Secretary, the Group Sustainability Director, and the Chief Customer Experience Officer. In 2024 the Group Construction Director and the Regional Chair (South West Division) will join the Committee. The Board receives bi-monthly updates on sustainability issues and performance via the Group Chief Executive's report, and a detailed bi-annual update provided by the Group Sustainability Director. A detailed sustainability review including performance update, biodiversity net gain requirements and business readiness, FHS scenario planning, and competitor analysis was also provided to the Board at the Strategy Day.

The Sustainability Committee formally met on three occasions during the year, and covered topics including business readiness planning for the Future Homes Standard; operational carbon reduction initiatives and tracking against targets; climate risk and TCFD reporting; long-term net zero carbon transition requirements; environmental metric for PSP award development; modern slavery review and statement approval; and policy reviews and updates.

The Sustainability Committee 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. Further information can be found in the Climate-Related Financial Disclosures ('TCFD') report on pages 59 to 68.

# **Corporate governance statement** continued

## 2024 Annual General Meeting

Annual general meetings are opportunities for the Board to engage with shareholders to discuss issues relevant to the business. All Board members attended the AGM and all resolutions passed with at least 96% of the votes in favour.

The 2024 Annual General Meeting will be held at 11.00 am on 25 April 2024, at York Racecourse, Knavesmire Road, York YO23 1EX. Shareholders are encouraged to attend. Voting will be on a poll whereby every member shall have one vote for every ordinary share held. The 2024 Notice of Meeting and AGM circular, which includes an explanation of the ordinary and special business, have been sent to shareholders and are available on the Company's website at www.persimmonhomes.com/corporate/investors/shareholder-centre/annual-general-meetings/.

## Workforce policies and practices

### Whistleblowing Policy

The Board is responsible for ensuring that an effective Whistleblowing Policy is in place and that any concerns can be confidentially raised by individuals both inside and outside of the Group. The whistleblowing provision, which encompasses the Whistleblowing Policy and associated processes, makes assurances to those reporting wrongdoing, that reporting a genuinely held concern will not lead to individuals suffering any form of detriment. It is in place to encourage and reassure individuals that it is safe and acceptable to speak up, and to enable them to raise any concern that they may have at an early stage and in the right way; promoting a culture of openness and trust.

The Whistleblowing Policy is reviewed by the Board at least annually. The operations of the whistleblowing process are administered by the Group Internal Audit department, who investigate reports. The Group Internal Audit department works with the Chief HR Officer and other teams as appropriate to ensure that investigations are rigorous and reach a considered conclusion based on the evidence available, with additional measures put in place should these be deemed necessary.

Details of all whistleblowing reports are reviewed by the Audit & Risk Committee. The Chair of the Audit & Risk Committee is the Group's Whistleblowing Champion, acting as an independent sponsor for the whistleblowing provision. As a Board member, the Whistleblowing Champion is able to report any concerns directly to the Board. The continued partnership with Protect, the whistleblowing charity, has provided access to benchmarking and good practice guidelines.

The Board remains satisfied that the Whistleblowing Policy and the supporting processes and arrangements of the whistleblowing provision remain appropriate and effective. Further information on the whistleblowing provision can be found on pages 53 and 113.

### Remuneration Policy

The Remuneration Policy is voted on by shareholders at least triennially, being last approved on 26 April 2023 and effective from that date. When setting the Remuneration Policy, the Remuneration Committee aims to align the interests of the Executive Directors, senior management and employees with those of shareholders and wider stakeholders, and to ensure appropriate alignment with values and key priorities; to ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk management practice and promote long-term sustainable Company performance; and to have a competitive mix of fixed remuneration and short-term and long-term incentives, with stretching targets linked to the Company's financial and non-financial performance.

Prior to the latest shareholder vote the Chair of the Remuneration Committee, Annemarie Durbin, wrote to shareholders representing 51.7% of the share capital to discuss the proposed changes to the Remuneration Policy, which included information on the proposed environmental metric for 2023 PSP share awards. Shareholder responses were relatively benign and generally positive. Feedback from shareholders was discussed at the February 2023 meeting of the Remuneration Committee and at the meeting of the Board which took place on the same date. Further information on the Remuneration Policy can be found in the Remuneration Report on pages 139 to 144.

### Anti-Bribery and Corruption Policy

The Group has a well-established Anti-Bribery and Corruption Policy, which forms an extension to our Code of Ethics, setting out our zero-tolerance approach to all forms of bribery and corruption. Through this Policy, the Board aims to establish a culture where bribery and corruption are never seen as acceptable behaviours. This applies to all Group employees, businesses and operations, and extends to our relationships with all of our suppliers, sub-contractors and intermediaries, supporting our reputation for reliability and ethical conduct, and the fostering of long-term, mutually beneficial relationships with our supply chain.

In line with the Business Principles issued by Transparency International, the Group maintains a comprehensive suite of anti-bribery and corruption controls and oversight arrangements. These include robust and transparent tendering processes to ensure appropriate decision making when appointing new suppliers and sub-contractors. Our Policy is made available to all stakeholders via our corporate website, with monitoring processes also in place to promote awareness of bribery and corruption issues, including training and awareness programmes which are regularly reviewed and updated by the Group Head of Training. The Group's independent whistleblowing provision supports the Policy to enable prevention, detection and reporting of bribery and corruption. The Group Internal Audit department, which reports to the Board via the Audit & Risk Committee, provides independent assurance on the effective operation of these controls and activities.

### Equality, Diversity and Inclusion Policy

A description of the Group's Equality, Diversity and Inclusion Policy, its objectives, implementation and results achieved during the year can be found on page 100.

## Director duties and 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.**

| Role | Responsibilities |
|---|---|
| **Chairman**<br>**Roger Devlin** | • Leading the Board and responsible for its overall effectiveness in directing the Company.<br>• Upholding high standards of integrity and probity and supporting the Directors in instilling the appropriate culture, values and behaviours in the boardroom and throughout the Group.<br>• Setting the agenda for Board meetings and setting the style and tone of all discussions to promote effective decision-making, constructive debate and participation by all Directors.<br>• Promoting an effective Board and having a prime role, with the Nomination Committee, in succession planning.<br>• Promoting effective relationships and open communication, both inside and outside the boardroom between Non-Executive Directors and the Executive team.<br>• Promoting high standards of corporate governance.<br>• Constructively challenging the Executive Directors and helping to develop proposals on strategy.<br>• Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance.<br>• Satisfying himself with the integrity of financial information and that financial controls and systems of risk management are robust and defensible.<br>• Devoting time to developing and refreshing knowledge and skills.<br>• Ensuring that all Directors receive high-quality information sufficiently in advance of Board meetings.<br>• Leading the annual evaluation of the Board.<br>See the Chairman's Statement on pages 6 to 7 and the Chairman's Introduction to Corporate Governance on pages 80 to 81. |
| **Group Chief Executive**<br>**Dean Finch** | • Leading the Executive team in running the Group's business.<br>• Leading the development of the Group's strategy and implementing the strategy as agreed by the Board.<br>• Working closely with the Chairman to support the effectiveness of the Board.<br>• Leading by example, ensuring effective communication of the agreed strategy and culture to the Group's management and workforce.<br>• Supporting the Chairman to ensure that appropriate standards of governance permeate throughout the Group.<br>• Communicating the views of senior management to the Board so as to aid effective decision making.<br>• Ensuring that the Board receives accurate high-quality information from management in a timely manner.<br>• Listening to the constructive challenge of the Non-Executive Directors, and encouraging Non-Executive Directors to test proposals in light of their external experience and knowledge.<br>The Group Chief Executive's statement can be located on pages 13 to 19. |

Terms of reference for the Board Committees are reviewed annually. They are available on the Company's website www.persimmonhomes.com/corporate/investors/corporate-governance/board-committees/ or from the Company Secretary at the Company's registered office.

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.

| Role | Responsibilities |
|---|---|
| **Chief Financial Officer**<br>**Andrew Duxbury**<br>Expected to join in spring 2024. | • Supporting the Group Chief Executive in developing and implementing strategy and alignment to financial objectives.<br>• Leading the Group's relationship with the auditor, banks and shareholders.<br>• Stewardship of the Group's financial resources and risk management.<br>• Ensuring that financial information and financial controls and systems of risk management are robust and defensible, and reporting this to the Board.<br>The Financial Review can be located on pages 26 to 28. |
| **Senior Independent Director**<br>**Nigel Mills** | • In addition to his role as a Non-Executive Director, acting as a sounding board for the Chairman and an intermediary for other Directors.<br>• Leading the annual performance appraisal of the Chairman.<br>• Being available to shareholders for them to raise any concerns they may have outside of the usual channels of communication.<br>• Being available to play a key role in resolving issues which may arise during periods of Board or Company stress. |
| **Non-Executive Directors**<br>**Annemarie Durbin**<br>**Andrew Wyllie**<br>**Shirine Khoury-Haq**<br>**Alex Depledge** | • Supporting and constructively challenging the Executive Directors in determining and implementing strategy.<br>• Bringing independent judgement and scrutiny to decisions recommended by the Executive Directors and monitoring the reporting of performance.<br>• Contributing a broad range of views, skills and experience. Devoting time to developing and refreshing knowledge and skills.<br>• Monitoring delivery of agreed strategy within the risk and control framework set by the Board.<br>• Reviewing the integrity of financial information and that risk management systems are robust and defensible. |
| **Designated Workforce NED**<br>**Colette O'Shea** | • In addition to her role as a Non-Executive Director, attending meetings of the Employee Engagement Panel and facilitating effective two-way communication, meaningful dialogue and engagement between the Board and the Group's workforce.<br>• Acting as a direct link between the Employee Engagement Panel and the Board. |
| **Company Secretary**<br>**Tracy Davison** | • Advising the Board and supporting the Chairman on corporate governance matters.<br>• Ensuring a good flow of information to the Board, its Committees and senior management.<br>• Promoting compliance with statutory and regulatory requirements and Board procedures, and ensuring that regular updates are provided to the Board when necessary.<br>• With the assistance of the Chairman, organising the Board's annual Evaluation.<br>• Providing guidance and support to Directors, individually and collectively.<br>• Ensuring that all new Directors receive thorough inductions that are adapted to meet their needs and requirements. |

# **Corporate governance statement** continued

## Matters Reserved for the Board

The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually, having last been reviewed in December 2023. During the last review the Board agreed that the schedule remained fit to ensure that the Board is able to agree and meet the Group's strategic framework. 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 Capital Allocation Policy; 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.

## Board external appointments

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 mitigation actions and controls, provided to the Audit & Risk Committee on an annual basis. Furthermore, declarations of interest are reported on at every Board and committee meeting.

The Directors recognised 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.

## Board composition

### 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.

### Senior Independent Director

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 fifteen 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-Executive Directors 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-Executive Directors 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 82 to 83.

Only Non-Executive Directors are members of the Board's Audit & Risk, 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.

The Board considers all the Non-Executive Directors to be independent.

### Company Secretary

The Board is supported by the Company Secretary to ensure the necessary policies, processes, information and resources are in place in order 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.

# 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 triennially.

During the year the Board undertook a formal, rigorous internally facilitated evaluation led by the Chairman and supported by the Company Secretary. The evaluation utilised BoardClic, a digital board evaluation platform, and comprised completion of a questionnaire by all Board and Committee members. The questions were based on the UK Corporate Governance Code 2018, for corporate governance best practice. In 2024, there will be an externally facilitated evaluation.

## Evaluation of the Board and Committees

| | |
|---|---|
| **October 2023** | Company Secretary reviewed the Board evaluation process undertaken in 2022 to ensure that this remained effective and would be fit for purpose for 2023. Updates made to the process and questionnaire to ensure that it reflected relevant recommendations and targets. |
| **November 2023** | Questionnaires circulated to Board for review and completion.<br>Completion deadline achieved.<br>Company Secretary collated and reviewed anonymised responses. Responses shared with the Chairman and Chairs of each Board committee. |
| **December 2023** | Results of Board evaluation shared with Board and each Board committee. Discussions on the results. |

## Evaluation of the Chairman

| | |
|---|---|
| **January 2024** | Senior Independent Director held private discussions with each of the Non-Executive Directors, to consider the Chairman's performance. |
| **February 2024** | Senior Independent Director held a meeting with the Non-Executive Directors as a group, without the Chairman present, to discuss the Chairman's performance based on the comments received during the private discussions. |
| **March 2024** | Senior Independent Director met with the Chairman to discuss the feedback that he had received from the Board. |

## Board evaluation cycle

# Corporate governance statement continued

## Annual evaluation continued

## Board Evaluation key findings and actions taken

### 2022 Board Evaluation

| What the Board does well |
|---|
| The Chairman and Group Chief Executive enjoy an open, trust-based relationship. |
| The Board is confident in the Group Chief Executive's ability to deliver the Group's strategy. |
| The Board provides effective leadership by role-modelling the Group's values and culture. |
| The Chairman promotes open discussion that leverages the Board's collective knowledge and experience. |
| The Board has ensured that the Group has established ethical guidelines, purpose and values. |

| What the Board could do better | Action | Steps taken during the year (2023) |
|---|---|---|
| Additional time to understand the needs of the Group's customers would be beneficial. | The Board will invite the Chief Customer Experience Officer and the Group Sales Director to present at a 2023 Board meeting on how the Group is better understanding its customers' needs. This presentation would be in addition to the Customer Experience presentation that is delivered at the Board's annual Strategy Day. | The Chief Customer Experience Officer attended the August and December 2023 Board meetings. This increased the Board's awareness of steps taken to improve the customer experience, including training to improve the Group's marketing capabilities, search engine optimisation and reducing timescales for customer complaints. |
| The Board could benefit from increased industry experience. | This has been an area of focus for the Nomination Committee during 2022, which agreed during the year that it would be beneficial to appoint an Independent Non-Executive Director with relevant industry experience. The outcome of the process will be announced in due course. | During April 2023 Alex Depledge and Colette O'Shea were appointed as Non-Executive Directors of the Board. Alex's experience in property-related technology and Colette's experience in town planning, property investment and development make them excellent additions to the Board's skillset. |
| Succession planning for Executives and key roles in the management team. | Succession planning for the Group Chief Executive and Chief Financial Officer will be an area of increased focus for the Nomination Committee during 2023. | During the Nomination Committee's December 2023 meeting updated Executive Director succession plans were reviewed. Suggested actions included scenario planning and impact mapping. |
| Internal Financial Controls | The Audit & Risk Committee's 2022 annual formal assessment of the Group's internal controls concluded that controls generally operated effectively. We have increased resource to review the Group's preparedness for the changes resulting from anticipated legal and regulatory reforms (sometimes referred to as 'UK SOX') and this will be an area of focus for the Audit & Risk Committee during 2023. | The Group established a risk management and internal control improvement plan. This was developed to address recommendations following an externally led review of the Group's risk management processes and to enhance the overall maturity of the system of internal controls. |
| Culture | To build upon the Group's significant changes and improvements in recent years, the Board will continue to lead improvements in the Group's culture. | The Board received a presentation from the Chief HR Officer in which future HR priorities for the Group were highlighted as Executive Committee leadership, culture, equality, inclusion and diversity. |
| Persimmon's ability to attract and retain talent at all levels. | This has been an area of increased focus for the Nomination Committee in the last two years. Improvements have been made, such as the MD Leadership Development Programme and the Future Leaders Programme. Further actions will be taken forward in 2023, including the establishment of a Women's Network. The Nomination Committee and Board will continue their focus on, and oversight of, these matters. | The Women's Network was launched during 2023. Seven meetings were held during the year, focusing on matters including menopause, which was hosted alongside the launch of the Group's Menopause Policy. With attendees joining from a range of departments in the Group, the sessions included an update from a Non-Executive Director to discuss life coaching and work life balance, and a session with a principal psychologist to discuss personal brand, as well as resilience. Other sessions focused on specific regions within the Group, including how colleagues progressed to their respective roles. |

## 2023 Board Evaluation

| What the Board does well |
|---|
| We always explore all Board members' opinions prior to decision-making. |
| The Board's decisions are always based on facts and relevant data. |
| All Board members actively contribute to fostering a climate of inclusive discussion. |
| Our committee structure improves the efficiency of the Board's work. |
| The Board has the knowledge and experience required to support the delivery of the strategy. |

| What the Board could do better | Action |
|---|---|
| Instructions and procedures for monitoring business risks. | Deliver an initial phase of control enhancements in preparation for Governance Code changes. Routine reporting has been improved, with an update from the Group Internal Control Manager provided regularly to the Audit & Risk Committee. This will continue to be an area of regular engagement for the Committee into 2024. |
| Strategy | The Board will consider an element of the Board's strategy at each of its meetings, in addition to holding an annual Strategy Day. |
| Succession planning for key roles in the management team. | The Nomination Committee will continue to focus on succession during 2024 to ensure that more robust plans are in place. |
| Internal Financial Controls | The appointment of Andrew Duxbury as the new Chief Financial Officer will assist with the improvement to the Group's internal controls due to his knowledge and previous experience in this area. |
| Attracting and retaining talent at all levels. | Future priorities are Executive Committee leadership, continuing cultural change and a focus on equality, diversity and inclusion. |

# **Corporate governance statement** continued

## Annual evaluation continued

### Evaluations of Board Committees

The Chairman discussed the findings of each Committee evaluation with the Chair of the relevant committee and the results were presented to each committee for noting. The outcomes were compared to the benchmark which was created by BoardClic, with the results also showing how the scores had changed from those of the previous year. Due to changes made to the Committees during the year, a number of results of the evaluations had altered from those of the previous year, demonstrating the impact that the new ideas and perspectives had on the Committees.

### Evaluations of individual Directors

Following individual performance evaluations, it is considered that the Chairman and Non-Executive Directors have individually performed well in their duties and have shown a high level of independence and commitment to their roles. Their collective experience allows them to make valuable contributions to Board discussions, providing insight, strategic guidance, a diversity of views and constructive challenge to the Executive team.

The Board also considers that the Group Chief Executive has performed well in his role during the year. Dean Finch continues to demonstrate strong leadership of the business with his focus on build quality, customer care, stakeholder value, sustainability and strong long term returns to the business.

### Evaluation of the Chairman

The Chairman's performance has been formally evaluated by the Non-Executive Directors, led by Nigel Mills, the Company's Senior Independent Director. Private discussions were held between the Senior Independent Director and each of the Non-Executive Directors. The Non-Executive Directors then met without the Chairman to discuss his performance. The evaluation concluded that the Chairman is well-qualified to lead the Board. He promotes open discussion that leverages the Board's collective knowledge and experience. The results of the evaluation were subsequently discussed with the Chairman. Following the evaluation, it is considered that the Chairman continues to perform well in his role and has the support of the Board.

## Nomination Committee report

# Committee Chair's statement

**We are delighted to welcome Andrew Duxbury to the Group as our new CFO. Andrew's extensive experience will be an invaluable asset to the Group.**

**Roger Devlin**
**Chair of the Nomination Committee**

### Nomination Committee members and meeting attendance 2023

| | Scheduled meetings attended | Percentage of meetings attended |
|---|---|---|
| Roger Devlin (Chair) | 3/3 | 100% |
| Nigel Mills | 3/3 | 100% |
| Simon Litherland[1] | 1/1 | 100% |
| Joanna Place[1] | 1/1 | 100% |
| Annemarie Durbin | 3/3 | 100% |
| Andrew Wyllie | 3/3 | 100% |
| Shirine Khoury-Haq | 2/3 | 67%[3] |
| Alexandra Depledge[2] | 2/2 | 100% |
| Colette O'Shea[2] | 2/2 | 100% |

1. Left on 26 April 2023
2. Appointed 1 May 2023
3. Shirine Khoury-Haq was unable to attend one scheduled Committee meeting. Shirine attended all other scheduled Board and Committee meetings during 2023.

**On behalf of the Board, I am pleased to present the Nomination Committee's report for the year ended 31 December 2023.**

## Appointments

One of the Committee's key duties is to make recommendations regarding Board appointments and, during the year, the Committee discharged this important responsibility by leading the process to select the Group's new Chief Financial Officer (CFO) and by recommending the appointment of two new Independent Non-Executive Directors.

On 27 July 2023 the Company announced that Jason Windsor, CFO, had informed the Board of his intention to leave the Group to become CFO of abrdn plc. Jason left the Group on 1 September 2023 and the Board reiterates its thanks to Jason for his contribution to the business.

Agreeing that it was important for the CFO to have relevant industry experience, the Committee led the process to identify Jason's successor. After a thorough and rigorous selection process, the Committee was pleased to recommend to the Board that Andrew Duxbury be appointed as the Group's new CFO. This recommendation was accepted, and Andrew's appointment was announced by the Board on 8 November 2023.

Andrew is currently the Group Finance Director of Galliford Try, one of the UK's leading stock exchange listed construction groups; a role which Andrew has held since March 2019. Andrew has significant experience as a finance director in the construction and housebuilding industries, having held various finance roles at Galliford Try for over ten years, including roles in Galliford Try's former housebuilding operations, Linden Homes. Prior to Galliford Try, Andrew spent 16 years at PwC, leading a portfolio of significant clients across a range of sectors including construction and housebuilding.

We are delighted to welcome Andrew to the Group as our new CFO. Andrew's extensive experience will be an invaluable asset to the Group as we continue to provide good quality homes for families across the UK and position the business for future growth. We look forward to Andrew joining the Group in spring 2024.

During the year the Committee was also pleased to recommend the appointment of Alexandra Depledge and Colette O'Shea to the Board as Independent Non-Executive Directors; both assumed their roles on 1 May 2023. Alex and Colette both bring highly valuable and complementary relevant industry experience to the Board. Alex is a serial technology entrepreneur and currently Chief Executive Officer of Resi.co.uk, the UK's largest residential architectural practice and a leading property technology business. Colette is the former Chief Operating Officer of Land Securities Group PLC, one of the UK's leading real estate companies. Alex's experience in property-related technology and innovation, and Colette's experience in town planning, property investment and development, are excellent additions to the Board's skillset.

Board refreshment is, of course, a feature of all effective boards and, during the year Simon Litherland and Joanna Place indicated that they would not seek re-election as Independent Non-Executive Directors at the Company's 2023 AGM. Accordingly, Simon and Joanna left the Board at the conclusion of the AGM on 26 April 2023. The Board reiterates its thanks to Simon and Jo for their most valuable contributions, their wise counsel and support; the Board wishes them every future success.

## Equality, Diversity & Inclusion

Equality, Diversity & Inclusion (ED&I) has been an important area of focus for the Committee during the year, with consideration being given to the FTSE Women Leaders Review, the Parker Review, performance against the Group's own internal gender diversity targets and the Group's wider ED&I activities.

### Gender diversity – FTSE Women Leaders Review

As at 31 December 2023 the Board was 50% female, no senior Board positions* were held by females and the Group's Executive Committee & Direct Reports was 34.5% female. Given the tenure of the Group Chief Executive, and the recent announcement regarding the appointment of Andrew Duxbury as CFO, the Committee has previously agreed, and reiterates, its firm intent that a woman be appointed as the Group's next Senior Independent Director, and anticipates this will be Annemarie Durbin. As set out in the Committee's report, efforts to increase the gender diversity of the Group's senior management team and wider workforce have continued, as has the Committee's oversight. Whilst some progress has been made during the year, challenges remain and we acknowledge that more progress is required.

* Chair, Senior Independent Director, CEO and CFO.

# Nomination Committee report continued

## Equality, Diversity & Inclusion continued

### Ethnic diversity – the Parker Review

As at 31 December 2023 the Board included one Director from a minority ethnic group. In light of the increased ambition of the Parker Review, during the year careful consideration was given to setting an ethnicity target for the Group's senior management team, to be achieved by December 2027.

As at 31 December 2023 the Group held ethnicity data for 43% of its employees and, whilst this has improved over recent years from 17%, the Group considers that, at present, the Group does not hold sufficient employee data to enable the setting of an appropriate target for the ethnic diversity of the Group's senior management team. Data collection efforts will be intensified during 2024, with progress monitored by the Committee. It is the Committee's intention that a senior management ethnic diversity target will be set in 2024.

## Succession planning

Succession planning for Board, Executive and senior management positions, and the development of a diverse pipeline of talent for succession, is an important part of the Committee's responsibilities.

During the year the succession plans for the CEO, CFO and the Group's most senior Executives were reviewed by the Committee, with potential successors across short, medium and long-term time horizons noted, along with actions to strengthen the succession plans. It was also agreed that, in addition to a comprehensive induction, Andrew Duxbury, the Group's incoming CFO, will be supported via a detailed Onboarding Plan, which will be continuously reviewed and monitored by the Committee.

Reports were also received from the Group's Director of Talent and Diversity regarding the Group's significant succession planning and talent development activities. These activities include management development programmes for employees at different career stages as well as targeted support, such as mentoring, for selected Executives and senior managers.

The Group's efforts to build and maintain a diverse and robust pipeline of talent for succession to senior management and executive positions will continue, as will the Committee's oversight of these important activities.

**Roger Devlin**
**Chair of the Nomination Committee**
11 March 2024

## Summary of the Committee's work during the year

During the year the Committee held three scheduled meetings. Additional meetings were held as required, for example to recommend the appointment of Andrew Duxbury as the Group's new CFO.

| Matters considered | Outcome |
|---|---|
| **Appointment of a new Chief Financial Officer**<br>Following a thorough search process, the Committee recommended to the Board that Andrew Duxbury be appointed as the Group's new Chief Financial Officer. | Following the Board's acceptance of the recommendation, Andrew's appointment was announced on 8 November 2023. Andrew's start date with the Group will be announced in due course. |
| **Appointment of Independent Non-Executive Directors**<br>Following a thorough search process for candidates with relevant industry experience, the Committee recommended to the Board that Alex Depledge and Colette O'Shea be appointed as Independent Non-Executive Directors. | Following the Board's acceptance of the recommendation, Alex and Colette were appointed to the Board on 1 May 2023. |
| **Succession planning and talent management**<br>Review of succession plans for the Board and senior management.<br>Oversight of the Group's talent management activities. | Succession plans for the CEO, CFO and the Group's most senior Executives have been strengthened. In addition to his induction, the Group's incoming CFO will be supported via an Onboarding Plan which will be continuously reviewed and monitored. |
| **Equality, Diversity and inclusion**<br>Consideration and oversight of Board and senior management diversity, and diversity throughout the organisation.<br>Consideration of the expanded requirements of the Parker Review.<br>Oversight of the Group's Equality, Diversity & Inclusion activities and performance against targets. | The Committee has maintained its firm intent to appoint a woman as the Group's next Senior Independent Director and anticipates this will be Annemarie Durbin.<br>The Group currently holds insufficient employee data to set an appropriate target for senior management ethnic diversity. Data collection efforts will be intensified in 2024, with progress monitored by the Committee. It is the Committee's intention that a senior management ethnic diversity target will be set in 2024.<br>Equality, Diversity & Inclusion activities were reviewed, as was the Group's progress against gender diversity targets. |

### Key duties of the Nomination Committee

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.

# Appointments

## Chief Financial Officer – Andrew Duxbury

On 27 July 2023 the Company announced that Jason Windsor, Chief Financial Officer (CFO), had informed the Board of his intention to leave the Group to become CFO of abrdn plc. Jason left the Group on 1 September 2023 and the Board reiterates its thanks to Jason for his contribution.

Following this, the Committee immediately initiated the process to identify Jason's successor. Agreeing that it was important for the CFO to have housebuilding industry experience, the Committee reviewed and updated the CFO candidate specification to reflect the skills, experience and qualities required to undertake the role. The Committee's work was supported by the Group HR Director and the Director of Talent & Diversity. Additionally, Independent Search, an executive search firm, was asked to provide a list of suitable candidates. Independent Search are a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms, which aims to promote board gender diversity. Independent Search has no other connection to the Company or its Directors, other than the provision of recruitment services.

### Andrew Duxbury

- Extensive financial and investor relations experience.
- Proven experience in the housebuilding sector.
- Proven leadership skills and the ability to drive change.
- A track record of delivering business improvements and value for all stakeholders.

The Board is delighted to welcome Andrew as the Group's new CFO. Andrew has significant experience as a finance director in the construction and housebuilding industries, which will be an invaluable asset to the Group as we continue to provide good quality homes for families across the UK and position the business for future growth.

Andrew joins the Group from Galliford Try, one of the UK's leading stock exchange listed construction groups, where he has worked in various finance roles for over ten years, latterly as Group Finance Director since March 2019. Andrew has proven housebuilding industry experience, having held key finance roles in Galliford Try's former housebuilding operations, Linden Homes. Prior to Galliford Try, Andrew spent 16 years at PwC, leading a portfolio of significant clients across a range of sectors including construction and housebuilding.

## Process

### 1. Candidate specification reviewed and refreshed

Particular attributes required of candidates included:

- extensive financial and investor relations experience;
- proven experience in the housebuilding sector;
- proven leadership skills and the ability to drive change through people; and
- a track record of delivering business improvements and value for all stakeholders.

### 2. Internal candidates considered

Very capable internal candidates were considered by the Committee. These individuals will continue to be developed and remain a key part of the Group's succession arrangements.

### 3. External search

Identification of best-in-class candidates, focusing on the housebuilding sector. Diversity was an important consideration during the search.

### 4. Long list and short list

A long list of candidates was identified. Candidates were assessed for knowledge, capability, leadership and delivery. A short list of candidates was interviewed by the Chairman and Group Chief Executive, supported by the Group HR Director. Shortlisted candidates undertook externally-facilitated assessments and an interview with a principal psychologist.

### 5. Final interviews

The final two candidates were interviewed by the Group Chief Executive and all members of the Nomination Committee. One of the candidates was male and one was female.

### 6. Committee recommendation and Board appointment

Following a comprehensive search process, the Committee recommended that Andrew Duxbury be appointed as the Group's new CFO. This recommendation was accepted by the Board and the appointment was announced on 8 November 2023. Andrew's start date with the Group will be announced in due course.

## Induction

Andrew will receive a thorough induction upon joining the Group, covering the Group's strategy, operations, external environment and stakeholders. The induction will include meetings with the Chairman and Chief Executive, Chair of the Audit & Risk Committee, the Company's Auditor (Ernst & Young LLP) and some of the Group's key stakeholders, including major shareholders.

A comprehensive programme of meetings will also be held with members of the Group Executive Committee and senior managers, covering areas including the Group's housebuilding operations (construction, land & planning, technical, commercial and customer experience), off-site manufacturing, finance, tax, internal audit, IT, FibreNest, strategy & regulation, sustainability, health & safety, legal, HR and external affairs. Visits to a number of the Group's operating businesses, construction sites and factories will also be undertaken.

## Independent Non-Executive Directors

During the year and Alex Depledge and Colette O'Shea were appointed to the Board as Independent Non-Executive Directors; both joined the Board on 1 May 2023. Additionally, Simon Litherland and Joanna Place left the Board at the conclusion of the Company's Annual General Meeting on 26 April 2023.

## Board changes – Simon Litherland and Joanna Place

As part of the Committee's succession planning activities, during the year consideration was given to the length of service of Board members and the need for regular Board refreshment. Simon Litherland and Joanna Place were appointed to the Board as Independent Non-Executive Directors in April 2017 and April 2020, respectively. During their respective six and three year tenures, both Simon and Joanna brought valuable experience and perspectives to the Board; Simon being the serving Chief Executive of Britvic plc and Joanna being the former Chief Operating Officer of the Bank of England.

During the year Simon and Joanna indicated that they would not seek re-election at the Company's 2023 AGM. Accordingly, both Simon and Joanna left the Board at the conclusion of the AGM on 26 April 2023. The Board reiterates its thanks Simon and Joanna for their most valuable contributions, their wise counsel and support; the Board wishes them every future success.

# Nomination Committee report continued

## Independent Non-Executive Directors continued

### Appointments – Alexandra Depledge and Colette O'Shea

As previously reported, during 2022 the Committee agreed that it would be beneficial to appoint to the Board at least one Independent Non-Executive Director with relevant industry experience and/or experience of technology and innovative building techniques. The process to identify suitable candidates was initiated in 2022 and continued during 2023. Following a thorough search process, on 13 March 2023 the Company announced that Alex Depledge and Colette O'Shea would be appointed to the Board as Independent Non-Executive Directors and both assumed their roles on 1 May 2023.

**Alexandra Depledge**

Independent Non-Executive Director

- Relevant industry experience.
- Expertise in technology and innovative building techniques.

Alex is a serial technology entrepreneur and currently Chief Executive Officer of Resi.co.uk, the UK's largest residential architectural practice and a leading property technology business. Prior to establishing Resi, Alex co-founded Hassle.com, Europe's largest domestic cleaning online marketplace. Alex's full biography can be found on page 83.

**Colette O'Shea**

Independent Non-Executive Director

- Relevant industry experience.
- Expertise in town planning, property investment and development.

Colette had a 20-year career at Land Securities Group PLC ('Landsec'), one of the UK's leading real estate companies. Colette held a number of senior executive positions at Landsec, culminating in her appointment as Chief Operating Officer, a role which she held between December 2020 and March 2023. Colette has also previously served as a Non-Executive Director of a leading housing association. Colette's full biography can be found on page 83.

### Process

The Committee considered the balance of skills and experience of Board members as well as the qualities, knowledge and experience required to ensure the Board continued to remain effective. In this context, the diversity of the Board was also considered. Having reviewed these matters, the Committee agreed that it would be beneficial to appoint to the Board at least one Independent Non-Executive Director with relevant industry experience and/or experience of technology and innovative building techniques.

The Committee agreed to appoint an executive search firm, Egon Zehnder, to assist in the search for a suitable candidate. Egon Zehnder was selected for the assignment due to the firm's expertise and its status as a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms, which aims to promote board gender diversity. Egon Zehnder has no other connection to the Company or its Directors, other than the provision of recruitment services.

Candidates were selected to form a long list, which was considered by the Committee. Shortlisted candidates were interviewed by the Chairman and leading candidates held meetings with all Committee members.

During the selection process two outstanding candidates emerged, being Alex Depledge and Colette O'Shea. The Committee agreed that both candidates offered highly valuable and complementary relevant industry experience, whilst Alex also offered valuable property-related technology and innovation experience. Due to the strength, skills and experience of both candidates, the Committee recommended to the Board that both Alex and Colette be appointed as Independent Non-Executive Directors. The Board accepted the Committee's recommendation and on 13 March 2023 the Company announced that Alex and Colette would join the Board, effective 1 May 2023. As at the same date both Alex and Colette joined the Nomination Committee; Alex also joined the Remuneration Committee, while Colette also joined the Audit & Risk Committee.

Following their appointments, Alex and Colette received thorough inductions, covering the Group's strategy, operations and corporate governance. The inductions included a training session with the Group's corporate solicitors, as well as meetings with Board Directors, Executive Committee members and other senior managers, covering major Group functions and house building disciplines. Visits to the Group's construction sites were also undertaken.

## Equality, Diversity and Inclusion

Equality, Diversity and Inclusion is a key area of focus for the Board, the Committee and the Group's Executive team. The Board supports Equality, Diversity and Inclusion for the Board itself, at senior management level and throughout the Group's workforce. The Board believes that diverse teams with a range of experience, age, ethnic background, skills, knowledge and characteristics combine to contribute towards an effective Board and a high performing management team and workforce.

### Linkage to strategy

A key part of the Group's strategy is building an inclusive culture where everyone feels a sense of belonging and is given a fair and equal chance to fulfil their potential. Increased diversity throughout the Group will have a tangible and positive impact on our business, our employees, our customers and wider stakeholders. It will increase our creativity and innovation, enable us to better reflect and respond to our customers and will improve employee engagement, productivity and retention.

The Group recognises the importance that shareholders, customers, employees and other stakeholders place on Equality, Diversity and Inclusion. To attract and retain the best talent the Group continues to invest in its workforce, its HR and training and development capabilities. The Board leads and oversees the Group's commitment to embedding and improving diversity and inclusion throughout the organisation; a commitment that has been demonstrated by actions taken during the year (see pages 104 and 105 for further information).

### Policy

The Group has an Equality, Diversity and Inclusion Policy, which applies to the Group's employees and the Board. The Group's objective is to be an Employer of Choice and 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. 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 on the Group's corporate website: www.persimmonhomes.com/corporate/sustainability/policies-and-statements.

The Group's performance against its internal diversity targets is set out in the table on page 101.

## Group's internal diversity targets and progress

To improve the diversity of the Group's workforce and management teams the Board announced the following gender diversity targets in March 2021:

### By the end of 2025 we aim for females to compose:

**40%** of our employees

**35%** of our senior management team*

**45%** of employees in management roles

These are stretching targets, achievement of which is influenced by various factors, including the level of recruitment, which in 2023 was reduced. However, due to the concerted efforts of the Group, progress has been made and the upward trend in females in the workforce and the senior management team has continued. Our succession plans also show a healthy talent pipeline which will help deliver an improved gender balance.

During 2023 the Group also set an additional gender diversity target, which is:

### By the end of 2025 we aim for females to compose:

**45%**

**of our employees in salaried roles**

This additional target has been set to differentiate weekly and monthly paid roles so that the Group can better understand its progress and target its action plans accordingly. The salaried workforce, which at 31 December 2023 comprised 69.4% of the Group's employees, includes office-based disciplines such as planning, as well as site-based disciplines such as site management. As at 31 December 2023, 40% of the Group's salaried employees were female. In contrast, the Group's weekly paid workforce, which predominantly comprises site-based construction roles such as groundworkers and bricklayers, is 97% male and 3% female.

### Targets

By the end of 2025 we aim for females to compose:

- 40% of our employees;
- 35% of our senior management team*;
- 45% of employees in management roles; and
- 45% of our employees in salaried roles.

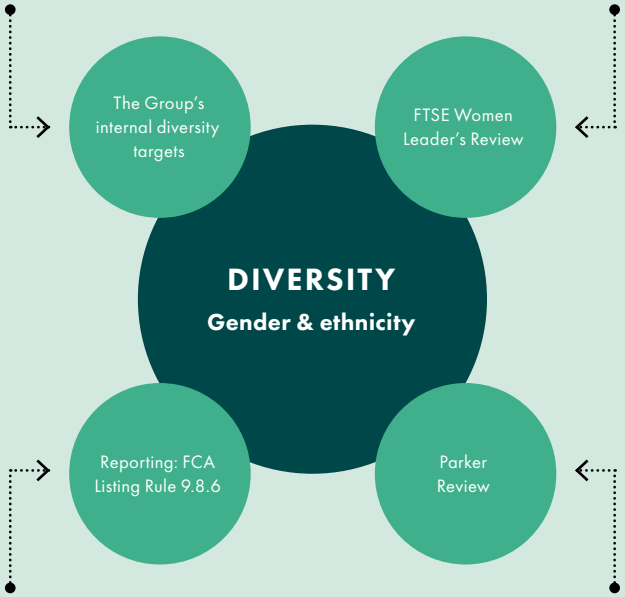
» See p101

### Targets

By the end of 2025, FTSE 350 companies should achieve the following targets:

- women should comprise at least 40% of boards and leadership teams; and
- at least one senior board position (Chair, Senior Independent Director, CEO or CFO) should be held by a woman.

» See p102




FCA Listing Rule 9.8.6 requires the Group to report against certain gender and ethnicity targets, and to provide corresponding data.

» See p103

### Targets

FTSE 350 companies should:

- Have at least one board director from a minority ethnic group; and
- Set a target, to be achieved by 31 December 2027, for the percentage of their senior management team* who self-identify as being in an ethnic minority.

» See p102

| | Females | | | |
|---|---|---|---|---|
| | **As at 31 December 2023** | As at 31 December 2022 | As at 31 December 2021 | As at 31 December 2020 |
| Employees | **28.5%** | 27% | 27% | 28% |
| Senior management team* | **34.5%** | 34% | 28% | 26% |
| Employees in management roles | **31%** | 32% | c.31% | Not previously reported |
| Employees in salaried roles | **40%** | Not previously reported | Not previously reported | Not previously reported |

The continued upward trends are encouraging, especially in relation to the proportion of females in the senior management team. However, in common with the wider sector, challenges remain, especially in attracting females into site-based construction roles such as labourers, groundworkers, bricklayers and joiners. To attract more diverse candidates to all available career opportunities, the Group has developed various initiatives, led by a Diversity and Inclusion Working Group:

- **Industry partnerships:** The Group has partnered with Women into Construction, an organisation which seeks to increase the number of women entering the construction and housebuilding industries;
- **Targeted recruitment:** The Group is targeting its apprentice recruitment at students currently at college, which generally results in a higher number of female candidates, and in our graduate recruitment, we actively seek applications from all under-represented groups (pertaining to gender, ethnicity and social mobility);
- **Training:** The Group has introduced a Housebuilding Basics training programme that aims to promote career opportunities in construction-related disciplines to the Group's non-construction employees, such as Sales Advisors, who are predominantly female. The Group also encourages employees to move from one discipline to another as part of their career development;

* Executive Committee and Direct Reports.

# Nomination Committee report continued

## Group's internal diversity targets and progress continued

- **Recruitment practices:** In 2024 the Group will roll out Professional and Inclusive Recruitment training for hiring managers, to ensure the entire candidate experience is inclusive and designed to attract a wide range of talent. It is anticipated this will result in more diverse candidates applying for, and succeeding in obtaining, roles within the Group; and
- **Ambassador programme:** The Group will expand its ambassador programme to showcase the diversity of its employees and career opportunities, leading to increased engagement with schools and colleges, and raised awareness among early-career candidates of the Group's employer brand.
- **Celebrating diversity**: Our internal communications celebrate and provide education in areas of diversity such as gender, LGBTQ+ and disability through events and learning activities around, for example, International Women's Day and Pride.

The Group will continue to work towards achieving its internal diversity targets and further details of the significant diversity & inclusion activities undertaken by the Group during the year can be found on pages 104 and 105.

## Gender diversity – FTSE Women Leaders Review

The need for, and benefits of, diversity are at the forefront of the minds of Committee members. The Committee has previously noted and considered the targets set by the FTSE Women Leaders Review and the reporting requirements of the FCA Listing Rules.

### FTSE Women Leaders Review

By the end of 2025, FTSE 350 companies should achieve the following targets:

- women should comprise at least 40% of boards and leadership teams*; and
- at least one senior board position (Chair, Senior Independent Director, CEO or CFO) should be held by a woman.

* Executive Committee and Direct Reports.

The Group Chief Executive was appointed in September 2020 and the appointment of Andrew Duxbury as Chief Financial Officer (CFO) was announced in November 2023. Given the dates of both appointments, and in light of the FTSE Women Leaders Review targets, the Committee has previously agreed, and reiterates, its firm intent that a woman be appointed as the Group's next Senior Independent Director and anticipates this will be Annemarie Durbin.

As at 31 December 2023 the Board comprised four males (50%) and four females (50%). It is anticipated that, following Andrew Duxbury's commencement with the Group as CFO in spring 2024, the Board will comprise five males (56%) and four females (44%).

As at 31 December 2023 the Group's Executive Committee and Direct Reports comprised 36 males (65.5%) and 19 females (34.5%) (2022: 35 males (66%) and 18 females (34%)). The Committee will continue to exercise oversight and scrutiny of the Group's equality, diversity & inclusion activities as the Group works towards becoming a more diverse organisation.

During 2023 the Group participated in the FTSE Women Leaders Review Survey.

## Ethnic diversity – Parker Review

The Committee continues to be mindful of the Parker Review, and its target that each FTSE 350 board should have at least one director from a minority ethnic group. The Board achieved this target in July 2021 with the appointment of Shirine Khoury-Haq as an Independent Non-Executive Director, whose ethnicity is Arabic.

### Parker Review

In summary, all FTSE 350 companies should:

- have at least one board director from a minority ethnic group; and
- set a target, to be achieved by 31 December 2027, for the percentage of their senior management team* who self-identify as being in an ethnic minority.

* Executive Committee and Direct Reports.

During the year the Committee also noted and considered the Parker Review's increased ambition and the extension of the Parker Review's targets to include senior management teams. The Parker Review now requests that FTSE 350 companies set their own target for the percentage of their senior management team who self-identify as being in an ethnic minority. The Parker Review has requested that such targets be set by 31 December 2023 and achieved by 31 December 2027.

The extended requirements of the Parker Review were carefully considered by the Committee, and a report from the Group's Director of Talent & Diversity was received on this matter during the year.

To aid the assessment of the Group's ethnic diversity, the Group has made efforts in recent years to capture ethnicity data for more of the Group's employees. As at 31 December 2023 the Group held ethnicity data for 43% of employees, this having increased from 17% in 2021. Despite this progress, the Group considers that at present, the Group does not hold sufficient ethnicity data about its employees to enable the setting of an appropriate target for the ethnic diversity of the Group's senior management team. The Group is therefore intensifying its efforts to encourage employees to voluntarily provide their ethnicity data via the Group's HR Information System. During 2024 the Committee will receive progress reports regarding the intensified data collection exercise. It is the Committee's intention that a senior management ethnic diversity target will be set in 2024. Consideration will also be given to potentially setting other targets reflective of the communities where the Group's operations are based.

The Committee will continue to have regard to the Parker Review, and the benefits that diversity can bring to Board decision making and performance, when considering succession planning and when undertaking future candidate searches. During 2023 the Group participated in the Parker Review Survey.

## FCA Listing Rule 9.8.6 – diversity reporting

In compliance with FCA Listing Rule 9.8.6 the Company reports the following diversity information as at 31 December 2023:

| FCA Listing Rule target | Outcome | Group's position at 3 Dec 2023 |
|---|---|---|
| **At least 40% of Board Directors are women** | Target achieved | 50% of Board Directors were women. |
| **At least one senior Board position* held by a woman** | Target not achieved | No senior Board positions were held by women. It is the Committee's firm intent that a woman be appointed as the Group's next Senior Independent Director and anticipates this will be Annemarie Durbin. |
| **At least one Board Director from a minority ethnic background** | Target achieved | One Board Director was from a minority ethnic background. |

* Chair, Chief Executive, Senior Independent Director or Chief Financial Officer.

### Supporting explanation

The Board, and the entire Group, is on a journey to increase its diversity. Whilst progress has been made in this regard over recent years, there is more to do. The Committee keeps the composition of the Board, its diversity, and the diversity of the Group, under close review. As at 31 December 2023, no senior Board positions were held by women, however the Chair of both the Remuneration and Audit & Risk Committees was held by a woman. Given the relatively recent appointment of the Group Chief Executive, who was appointed in September 2020, and the recent appointment of the Chief Financial Officer, which was announced in November 2023, the Committee has agreed its firm intent that a woman be appointed as the Group's next Senior Independent Director and anticipates this will be Annemarie Durbin.

No changes have occurred to the composition of the Board between 31 December 2023 and the date this document was approved (11 March 2024).

### Gender diversity data

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management** | Percentage of executive management** |
|---|---|---|---|---|---|
| **Men** | 4 | 50% | 4 | 5 | 55.6% |
| **Women** | 4 | 50% | 0 | 4 | 44.4% |
| **Not specified/prefer not to say** | 0 | 0% | 0 | 0 | 0% |

** Executive Committee only.

### Ethnic diversity data

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management** | Percentage of executive management** |
|---|---|---|---|---|---|
| **White British or other White (including minority-white groups)** | 7 | 87.5% | 4 | 8 | 88.9% |
| **Mixed/Multiple Ethnic Groups** | 0 | 0% | 0 | 1 | 11.1% |
| **Asian/Asian British** | 0 | 0% | 0 | 0 | 0% |
| **Black/African/Caribbean/Black British** | 0 | 0% | 0 | 0 | 0% |
| **Other ethnic group, including Arab** | 1 | 12.5% | 0 | 0 | 0% |
| **Not specified/prefer not to say** | 0 | 0% | 0 | 0 | 0% |

** Executive Committee only.

### Approach to data collection

The Company has used a consistent approach in collecting the gender and ethnicity data displayed in the tables above, the source of which is the Group's HR Information System.

All employees, and Board Directors, are asked to provide the Group with information regarding their gender and ethnicity when they join the Group. Regarding gender, employees are able to self-identify as either male, female or 'other'. Employees are able to state that they live in a gender different to their gender assigned at birth. For ethnicity, employees are asked to self-identify based on the Office for National Statistics ethnicity categories. If provided, the gender and ethnicity information is recorded in the Group's HR Information System. Employees can update this information at any time during their employment and are asked quarterly to provide their gender and ethnicity information, if they have not done so already.

# Nomination Committee report continued

## Gender Pay Gap

The Group's Gender Pay Gap Reports are available on our corporate website at www.persimmonhomes.com/corporate. The 2023 Report will be published in March 2024, with the 2022 report having been published in March 2023. The median Gender Pay Gap for the Group was 9.9% in 2023 (2022: 13.5%), compared to the Office for National Statistics figure for 2023 of 14.3% (2022: 14.9%). As at 31 December 2023, the gender balance of the Group was 29% female and 71% male.

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. However, the Group has stretching targets to increase the proportion of women in senior and management positions and, as the Group progresses towards achieving these targets, it is anticipated that our Gender Pay Gap will reduce.

The Group remains committed to ensuring that all employees have the opportunities to reach their full earning potential and during the year the Group continued to take action in relation to equality, diversity & inclusion, and talent development, details of which are set out on pages 32, 104 and 105.

## Equality, Diversity & Inclusion (ED&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 updates from both the Group HR Director and/or the Group's Director of Talent and Diversity at each of its meetings. The Committee is pleased to report that during the year the Group continued to take a number of significant actions that were designed to improve diversity and inclusion within the Group. These important actions also add to the Group's drive to develop and maintain a diverse pipeline of talent for succession to senior management and executive positions.

| ED&I Activity | Detail |
|---|---|
| **Board diversity** | The Nomination Committee has maintained its firm intent to appoint a woman as the Company's next Senior Independent Director and anticipates this will be Annemarie Durbin. |
| **The Group's internal diversity targets** | During the year the Group continued to work towards its stretching internal diversity targets and added a new target to focus on the percentage of females in salaried roles. The Committee received progress reports from the Director of Talent & Diversity, highlighting the success in increasing the proportion of women in senior management, and actions being taken to overcome the challenge of recruiting women into non-salaried, site-based construction roles, such as the Group's partnership with Women into Construction and targeted recruitment of apprentices. |
| **Diversity & Inclusion Council** | The Diversity & Inclusion Council continued its work during the year, overseeing the implementation of the Group's ED&I Strategy, driving accountability and monitoring progress.<br><br>To reflect the strategic importance of the Council and its activities, the Council is chaired by the Director of Talent & Diversity and its membership includes a range of senior leaders including Executive Committee members. |
| **Diversity & Inclusion Working Group** | The Diversity & Inclusion Working Group, consisting of a diverse cross-section of employees, continued its work during 2023, feeding directly into the work of the D&I Council. Work streams to support the Group's ED&I strategy were updated and assigned to Working Group members covering communications, recruitment, training, disability, data, culture, customers, and future talent. |
| **ED&I training** | To spearhead the Group's ED&I Strategy, mandatory 'Inclusive Leadership' training was delivered to over 200 of the Group's leaders and senior managers during the year. 'Positive Workplace' training was also provided to 450 site-based employees, focusing on banter, bullying, harassment, inclusion and mental health awareness. Additional training sessions will be delivered in 2024.<br><br>A new ED&I Foundations e-learning course was developed during the year and will form part of mandatory induction training for new employees. The course will explain why ED&I is important to the Group and will help the Group to develop a more inclusive culture.<br><br>The Group's Learning Management System was updated during the year to include a ED&I Essentials resource, enabling employees and line managers to easily access all ED&I training materials. Training recently added to this resource includes topics such as neurodiversity and menopause awareness. |

| ED&I Activity | Detail |
|---|---|
| **Inclusive Recruitment** | HR and training team colleagues received training from an external specialist in Inclusive Recruitment during the year and a new course for hiring managers will be rolled out across the Group in 2024, covering the entire candidate experience, from vacancy advertisements to offers of employment. It is anticipated this will result in more diverse candidates applying for, and succeeding in obtaining, roles within the Group. |
| **Communication and awareness** | To raise awareness and to promote an inclusive culture, the Group marked important events in the diversity calendar during the year including World Autism Week, Mental Health Awareness Week, International Women's Day, Pride, World Menopause Day and International Day of Persons with Disabilities. |
| **Employee Network Groups** | During the year the Group launched the Persimmon Women's Network to foster a network of female employees who can benefit from peer contacts, learn from others in a safe and supportive environment and discuss relevant topics, such as career progression, building influence and managing work-life pressures. The network is sponsored by a member of the Executive Committee and, since its launch, has held six webinars covering topics including influencing & resilience, the Menopause, the achievements of the Group's female employees and a Q&A session with a Board Director. The webinars are well supported by employees, both male and female.<br><br>Persimmon Pride, an LGBTQ+ network, was also formed during the year and conducted preparatory work ahead of its Group-wide launch which is planned for 2024. |
| **Inclusion Review – Progress Audit** | The Group commissioned its first Inclusion Review in 2021, a comprehensive audit undertaken by an external ED&I specialist. During 2023 it was agreed that the external ED&I specialist will conduct a follow-up progress audit in 2024. This progress audit will help the Group to identify where advances have been made, will highlight areas for improvement and will provide valuable benchmarked feedback. |

## Succession planning

The Group understands the importance of succession planning in achieving the Group's strategy and in developing a diverse pipeline of talent. Succession planning for the Board and senior management is reviewed by the Committee, with regular succession and talent updates being delivered by the Group HR Director and/or Director of Talent and Diversity. 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 all aspects of diversity, with a particular focus on gender, social mobility and ethnicity.

### Board composition

The Board currently includes six Independent Non-Executive Directors, who together bring a balance of skills, experience and perspectives to the Board, and a diversity of views. The broad spectrum of experience and expertise of the Non-Executive Directors includes:

- banking and finance;
- leadership, including CEO experience;
- strategy development and execution;
- corporate governance;
- Human Resources;
- Executive remuneration;
- technology and innovation;
- entrepreneurship; and
- relevant sector and industry experience gained in engineering & construction, town planning, property investment & development, and various consumer facing businesses.

The full biographies of the Non-Executive Directors can be found on pages 82 and 83.

# Nomination Committee report continued

## Succession planning continued

### Board succession

The Committee considers the balance of skills and experience of Board members, as well as the qualities, knowledge and experience required to ensure the Board continues to remain effective. In this context, the diversity of the Board is also considered. The additions of Alex Depledge and Colette O'Shea to the Board during the year brings further relevant industry experience, and technology & innovation experience, to the Board's extensive skillset. The Committee is therefore 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, marketplace and external environment.

Succession planning for the Executive Directors has been, and will continue to be, an area of enhanced focus for the Committee. Succession plans for the CEO and CFO were reviewed during the year, with a report being received from the Group's Director of Talent & Diversity setting out the Group's pipeline of potential successors across short, medium and long-term time horizons, plus actions to strengthen the pipeline. It has been agreed that, in addition to a comprehensive induction, Andrew Duxbury, the Group's incoming CFO, will be supported via a detailed Onboarding Plan, which will be continuously reviewed and monitored by the Committee.

### Senior management succession

Talent management is an important area of focus for the Group and, during the year the Committee reviewed the succession plans for the Group's most senior executive positions, with careful consideration being given to the Group's pipeline of potential successors. Actions to strengthen the pipeline were also noted, including the implementation of individual development plans and external benchmarking for selected senior executives.

During the year the Committee also received reports on, and had oversight of, the Group's wider talent and succession planning activities, details of which are set out in the table.

| Talent and succession planning activity | Detail |
|---|---|
| **Future Leadership Programme** | Launched in 2022, this programme is designed to develop high-performing functional directors who have the potential to be promoted further. To date, two cohorts have successfully completed the programme, which equips participants with the leadership skills and business knowledge required to become a Managing Director of one of the Group's housebuilding businesses, or a director of a centralised Group function. A number of programme participants have subsequently been promoted. |
| **MD Essentials** | The MD Essentials is an innovative new development tool available to the Group's current (and aspiring) Managing Directors who run the Group's housebuilding operating businesses. MD Essentials is an online repository of detailed information which includes guidance and information designed to provide functional directors and both new and current MDs with the broader knowledge they need to take on the significant management responsibilities of the MD role. |
| **Advanced Management Programme** | By conducting a comprehensive Talent Review, the Group has identified over 90 consistently high performing individuals in junior or middle management roles who have the potential to move into more senior roles. This 6-month programme, which was launched during the year, will aim to broaden participants' outlook and experience, enabling them to achieve promotion, develop their careers further and become Persimmon Ambassadors. |
| **Development support for senior executives & managers** | Further support, such as coaching and mentoring, is being provided to selected senior executives and managers to better equip them with the skills and experience they need to succeed in their roles. |
| **Graduate Management Training Programme** | This programme, which was established in 2021, recruited its third cohort 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 ensure that the programme actively encourages applications from underrepresented groups and provides a structured development pathway. |

It is anticipated that the Group's talent and succession planning activities, combined with its significant focus on equality, diversity and inclusion, will lead to the development and maintenance of a diverse pipeline of talent for succession to senior management and executive positions.

**Roger Devlin**
**Chair of the Nomination Committee**
11 March 2024

## Audit & Risk Committee

# Committee Chair's statement

**The Audit & Risk Committee has continued to ensure the accuracy of financial reporting, the adequacy of internal controls and the appropriate management of risk, which has been of particular importance in yet another year of domestic and international uncertainty.**

**Shirine Khoury-Haq**
**Chair of the Audit & Risk Committee**

### Audit & Risk Committee members and meeting attendance 2023

| | Scheduled meetings attended | Percentage of meetings attended |
|---|---|---|
| Shirine Khoury-Haq (Committee Chair) | 4/4 | 100% |
| Andrew Wyllie | 4/4 | 100% |
| Colette O'Shea[1] | 2/2 | 100% |
| Simon Litherland[2] | 2/2 | 100% |
| Joanna Place[2] | 2/2 | 100% |

1. Appointed 1 May 2024.
2. Left on 26 April 2024.

I am pleased to present the Group's Audit & Risk Committee Report for the year ended 31 December 2023. This report sets out how the Committee has discharged its responsibilities as outlined within its terms of reference over the course of the year, with particular focus on financial and non-financial reporting, audit, risk and internal control. In performing these duties, the Committee has complied with the requirements of the UK Corporate Governance Code and has been guided by relevant best practice as published by the FRC.

The priorities and duties of the Committee have remained largely unchanged within the year, with a continued focus on the integrity and quality of financial reporting, ensuring an effective external audit, and reviewing the effectiveness and independence of the Group Internal Audit department. In addition, following the 2022 decision to incorporate the business of the former Risk Committee, the Committee has retained its enhanced focus on ensuring the adequacy of the Group's risk management and internal controls.

In fulfilling its duties, the Committee has worked particularly closely with the Group Finance and Group Internal Audit departments, senior management teams, and Ernst & Young LLP ('EY') as the Group's external auditor. The close working relationship with each of these stakeholders has enabled the Committee to ensure the Group has provided clear and accurate corporate reporting, with appropriate challenge of accounting judgement and estimates, while operating with effective and appropriate risk management, internal control and internal audit regimes.

### Key duties of the Audit & Risk Committee

The main role of the Audit & Risk Committee is to support the Board in fulfilling its corporate governance responsibilities. In particular, and as outlined within its terms of reference, the Committee provides oversight of the following:

- Processes for financial reporting (including key accounting judgements and estimates) and non-financial reporting
- External audit
- Risk management framework
- System of internal controls
- Group Internal Audit processes

The composition of the Committee has been subject to change within the year. Simon Litherland and Joanna Place both stepped down from the Board and their roles as members of the Committee on 26 April 2023; I would like to thank Simon and Joanna for the valuable contribution they made during their time with Persimmon. I would also like to welcome Colette O'Shea, who has brought extensive operational and industry experience to the Committee since her appointment on 1 May 2023. Lastly, Jason Windsor stood down from his role as CFO on 1 September 2023. While not a member of the Committee, I would like to extend my thanks to Jason for his work in support of the Committee during his tenure.

## Areas of focus 2023

### Political and economic uncertainty

A range of external factors, such as domestic and international political uncertainty, continued inflationary pressures and mortgage affordability issues, have combined to provide a challenging business environment for the Group. This has been reflected in the reduced number of homes completed in the year and subsequent impact on Group profit. In this context, the Committee has continued to place particular focus on estimates and areas of accounting judgement, such as the Group's overall liquidity, the adequacy of the legacy buildings provision, asset carrying values, our viability statement and going concern assessments. In each case, these considerations have been subject to extensive management modelling and review, with further scrutiny through the work of the external auditor. To ensure their appropriateness, the Committee has worked to continually challenge these assessments and the underlying assumptions on which they are based.

# Audit & Risk Committee continued

# Committee Chair's statement continued

## Areas of focus 2023 continued

### Corporate reporting

The Committee has monitored and reviewed the Group's financial and non-financial reporting throughout the year. This has included both the Half Year Report and the 2023 Annual Report, along with all associated regulatory disclosures such as those describing its management of climate change risk in line with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). The Committee, at the request of the Board, has considered the 2023 Annual Report and is satisfied that taken as a whole it is fair, balanced and understandable, and provides the necessary information for stakeholders to assess the Group's overall position, performance, business model and strategy.

### External audit oversight, quality, independence and objectivity

The Committee recognises the value of high-quality external audit and fosters a culture where audit challenge is actively welcomed. Throughout the year, the Committee has engaged proactively with EY, maintaining a continuous focus on the quality, independence and objectivity of our external audit provision. The Group's 2023 audit has been enhanced through a detailed planning process, building on the experience of prior year audits. The process was also informed by both the results of our annual assessment of auditor performance from internal stakeholders and actions agreed with EY following an FRC-led Audit Quality Review ('AQR') on the Group's 2021 audit. The independence and objectivity of EY has been maintained through a range of measures, including regular private meetings between EY and the Committee, the Group's policy limiting the provision of non-audit services, review of EY's independence declarations and periodic rotation of the audit partner. The Committee is satisfied that EY continue to be independent and objective and that the audit is effective.

**"The Group has established a risk management and internal control improvement plan, developed to address recommendations following an externally led review of the Group's risk management processes and to enhance the overall maturity of the system of internal controls.**

### Internal audit

The effectiveness and ongoing independence of the Group Internal Audit department has been confirmed by the Committee. The department's periodic External Quality Assessment ('EQA') was conducted by the Chartered Institute of Internal Auditors ('IIA') in July 2023, and confirmed a high degree of conformance to the professional standards. The Committee has also had regular meetings with the Director of Internal Audit without executive management present, including one formal session annually. In addition to the review of routine reporting on internal audit findings, follow-up actions and departmental performance, the Committee has reviewed and approved both the annual internal audit plan and departmental development plan as proposed Director of Internal Audit. The Group Internal Audit department's resourcing for 2024 has also been assessed by the Committee and confirmed as appropriate to fulfil its duties.

### Risk management and internal control

On behalf of the Board, and in line with the requirements of the UK Corporate Governance Code, the Committee has assessed the principal and emerging risks facing the Group. This included a review of the results of a comprehensive exercise to gather feedback from the Board and senior management, with particular focus on risk movements and the effectiveness of the mitigating controls.

The Group has established a risk management and internal control improvement plan, developed to address recommendations following an externally led review of the Group's risk management processes and to enhance the overall maturity of the system of internal controls. The Committee has received updates from the Group Internal Control Manager on both the status of actions that continue to be completed as part of the plan and the anticipated evolutions in the legal and regulatory requirements for internal control. Further reporting has been provided on control improvements from across the business, most notably in respect of the strengthening of our IT and cyber security arrangements.

## Anticipated areas of focus for 2024

It is anticipated that 2024 will be another year of political and economic uncertainty, and that business conditions will remain challenging as a result. In particular, uncertainties around planning are likely to cause continued disruption. In this context, the Committee expects to review and challenge the Group's risk appetites and their alignment with business decision-making processes. The emphasis on accuracy and reliability of financial and non-financial reporting, supported by high quality assurance provision in both external and internal audit, shall be retained. The Committee will also oversee preparations for changes in the UK Corporate Governance Code and broader corporate governance environment, ensuring the Group takes appropriate steps to ensure compliance and to align with good practices as these develop. This will include monitoring the delivery of the Group's plans to enhance risk management and internal control capabilities, particularly in respect of key processes such as those supporting valuations and work in progress, and the corporate risk culture required to sustain improvements.

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 & Risk Committee**
11 March 2024

# Audit & Risk Committee report

## Purpose and governance of the Audit & Risk Committee

The main role of the Audit & Risk Committee, as outlined within its terms of reference, is to support the Board in fulfilling its corporate governance responsibilities. In particular, the Committee provides oversight of the Group's financial and non-financial reporting processes (including key accounting judgements and estimates), ensures an appropriate and high-quality provision of assurance from both external and internal audit, and monitors the Group's systems of risk management and internal control.

The Committee performs an annual review of its terms of reference. Within 2023, the terms of reference were subject to minor updates to ensure an adequate reflection of the merging of the business of the Committee with that of the Risk Committee in 2022, and to maintain alignment with good practices from the Chartered Governance Institute. As noted in the governance report on page 96, an internal evaluation of the Committee was also performed within the year. The results of this evaluation were generally positive, including an assessment against a benchmark group of companies. However, in the spirit of continuous improvement, the Committee has recognised a need to increase its emphasis on the Group's plans to enhance risk management and internal control capabilities, and will deliver on this through 2024.

## Audit & Risk Committee composition and attendance

The Committee is comprised exclusively of Non-Executive Directors, in line with the provisions of the UK Corporate Governance Code. The composition of the Committee has been subject to change within the year, with both Simon Litherland and Joanna Place both having stepped down from the Board and their roles as members of the Committee on 26 April 2023. The Committee continues to be chaired by Shirine Khoury-Haq, who has been a member of the Committee since her appointment to the Board in July 2021. The Board remains satisfied that Shirine Khoury-Haq has recent and relevant financial experience appropriate to Chair the Committee, through her role as Group Chief Executive Officer for The Co-operative Group, where she previously held the role of Group CFO. The other Committee members are Andrew Wyllie (appointed in January 2021) and Colette O'Shea (appointed in May 2023). Both Andrew and Colette provide a wealth of operational knowledge and industry experience, as outlined in more detail in their biographies on pages 82 to 83. Collectively, the Committee maintains a broad and varied skillset which enables it to deliver a high quality of work on behalf of our shareholders and broader stakeholders.

In addition to the Committee members, the meetings of the Committee are attended by the Company Secretary, Group CFO, Group Financial Controller and Director of Internal Audit, as well as representatives from the external auditor. Within the year, and at the invitation of the Chair of the Committee, the Group CEO, other members of the Board, various senior managers and external speakers have also attended meetings, either in full or in part.

The Committee holds four scheduled meetings per year, with all members in attendance for each of these meetings within 2023. In addition to the normal schedule of meetings, there were four further calls held by the Committee in order to review additional works on accounting controls performed by the Group Internal Audit department and the external auditor around the half-year. The Committee also held discussions separately and privately with the external auditor, the senior management team and the Director of Internal Audit.

## Activities of the Committee in 2023

The activities of the 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. The annual cycle is finalised in the Committee's March meeting, with the review of all year end reporting matters, including the assessment of areas of significant financial judgements, review of viability and going concern disclosures the assessment of the draft Annual Report and Accounts to ensure it is fair, balanced and understandable.

| Theme | Activity | Feb 23 | Apr 23 | Aug 23 | Dec 23 | Mar 24 |
|---|---|---|---|---|---|---|
| Corporate reporting | Review of Annual Report as fair, balanced and understandable | ✓ | | | | ✓ |
| | Review of draft full year results, including viability and going concern | ✓ | | | | ✓ |
| | Review draft TCFD reporting for the Annual Report | ✓ | | | | ✓ |
| | Half-year statement review | | | ✓ | | |
| External audit | Review of external audit report on full-year audit | ✓ | | | | |
| | Private meeting with the Committee members | ✓ | | ✓ | | |
| | Review of external audit report on half-year audit | | | ✓ | | |
| | Review of external auditor performance | | ✓ | | | |
| | Fee structure review and approval | | | ✓ | | |
| | Review of the non-audit services policy | | | ✓ | | |
| | Audit plan finalised and agreed | | | | ✓ | |
| | Independence review | | | | ✓ | |
| Internal audit | Review of the report of Group Internal Audit | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Review and approval of Group Internal Audit Charter | | ✓ | | | |
| | Review of External Quality Assessment from the Chartered IIA | | | ✓ | | |
| | Private meeting with the Director of Internal Audit | | | ✓ | | |
| | Review of Group Internal Audit independence and effectiveness | | | ✓ | | |
| | Approval of the 2024 annual internal audit plan | | | | ✓ | |

# Audit & Risk Committee continued

# Audit & Risk Committee report continued

## Activities of the Committee in 2023 continued

| Theme | Activity | Feb 23 | Apr 23 | Aug 23 | Dec 23 | Mar 24 |
|---|---|---|---|---|---|---|
| Risk management and internal control | Review of the statement of effectiveness of internal controls | ✓ | | | | ✓ |
| | Controls update from Group Internal Control Manager | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Tax status report | ✓ | | ✓ | | |
| | Review of performance of the shared equity loan portfolio | ✓ | | ✓ | | |
| | Feedback from external review of risk management processes | | ✓ | | | |
| | Legacy buildings progress report | | ✓ | ✓ | ✓ | |
| | Reports on cyber security improvement plans | | ✓ | | ✓ | |
| | CMA market study update | | ✓ | | | |
| | Reports on FibreNest improvement plans | | | ✓ | | |
| | Review of principal and emerging risks, including Board survey | | | | ✓ | |
| Committee governance | Review of Committee terms of reference | ✓ | | | ✓ | |
| | Review of internal Committee evaluation | | | | ✓ | |
| | Update on FRC Minimum Standard for Audit Committees | | | ✓ | | |

## Priorities and main activities during the year

### 1. Corporate Reporting

The Committee has maintained a strong focus on ensuring the integrity and reliability of both financial and non-financial reporting, including its the review of the Group's Annual Report, the Half Year Report and the associated regulatory announcements. With political and economic uncertainties continuing to adversely impact the business environment, the Committee has placed additional emphasis on accounting policies governing estimates and areas of judgement, providing robust challenge to management and obtaining assurance through the work of both external and internal audit.

Within 2023, this has included particular focus on the Group's legacy buildings, with a primary emphasis on resident safety. The Committee also focused on the legacy buildings provision, ensuring appropriate reporting on the progress of remediation works, cost projections and provision utilisation, whilst ensuring that resident safety remains at the forefront of both Board and management considerations.

In response to a controls failure identified through the routine work of the Group Internal Audit department, the Committee has also overseen additional testing on manual accounting entries and journals, obtaining appropriate assurance on the adequacy of supporting processes and records through the year, as well as working with management to ensure there has been subsequent training and communication across the organisation.

At the request of the Board, the Committee has considered whether the 2023 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. The Committee's review of the 2023 Annual Report has considered a broad range of information, including the routine reporting it receives from Finance, senior management, the external auditor and the Group Internal Audit department. It has also assessed the underlying accounting policies and 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. Following this review, the Committee has concluded that the 2023 Annual Report can be considered to be fair, balanced and understandable, and that it meets the required expectations of shareholders.

### Assessment of significant financial judgements

The Committee has performed its assessment of the areas of significant financial judgements facing the Group, and the associated identification of risks of potential misstatement within the Group's financial statements. The material financial issues facing the Group in 2023 have been assessed as follows:

| Area of judgement | Risk factors | Procedures performed by the external auditor | Committee assessment |
|---|---|---|---|
| **Revenue recognition**<br>The Group's revenue for 2023 was £2,773m. The analysis of total Group revenues is detailed further within note 5 to the financial statements. | Misstatement in revenue recognition could arise through cut off errors or potential management bias, thereby adversely affecting the income statement. | The accuracy of revenue and cut off controls is assessed using data analytics tools and detailed transactional testing, in order to trace recorded sales through to cash receipts and legal completion statements. Revenue from Housing Association sales is also assessed based on the terms of the relevant contracts. | Based on its review of the management controls in operation and the assurance provided by the external auditor, the Committee is satisfied that the Group's processes and controls over revenue recognition are operating effectively, and that revenues are reported accurately. |

| Area of judgement | Risk factors | Procedures performed by the external auditor | Committee assessment |
|---|---|---|---|
| **Inventory valuation and profit recognition**<br>The carrying value of the Group's land at 31 December 2023 was £2,104m, the carrying value of work in progress on-site was £1,431m and the cost of sales was £2,253m. | The carrying value of land and work in progress could be subject to impairment in the event that underlying estimates, such as those on market conditions and anticipated selling prices, prove to be inaccurate, or if market conditions were to deteriorate significantly. | Challenge is provided through a range of procedures as set out in the Independent Auditor's Report on page 146. These include:<br>• walkthrough tests on sampled transactions to trace to source records and ensure accurate allocation;<br>• comparisons of estimated and actual margins to assess forecasting accuracy;<br>• assessing the appropriateness and traceability of cost and selling price assumptions; and<br>• attendance at a sample of valuation meetings, and review of the accuracy and completeness of valuation materials. | The Committee has placed particular emphasis on understanding the operation of management's processes for monitoring land and work in progress valuations and profit recognition. This has included seeking additional assurance on these processes through the work of the Group Internal Audit department. The reduced external audit materiality has also resulted in an increased depth of testing, which has provided further assurance. Having reviewed the Group's inventory valuation and profit recognition controls, and the various sources of assurance on their effective operation, the Committee has concluded that management's assessment of the net realisable value of the Group's land and work in progress as held at 31 December 2023 was appropriate. |

| Area of judgement | Risk factors | Procedures performed by the external auditor | Committee assessment |
|---|---|---|---|
| **Legacy buildings provision**<br>The Group has a provision for remediation works on legacy buildings of £283m. | The value of this provision could prove to be inaccurate if further legacy issues were identified or brought within the scope of remediation. The provision also relies on cost forecasts, which could prove inaccurate as the remediation works are contracted and delivered. | The external auditor has assessed the Group's key processes and controls in relation to legacy buildings. Following this assessment, they have challenged the basis for the scope of buildings covered by the provision, the estimated costs for remediation, and assumptions relating to cost inflation, estimated timing of spend and discount factors applied. Further detail is provided in the Independent Auditor's Report on page 146. | The Committee has taken time to review and challenge management's assessment and supporting evidence of the scope and anticipated cost of this obligation, including the basis on which the provision has been utilised, treated and disclosed within the financial statements. This has included proactively engaging with senior management to ensure the provision of routine and comprehensive reporting on the status of the legacy buildings programme. From the results of this review, and its assessment of the external audit procedures, the Committee is satisfied that the carrying value of the provision is appropriate. |
| **Management override of controls**<br>The Group's financial statements include a range of judgemental accruals, provisions and manual journals. | Accounting estimates relying on judgements could be manipulated in order to impact the financial statements. | Testing was performed on manual journals posted to significant risk areas to confirm the appropriate accounting treatment. The year on year movements in judgemental accruals was also assessed to identify accounting impact. | The Committee has assessed both the Group's existing control environment and management's plans to improve controls further, including enhanced automation to reduce the frequency of manual accounting entries. The Committee has also taken further assurance from the additional testing performed in this area in 2023, through both the Group Internal Audit department (and external co-source specialists) and as a result of lower audit materiality bringing a greater range of balances into scope for the external audit. |

# Audit & Risk Committee continued

# Audit & Risk Committee report continued

## 1. Corporate Reporting continued

### Viability Statement

The Committee has reviewed the Group's Viability Statement on pages 76 to 78. The Group's approach to assessing viability utilises a range of comprehensive stress testing scenarios. These focus on the potential impact of severe disruption in the market for new homes over the short to medium-term. The basis of these scenarios, which assume substantial reductions in sales over a relatively short period, compounded by reduced average selling prices and impairments of asset values, have been reviewed and challenged by the Committee. Following these detailed assessments, the Committee is of the view that the Group will be able to meet its liabilities as they fall due and continue in operation over the five-year period to 31 December 2028.

## 2. External audit oversight

The oversight of the provision of external audit is a one of the Committee's key duties. The Committee has performed this duty with reference to the Audit Committees and the External Audit: Minimum Standard, published by the FRC in May 2023. Further detail on these activities is outlined below.

### External audit areas of focus and challenge

Reports from EY were provided ahead of each meeting, including a final report and presentation of the 2023 audit results for the Committee's meeting in March 2024. The Committee has reviewed these reports and provided constructive challenge through the year, with particular focus on works related to significant financial judgements, such as revenue recognition, the carrying value of the Group's inventories in respect of land and work in progress, and the legacy buildings provision. The external audit has also focused on financial statement risk areas such as management override of controls, impairment of goodwill and intangible assets, share-based payments, the closed sites provision and valuation of the Group's defined benefit pension scheme obligations. The Committee has also reviewed EY's assessments of the Group 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 page 146).

### Performance and effectiveness

Ensuring the quality and effectiveness of external audit processes continues to be a key priority of the Committee, assessed with reference to a range of sources. In the meetings of the Committee, performance is assessed through review of the delivery of the agreed audit plan, the quality of audit reporting, demonstration of appropriate auditor scepticism and challenge on key areas, and from feedback obtained in the private meetings with the audit partner.

In addition, well-established processes are in place to provide the Committee with feedback from internal stakeholders on auditor performance. These include a comprehensive internal survey which gathers input on several measures in line with FRC guidance, such as the mindset, culture, skills and knowledge of the external auditor team. The Committee has engaged with EY to address improvement opportunities identified from this survey, to ensure efficiency of approach for future audit work. The Committee has also worked with EY to address matters highlighted by the FRC's Audit Quality Review (AQR) of the Group's 2021 audit. The Committee has satisfied itself that EY's resulting action plan, particularly in respect of increased rigour around the valuation process, will further strengthen the external audit process.

Having completed its review of the feedback from each of these areas in detail, the Committee has concluded that EY's performance and effectiveness in 2023, and the overall quality of the audit, was of a good standard.

### Auditor independence and fees

The Committee monitors the independence and objectivity of the external auditor and lead partner on an ongoing basis, with a formal review annually. This is a crucial area of the Committee's work, as it serves to ensure an appropriate professional scepticism in the work of the external auditor. Auditor independence and objectivity are assessed through the following measures.

**Audit partner rotation:** The policy of the Group requires rotation of the audit partner at least every five years. The lead audit partner is Victoria Venning, who has held the role since April 2021.

**Non-audit services:** The Group has a defined policy on provision of non-audit services by the external auditor, based around the FRC's Revised Ethical Standard of 2019, which was reviewed and updated within the year. This policy restricts some of the works which are permitted and limits the aggregate amount of fees payable to the auditor for non-audit services to a maximum of 70% of the average of audit fees in the prior three years. In applying such restrictions, the policy serves to safeguard, both in fact and appearance, the independence and objectivity of the auditor. Within 2023, the non-audit services provided by EY included audit-related fees of £75,000 for their work on their review of the Group's 2023 Half Year Report. EY also received payments of £72,500 and £5,000 for assurance work on carbon emission reporting and for the audit of the 2022 annual report of the Persimmon Charitable Foundation respectively. The fee paid to EY for their audit work for the 2023 financial year was £817,000, resulting in ratio of audit fees to non-audit fees for the year of 3.6:1.

**Independence declarations:** The external auditor provides a detailed independence confirmation, prepared in line with the provisions of the FRC Ethical Standard and ISA (UK) 260 (Communication of audit matters with those charged with governance). This confirmation is formally reported to, and subject to the review and approval of the Committee.

**Private meetings with external audit:** Prior to the commencement of each Committee meeting, the audit partner and Director of Internal Audit are given access to the Committee without management present, in order to discuss any challenges to their independence or scope of works. In addition, there are separate private meetings of the Committee and EY team, in which the Committee seeks confirmation that there has been no restriction in scope or other hindrance placed upon them.

The Committee remains satisfied that these measures have operated effectively in the year, and that the non-audit services provided were not sufficiently material to affect independence. As such, the Committee continues to consider that EY, and Victoria Venning as lead audit partner, remain both independent and objective.

### Overall assessment of the external auditor

Through the measures outlined above, the Committee has continuously challenged and assessed the performance, effectiveness, independence and objectivity of the external auditor. The Committee's formal review of the 2023 external audit has concluded that EY remain independent and objective, have performed only proportionate and permissible non-audit services, and continue to deliver a reliable and good quality audit.

### External audit tender and reappointment

Given the Committee's assessment as to the continuing effectiveness and independence of EY, the Committee considers it to be in the best interests of all stakeholders for EY to continue as the Group's external auditor. As such, the Committee has proposed that a Board resolution will be put forward at this year's AGM to reappoint EY for a further year. The decision to appoint EY as the Group's auditor was first made in April 2016, following a competitive tender exercise involving three leading audit firms. Since the appointment of EY, 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 will not be required to re-tender the external auditor provision until the full-year audit for 2026. Notwithstanding this requirement, the Committee will continue monitor the performance of EY, and make recommendations on future tendering plans on an annual basis, and in line with statutory requirements. The Committee considers this approach to tendering to be appropriate based on its assessment of EY's performance as outlined above, and their detailed understanding and experience of the Group's operations and systems.

## 3. Monitoring the Group Internal Audit department

Persimmon has a well-established Group Internal Audit department, which operates as an independent provider of assurance to the Board. The department's resourcing and mandate are approved annually by the Committee; within 2023 the Committee has overseen an expansion of the resources available to the Group Internal Audit department, through the provision of specialists in both construction and health and safety, and additional expertise through a co-source arrangement with an external provider.

The Director of Internal Audit attends all meetings of the Committee in full, presenting a comprehensive report including the results of all completed internal audits, the follow-up status of agreed actions, audit performance indicators and the status of the department development plan. The Group Internal Audit department satisfactorily delivered on its agreed audit plan for 2023, which was flexed to include additional requests from the Board at various points through the year.

In line with its terms of reference and the requirements of the UK Corporate Governance Code, the Committee has reviewed and satisfied itself of the continued effectiveness and independence of the Group Internal Audit department. The 2023 review process was informed by a range of factors, chief among which was the department's External Quality Assessment ('EQA'), commissioned through the Chartered Institute of Internal Auditors ('IIA'). The Committee was pleased to note the positive results of the EQA, which concluded that of the 63 relevant fundamental principles, the department conformed fully to 60 and partially to 3, with no areas of non-conformance. In line with the requirements of the IIA's Internal Audit Code of Practice, as the Director of Internal Audit has been in post for seven years, the Committee has also formally assessed and confirmed the continued independence of this role.

### Whistleblowing

The Group has a defined whistleblowing policy and procedure, which is communicated to the workforce through posters and is available online. The whistleblowing provision enables any member of the workforce to raise concerns, anonymously if necessary, through a range of media. The Chair of the Audit & Risk Committee is the Group's Whistleblowing Champion, acting as an independent sponsor of the Group's overall whistleblowing provision. Operationally, the Group Internal Audit department manages the whistleblowing process. This includes the review and triage of all incoming whistleblowing reports, conducting investigations where necessary, and provision of detailed reporting to the Committee on all reports received, including any underlying themes or trends to the reports. The Group has continued to benefit from its partnership with Protect, the whistleblowing charity, which has provided access to benchmarking and good practice guidance. The Committee remains satisfied that the Group's approach to whistleblowing is appropriate, and that investigations have been conducted swiftly and with the necessary competence and sensitivity. In the small number of cases where whistleblowing investigations have identified issues or control weaknesses, the Committee has been apprised of these and the resulting recommendations and management action plans.

## 4. Risk Management and Internal Control

The Committee recognises the importance of effective systems of risk management and internal control in ensuring the resilience of the Group's operations are reliability of its corporate reporting. The key aspects of these systems, and the Committee's role in monitoring them within the year, were as follows:

### Assessment of principal and emerging risks

The Committee supports the Board in fulfilling its duties under the UK Corporate Governance Code by assessing the principal and emerging risks facing the Group. This assessment is based on the review of a formal exercise to obtain input from the Board and senior management, facilitated annually by the Group Internal Audit department, and detailed further on pages 69 to 75. The external audit team also provide their views based on their experience in the industry and across other sectors. The conclusions of this assessment, including the identification of new risk areas and movements in assessment of risk impacts and probabilities, were reported to the Board through the Committee in its December meeting.

### Risk management

The Group has a well-established suite of risk registers, detailing assessments of risk and management controls for both operational activities and Group-level functions. The risk registers in their entirety are updated on an annual basis, with individual updates made continuously in response to the work of the Group Internal Audit department. On a periodic basis, the full suite of risk registers including details of material changes in content, are presented to the Committee.

Within 2023, through the Group Internal Audit department's annual plan, the Committee commissioned an externally facilitated maturity assessment of the Group's risk management framework. This exercise was concluded with a report to the Committee in April and a further discussion both in Committee and at the main Board. The findings have contributed to an action plan to drive further improvements in the Group's approach to risk management. Following this review, enhanced Committee reporting on risk is under development and will be deployed within 2024. This will include greater emphasis on the challenge of the Group's risk appetites, including processes to ensure business decisions are made in alignment with them, as well as the internal control workplan.

### Monitoring the legal and regulatory landscape

Throughout the year, the Committee has monitored the evolutions in the legal and regulatory landscape for internal control disclosures. While the scope and extent of these changes remain subject to a degree of uncertainty, following the Government's withdrawal of certain aspects of the planned legislation, it is anticipated that revisions to the UK Corporate Governance Code will impose greater reporting requirements on the status of internal control arrangements. The Committee has reviewed a risk management and internal control improvement plan which will deliver an initial phase of control enhancements in preparation for these requirements. Routine reporting has also been established, with an update from the Group Internal Control Manager provided to each meeting of the Committee. This will continue to be an area of regular engagement from the Committee into 2024.

### Reviewing the effectiveness of risk management and internal control

The Committee has processes in place to review the Group's internal control and risk management systems on a continuous basis. The Group Internal Control Manager provides routine updates on the progress of the Group's risk management and internal control improvement plans, with further reports provided by senior management and external partners, in addition to assurance work delivered through both the external auditor and the Group Internal Audit department. Within 2023, in addition to its routine business, the Committee has received reporting from management on the controls over legacy building remediation works, the FibreNest business and the Group's tax arrangements. The Committee also continues to support the Board's strong commitment to mitigating cyber and data risk, which is recognised as a principal risk for the Group. As such, it has obtained detailed updates on the status of improvement plans from both the Chief Information Officer ('CIO') and Chief Information Security Officer ('CISO').

In addition to these routine reviews of risk management and internal control, and in line with the provisions of the UK Corporate Governance Code, a formal annual assessment is performed by the Committee on behalf of the Board. This assessment draws on an independent summary produced by the Director of Internal Audit, utilising the Guidance on Risk Management Reporting, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014, an analysis of audit findings through the year, and feedback obtained from formal representations made by senior management and Finance teams. The 2023 assessment concluded that controls were generally operating effectively, despite internal audit findings identifying a continued dependence on manual controls in some core processes, and reliance on the detective controls delivered through the valuation process. These improvement areas are recognised by the Board, with various workstreams and improved automation planned to address them over the medium-term. Following its processes of continuous review and consideration of the annual summary report, the Committee has concluded that the Group's systems of risk management and internal control continue to be broadly effective and 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 33 to the financial statements. A complete list of the Company's subsidiaries and residents' management companies under its control is contained on pages 182 to 195.

## 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 78 and in the Directors' Report on pages 79 to 117. 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 2023 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 23 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 2023 was £2,773.2m and its consolidated profit before taxation was £351.8m.

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.

The Board has recommended the payment of a final dividend of 40p per ordinary share for the year ended 31 December 2023. The Board proposes a final dividend of 40p per share to be paid on 12 July 2024 to shareholders on the register on 21 June 2024, following shareholder approval at the AGM. This is in addition to the interim dividend of 20p per share, paid on 3 November 2023, to give a total dividend per share of 60p in respect of the 2023 financial year.

## 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 2025.

» 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 82 and 83. Information on the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are given in the Remuneration Report on page 131. All of the Directors served for the whole of the year, with the exception of Simon Litherland and Joanna Place, who both left from the Board on 26 April 2023; and Jason Windsor who was the Chief Financial Officer until he left the Board on 1 September 2023. In addition, on 1 May 2023 Alexandra Depledge and Colette O'Shea were appointed to the Board. The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2023 and as at the date of this report are disclosed in the Remuneration Report on page 133. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 132 within the same report.

## Appointment and replacement of Directors

The Directors shall be no less than two and no more than fifteen 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.

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') 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 10p each, which carry no right to fixed income. During 2023, 97,984 ordinary shares were issued with a nominal value of £9,798 to employees exercising share options. The Company received consideration of £6,340 for options exercised under the Group's savings-related share option scheme. At 31 December 2023 the issued share capital of the Company was 319,421,416 ordinary shares with a nominal value of £31,942,142. At 11 March 2024 the issued share capital of the Company was 319,424,158 ordinary shares with a nominal value of £31,942,416. Further details are provided in note 25 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 26 April 2023 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,646,159, representing approximately one third of the Company's issued share capital as at 10 March 2023. 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 £1,596,923. Shareholders also gave Directors authority to disapply pre-emption rights on the issue of shares up to further 5% of the issued share capital, being an aggregate nominal amount of £1,596,923. These authorities will expire at the conclusion of the AGM on 26 April 2024. 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 30 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.

# Other disclosures continued

## 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 £700m Revolving Credit Facility for Persimmon Plc dated 6 July 2023 as disclosed in note 23 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 44.

## 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 has introduced regular on-line communications to employees to keep them updated, with a wide range of content including updates on the Group's operations and financial performance, announcements about new initiatives and introductions to key colleagues; which is supplemented by a news app that is accessible to all colleagues. In addition, the Group has introduced divisional communications, supporting the Regional Chairs to speak to their teams via quarterly updates. This has been rolled out in two divisions and the rest will follow in 2024. These together with a number of functional webinars, for example, a quarterly site managers' webinar, means that we are connecting senior leaders directly with employees and giving them the opportunity to ask questions and receive real-time responses.

As mentioned on pages 55 and 89 of this report, the Group has an Employee Engagement Panel, which is attended by our designated Workforce Director. This allows employees to receive information on Board activities and to ask questions. The designated Workforce Director gives update on the Employee Engagement Panel to the Board.

There is also a Diversity & Inclusion Council and a Diversity and Inclusion Working Group, which are part of the Group's commitment to employee engagement, diversity and corporate governance best practice. The Company 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 55.

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 communicated to employees.

## Equal opportunities

Persimmon is an equal opportunities employer. We are committed to 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.

The Group policy is to have equal opportunities for training, career development and promotion for all employees without discrimination and to apply fair and equitable policies which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability and competency regardless of race, colour, nationality, ethnic origin, religion or belief, gender, sexual orientation, political beliefs, marital or civil partnership status, age, pregnancy or maternity, or disability. Applications for employment by disabled persons are always fully considered, with appropriate regard to the aptitude and abilities of the person concerned. In the event of any employee becoming disabled, every effort is made to ensure that their employment with the Group continues, that appropriate training is arranged and any reasonable adjustments are made to their working environment. It is the Group's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## Financial instruments

Details of the Group's financial instruments are set out in note 23 to the financial statements.

## Acquisition of own shares

At the AGM held on 26 April 2023 shareholders granted the Company authority to purchase up to an aggregate of 31,938,478 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2023 the authority remained outstanding. This authority expires on 25 April 2024 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2023 the Company held no shares in treasury.

## Annual General Meeting

The AGM will commence at 11.00 am on 25 April 2024 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 will be sent to shareholders in March 2024.

## 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.

## Listing Rule Disclosures

The disclosures required under Listing Rule 9.8 can be found in the table opposite. As at 31 December 2023 and as at 11 March 2024, 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:

## 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 & Risk Committee.

» Further details are provided on p145

| | As at 31 December 2023 | | **As at 11 March 2024** | | |
|---|---|---|---|---|---|
| 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 | 31,789,814 | 9.93 | **31,789,814** | **9.93** | **Indirect** |
| Canada Pension Plan Investment Board | 9,432,927 | 2.95 | **9,432,927** | **2.95** | **Direct** |

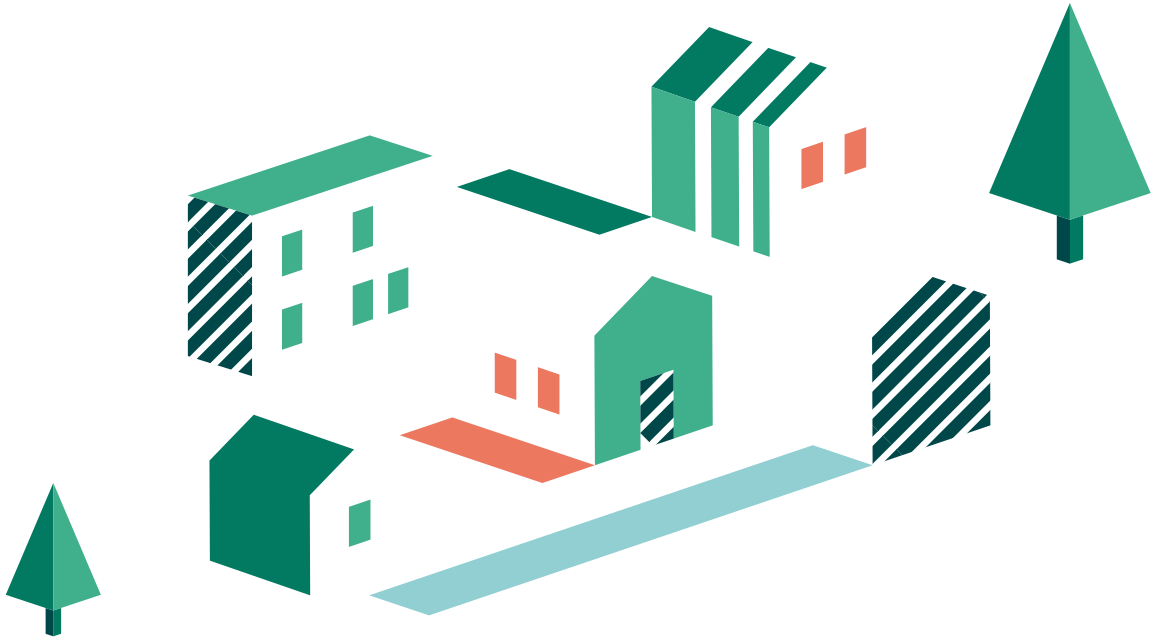
1. Represents the number of voting rights last notified to the Company by the shareholder in accordance with D.T.R.5.1.

| Item | Further information |
|---|---|
| Statement of Directors' share interests | » Read more on p133 |
| Details of the authority for the Company to purchase its own shares | » Read more on p116 |
| 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 p136 |

By order of the Board

**Tracy Davison**
**Company Secretary**
11 March 2024
Persimmon Plc

Company registration number: 1818486



## Remuneration

# Committee Chair's statement

**In a year with challenging market conditions, I believe that the 2023 remuneration outcomes represent a fair and reasonable balance of the interests of all stakeholders and are aligned with long-term value creation for Persimmon.**

**Annemarie Durbin**
**Chair of the Remuneration Committee**

**Remuneration Committee members and meeting attendance 2023**

| | Scheduled meetings attended | Percentage of meetings attended |
|---|---|---|
| Annemarie Durbin (Chair) | 4/4 | 100% |
| Nigel Mills | 4/4 | 100% |
| Alex Depledge[1] | 2/2 | 100% |
| Joanna Place[2] | 2/2 | 100% |

1. Appointed on 1 May 2023.
2. Left on 26 April 2023.

**We believe that our approach to remuneration for the senior leaders and the broader workforce is aligned to our strategy to build homes with quality our customers can rely on at a price they can afford, and I'm pleased that over 98% of shareholders supported our Remuneration Policy at the last AGM.**

## Our focus and approach in 2023

The Group successfully navigated the challenging market conditions in 2023. We have successfully balanced our need to control costs and protect our cash position, whilst investing in the business to position it for sustainable growth when conditions improve.

The Board was satisfied with the financial performance in the period. This was achieved while providing exceptional service to our customers and we are proud to have maintained our 5-star HBF rating. We have further improved our quality metrics in the year to what we believe are our best ever. Our profit and cash generation and returns to shareholders are described in the Group Chief Executive's Statement on pages 13 to 19.

The CEO, the management team and, indeed, all of our colleagues, have worked exceptionally hard to deliver these results in a very challenging environment.

It is particularly pleasing that the Group's robust performance has been delivered whilst remaining focused on building quality homes, customer care and maintaining high standards of health, safety and wellbeing for our customers, our workforce and the communities in which we operate.

In particular:

- Our focus on the quality of our homes and our customer care has continued and we're delighted that our 8-week score under the HBF 'Recommend a Friend' survey has further improved to 92.9%. We have also delivered significant improvement in our quality scores. Given our strategic focus on quality and customer care, we continue to use these as performance measures for the annual bonus and PSP. Details of the outturn for 2023 are set out on pages 129 and 130.
- We introduced an environmental target for the 2023 PSP awards based on our Science Based Targets for Scope 1 and Scope 2 emissions reduction, and will continue to apply a robust and measurable environmental target for our 2024 PSP awards. Further details can be found on pages 131 and 138. This supports the achievement of our long-term sustainability target and reflects the importance of sustainability to Persimmon.
- Over the last year the Persimmon Charitable Foundation as a whole has donated over £733,000, and the Persimmon Community Champions scheme has donated over £627,00 to more than 260 local charities, sports clubs and community groups.

Given the cost of living challenges which have continued in 2023, we have been focused on ensuring that our approach to remuneration for all employees is aligned to our strategy to build homes with quality our customers can rely upon at a price they can afford. This compelling purpose aligned to our remuneration approach supports the delivery of long-term sustainable performance, to benefit all stakeholders.

The Committee has been very mindful of the impact of continuing high inflation on our workforce and our communities. In this context we were pleased to see a number of enhancements being implemented for the broader workforce. These included:

- implementing the Real Living Wage increases in February 2024 ahead of the required May 2024 timeline, as part of our accreditation as a Living Wage employer;
- a pay review for the wider workforce of 5%. This has been implemented on a phased basis with 3% effective from 1 July 2023 and an additional 2% with effect from 1 January 2024; and
- continuing progress towards harmonising remuneration and benefit practices for our weekly paid workforce to align more closely with our monthly paid colleagues.

## 2023 Remuneration outcomes

When considering the outturns, the Committee has taken a holistic view including the employee and wider stakeholder experience, in addition to assessing performance relative to the targets and objectives set for both short and longer-term remuneration. The Committee is focused on setting appropriately stretching targets for the annual bonus and the PSP across a range of key metrics which support the delivery of our five key priorities. The targets were set reflecting a difficult macro-economic backdrop resulting in new home completions and profit delivery which was significantly down on the prior year.

At the time that targets for the annual bonus were set early in 2023 there was a high degree of volatility and uncertainty, making target-setting more difficult. It was recognised by the Committee (and management) that the outturn against the targets set would need to be considered following the end of the year to determine whether any adjustment to the formulaic outturns was warranted taking into account the assumptions made when setting the targets, the performance delivered in a challenging market and the wider stakeholder experience.

As regards alignment with the overall performance of the business, the Committee recognised the outturns reflect that, over the course of the year, disciplined cost control has been a core focus, prioritising margin protection and cash generation, whilst still investing in work in progress and the land bank in a disciplined and value adding way. This responsible delivery by management in 2023 is reflected in our very strong net margin performance and the overall experience of shareholders, for whom the dividend for 2023 has been maintained, with no year on year fall in the share price.

The annual bonus opportunity for the Group Chief Executive was based on a mix of financial metrics (60%) and ESG/cultural metrics (40%). Reflecting the performance which has been delivered in an extremely challenging year, as set out on page 128 the annual bonus outcome for the Group Chief Executive was 85.16% of maximum (170.3% of salary). Half of the bonus earned by the Group Chief Executive is paid in cash with half deferred into shares for three years. In addition, the Group Chief Executive has made a commitment to acquire £100,000 of Persimmon shares post the announcement of the 2023 results. Details of the outturns relative to the measures set are set out on pages 128 and 129 and further context is set out below, including the upwards adjustments we applied to the cash targets relative to those originally set.

When setting the targets for the PBT measure (30% of the overall bonus), we adopted an asymmetric approach relative to budget. A significantly higher out-performance of the challenging budget number was required for maximum performance than the level below budget at which the threshold PBT performance target was set. With this and overall performance in mind, the Committee was satisfied that the outturn against the PBT targets set (at 21.34% of maximum) was appropriate.

For the pre-land cash generation measure (30% of the overall bonus), the threshold level of pay-out was set at 10% of maximum (below the 20% of maximum under the remuneration Policy). The outturn against the targets originally set would have resulted in the maximum performance level being significantly exceeded. The Committee reviewed the assumptions on which those cash targets were originally set having regard to developments in the year, including the impact of the increased volumes and infrastructure spend during the year. Having regard to the actual volumes delivered, the targets for the cash measure were recalculated, resulting in more stretching targets applying. The revised targets are set out on page 129. The Committee was satisfied that the outturn against the revised targets was appropriate.

252 employees (including the Group Chief Executive) hold PSP awards which were granted in 2021 and which vest by reference to performance over the three years ended 31 December 2023. Reflecting performance over that three-year period, the awards will vest at 14.3% of the maximum. For the Group Chief Executive and senior management the vested shares will be subject to a two year holding period before they are released to the participants. Further details are provided on page 130.

Overall, the Committee believes that the total variable pay outcomes (including bonus and PSP) are an appropriate reflection of wider performance. As part of its consideration of the Group Chief Executive's bonus outturn the Committee also had regard to the deferral of his salary increase from July 2023 to January 2024 (resulting in his bonus being calculated by reference to a lower base salary) and to his increased responsibility as a result of covering the role of the CFO for part of the year. Accordingly, other than as regards the revisions to the cash targets described above, the Committee has not exercised any other discretion in relation to remuneration outcomes for the Group Chief Executive. Full details of the targets and performance achieved can be found on pages 128 to 130.

The Committee is satisfied that no windfall gains occurred in respect of the 2021 PSP awards as the share price at grant was broadly in line with the price the previous year, and higher than the current share price, so no adjustments have been made.

When the 2023 PSP awards were made the Committee carefully considered the quantum of the grants, having regard to share price performance and market conditions at that time, and determined that awards would be reduced by 10%.

# **Remuneration** continued

# Committee Chair's statement continued

## New Chief Financial Officer Remuneration

We are delighted that Andrew Duxbury will be joining the business in 2024. Details of his remuneration on joining Persimmon are shown in the following table.

### Ongoing remuneration from date of joining Persimmon

| Element | Quantum |
|---|---|
| **Salary** | £530,000 (next salary review date 1 July 2025). |
| **Pension** | 9% (in line with the monthly workforce). |
| **Annual Bonus** | Andrew is eligible for consideration for a bonus for the year 2024.<br>The maximum bonus for 2024 will be calculated by reference to 100% of salary (based on his salary at his previous employer) for the period prior to Andrew joining Persimmon (to reflect the bonus opportunity forfeited at his previous employer). For the period after Andrew joins Persimmon his maximum bonus will be 150% of salary.<br>Half of any bonus earned will be deferred for 3 years in shares. |
| **Performance Share Plan ('PSP')** | 200% of salary.<br>Our PSP has a 3-year performance period, plus a 2-year holding period. For the 2024 grant, the performance period will run from 1 January 2024 to 31 December 2026, and the two year holding period will end in 2029 (two years after the award vests following the announcement of Persimmon's 2026 results). |
| **Benefits** | In line with the the CEO's benefits this includes life assurance, private health cover, income protection and a car/car allowance. |
| **Buy-out Awards** | He will also receive buy-out awards for remuneration which will be forfeited when he leaves his previous role. This may include annual bonus, deferred share awards and long term incentive plan awards. The buy-out awards will be made on the basis 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. Where the forfeited remuneration was a share award, the replacement award will be an award over Persimmon shares; the replacement awards should vest at the same time as the forfeited award would have; and where the vesting of the forfeited award was subject to the satisfaction of performance conditions, appropriate performance conditions will be applied to the replacement award. Details of the buy-out awards will be fully disclosed in the 2024 remuneration report. |
| **Shareholding Guidelines** | 400% of salary.<br>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. |

## Departing Chief Financial Officer Remuneration

Jason Windsor left on 1 September 2023 and received his salary and contractual benefits up to and including this date. His bonus opportunity for 2023 lapsed, and all unvested Performance Share Plan and Deferred Bonus Plan Awards lapsed on his leaving the Group.

All unvested share awards relating to the buy-out of Aviva remuneration also lapsed.

Further details can be found on page 132.

In line with our shareholding guidelines Jason has to retain any shares he has received as a result of his Aviva buy-out awards for two years following the end of his employment with Persimmon.

## Remuneration Policy

I'm pleased that our Remuneration Policy was approved at the 2023 AGM with over 98% votes in favour. At the 2021, 2022 and 2023 AGMs, our Directors' Remuneration Report also received votes in favour of over 90%.

## 2024 Implementation

### Salary

The normal effective date for salary increases for Executive Directors is 1 July, in line with other employees.

In July 2023 the CEO was awarded a salary increase in line with the workforce – i.e. 3% in July 2023 plus 2% in January 2024. However given the difficult trading conditions implementation of the 3% increase was deferred until January 2024. This means that the CEO's salary remained unchanged at £746,750 for 2023 (and his 2023 annual bonus was based on this salary), and increased by 5% in January 2024 to £784,088.

Any salary increases for the CEO for 2024 will be made in the context of the increase given to the wider workforce. The first review of the new CFO's salary will be in July 2025. When finalising our approach, we will have regard to all of the circumstances, including the impact of any Executive Director salary increases on their total remuneration opportunities. We will confirm any changes to the Executive Directors' salaries in the 2024 Directors' Remuneration Report.

### Annual bonus

The maximum bonus quantum for Dean Finch will remain at 200%. For the Chief Financial Officer this will be 150% of salary (less than the Policy maximum of 175%).

The performance metrics applying to both Executive Directors for 2024 are subject to minor changes from 2023. 60% of the bonus remains subject to financial performance with a change to the weighting for 2024 (profit before tax will be 40% and cash generation 20%). The cultural metrics are customer care (20%), build quality (15%) and a new metric based on health and safety (5%). This new metric has been added to support our strategic aim to move from compliance to excellence in HS&E. Further details are set out on page 137.

The financial targets are commercially sensitive and therefore will be disclosed in the 2024 Remuneration Report. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. Vesting is at 20% 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 granted in 2024 are the same as those used in 2023; namely:

| Metric | Weighting (%) |
|---|---|
| Relative TSR | 35 |
| Cash generation | 35 |
| Environmental | 10 |
| Cultural metric | 20 |

The peer group for the 2024 award is companies comprising the FTSE 51-100 (excluding financial services), plus any of the major housebuilders who do not fall into this group. This is a change to prior years when the peer group comprised just the major housebuilders, see page 138 for further details.

The cultural metric will be the HBF customer 'recommend a friend' score based on the 9-month HBF survey. Further details of the metrics can be found on page 138.

The Board believes in the importance of ESG and cultural metrics and this is reflected in our use of customer care and quality in the annual bonus and PSP, and the incorporation of a clear and measurable environmental target in the PSP.

The Committee continues to be mindful of the risk of 'windfall gains'. For awards made in 2024 and following consideration of the issues, the Committee determined that no adjustment should be made. The Committee retains the discretion to adjust awards at the time of vesting if it considers that windfall gains have been made.

The Committee considers that 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 128. The Committee determines the Chairman's fee and the Board determines the Non-Executive Directors' fees.

Chair and Non-Executive Director fees are reviewed annually in July. Whilst we considered a fee increase in July 2023, given the challenging trading conditions this was deferred until 1 January 2024 to align with the Group Chief Executive. The Chair fee was increased by 5% with effect from 1 January 2024 and by 3% for other Non-Executive Directors. In 2024, in line with the wider workforce, fees for Non-Executive Directors will be reviewed with an effective date for any increases of 1 July.

## Looking ahead – key focus areas for the Committee for 2024

We believe that the Directors' Remuneration Policy is fully aligned to our five strategic priorities and reflects best practice, and this is supported by the positive shareholder vote at the AGM in 2023.

Market conditions are expected to remain muted throughout 2024, with interest rates expected to remain at current levels and a general election on the horizon. We will continue to monitor the operation of the Policy to ensure that targets remain relevant and stretching and that it provides an appropriate level of reward to attract and retain high calibre individuals in a very competitive market. We will continue to consider the experiences of 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 hope this Directors' Remuneration Report demonstrates. We believe the Policy operated as intended and consider that the remuneration the Executive Directors received in 2023 is 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**
11 March 2024

# **Remuneration** continued

# At a glance

## 2023 actual remuneration

| | CEO<br>Dean Finch |
|---|---|
| **Salary** | £746,750 |
| **Pension/salary supplement** | 9% of salary in line with wider workforce |
| **Annual Bonus maximum opportunity** | 200% of salary |
| **PSP Maximum opportunity** | 200% of salary (reduced to 180% of salary, as explained in the Chair's statement) |
| **Single Figure Total for 2023** | £2,252,464 |

## Implementation in 2024

| | CEO<br>Dean Finch | CFO**<br>Andrew Duxbury |
|---|---|---|
| **Salary** | £784,088 * | £530,000 |
| **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 |
| **PSP Maximum opportunity** | 200% of salary | 200% of salary |

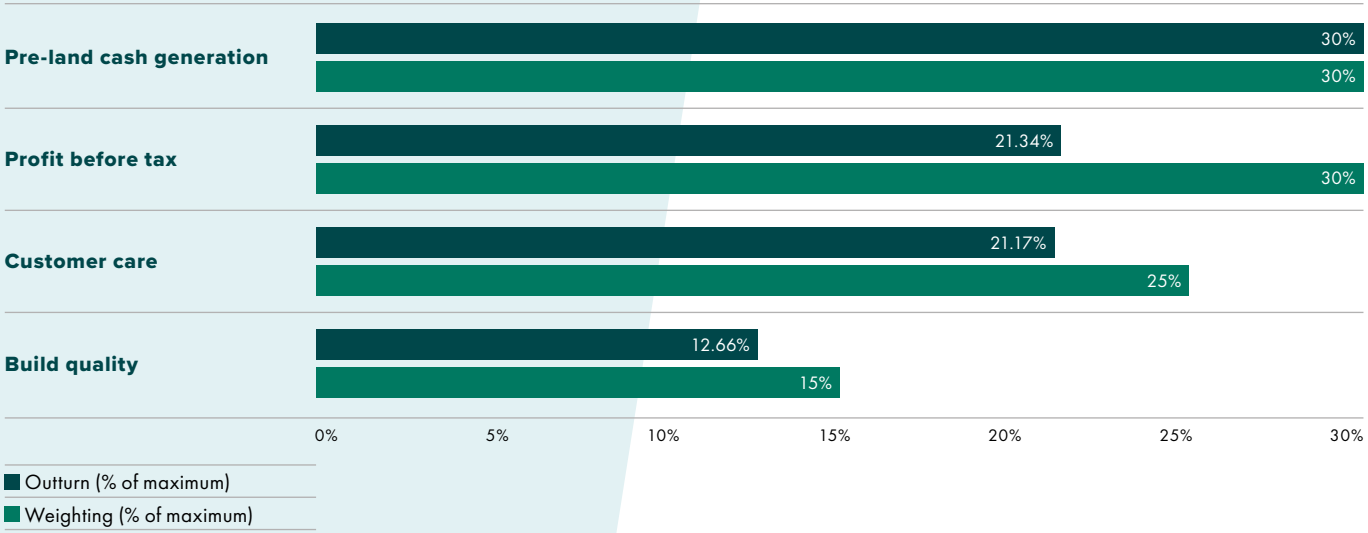
* No increase was given on 1 July 2023, this was deferred until 1 January 2024 and is in line with the increase to the wider workforce of 5%. Going forward base salaries will be reviewed on 1 July as normal.

** This is the agreed remuneration to apply from the date of joining Persimmon.

## 2023 variable pay outturns

### Annual bonus earned for 2023

Reflecting successful navigation of the challenging market conditions the annual bonus outcome for the Chief Executive was 85.16% of maximum (170.3% of salary). 50% of the bonus earned will be deferred into shares for three years.




### Performance Share Plan

Dean Finch received a PSP award in 2021. Based on performance over 2021-2023 the award has vested at 14.3%. A further two-year holding period will apply to the vested shares.

## Alignment to key priorities

### Build quality & safety

- Customer care and quality metrics are included as performance conditions for incentives.
- A specific health and safety metric will be included in the 2024 annual bonus.
- Failure of acceptable health and safety standards is explicitly included in recovery provisions for annual and long-term incentives.

### Reinforcing trust: customers at the heart of our business

- Customer care metrics are included in both our annual and long-term incentives.

### Disciplined growth: high quality investment

- Financial metrics included as performance conditions for incentives:
  - profit before tax;
  - pre-land cash; and
  - total shareholder return.

### Industry-leading financial performance

- Financial metrics included as performance conditions for incentives:
  - profit before tax;
  - pre-land cash; and
  - total shareholder return.

### Supporting sustainable communities

- Environmental metrics are included in our incentives.

» Discover more at www.persimmonhomes.com/corporate

## Our wider workforce and communities

All permanent salaried employees are eligible to participate in a bonus or commission scheme.

A total base pay increase of 5% was implemented for the wider workforce with 3% effective in July 2023 and 2% in January 2024.

Persimmon is a Living Wage Foundation accredited employer.

**No. of employees participating in SAYE**
**2,091**

**During the year Persimmon Community Champions donated over**
**£627,000**
to over 260 local groups

**No. of employees granted PSP Awards in 2023**
**270**

## Ensuring shareholder alignment

**50% of any bonus earned by executive directors 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.

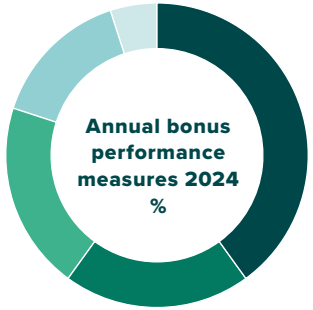
Shareholding requirement guidelines are set at 400% of salary for the Executive Directors, with 200% of salary expected to be achieved within five years of appointment.

**Dean Finch CEO**

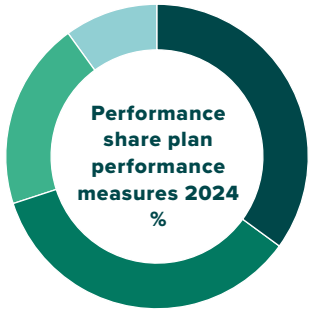
Progress toward holding requirement

Dean Finch has committed to acquire £100,000 Persimmon shares post the announcement of the 2023 annual results. His estimated shareholding as at 31 March 2024 is anticipated to be circa. 175% of his base salary.

Balance of 200% holding requirement expected to be achieved within five years of appointment.




| | |
|---|---|
| Profit before tax | 40 |
| Pre-land cash generation | 20 |
| Customer care | 20 |
| Build quality | 15 |
| Health and safety | 5 |




| | |
|---|---|
| Relative TSR | 35 |
| Pre-land cash generation | 35 |
| Customer care | 20 |
| Environmental | 10 |

**Remuneration** continued

# 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 2023. 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 2023 the Committee had four scheduled meetings. Additional meetings were held as necessary, for example to agree the remuneration of the new Chief Financial Officer. The attendance at meetings can be located on page 83.

The Committee determines the remuneration policy for the Group's Chairman, Executive Directors, and the Senior Executive Group, which for 2023 consisted of the UK MD, Chief Commercial Officer, Regional Chairman, the Group Transformation and Land Strategy Director, Chief Customer Experience Officer, Group Strategy and Regulatory Director and the Company Secretary. Membership of this Group is kept under review to ensure it aligns to the organisational structure and comprises the senior management roles. 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 improve build quality 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 82 and 83.

Internal attendees to Committee meetings consisted of the Group Chief Executive, Chief Human Resource Officer and the Group Head of Reward. These attendees provided important information to the Committee and were not involved in any decisions relating to their own remuneration.

## 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 at a price they can afford, and deliver industry leading financial performance, therefore providing sustainable value for all stakeholders through the housing cycle. Directors are not involved in the setting of their own remuneration, and are recused 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**<br>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. A summary of our Remuneration Policy can be found on pages 122 and 123 of this Annual Report. This was supported by shareholders with a vote in excess of 98% in favour at the 2023 AGM. 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 available to all employees, which has details of Directors' remuneration. |
| **Simplicity**<br>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 can be found on page 120. |
| **Risk**<br>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 and to override formulaic outcomes, where appropriate. These provisions are 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 to all incentive outcomes. In the case of the annual bonus this applies 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. As disclosed in the Committee Chair's statement on page 119, during 2023 we considered the risk of windfall gains arising in relation to PSP awards and took appropriate action to mitigate this risk, as further described in that statement. |
| **Predictability**<br>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 is up to 150% (which is less than the approved Policy maximum of 175%), 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, which include a two-year post-cessation shareholding requirement. The value of any share award is 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. |
| **Proportionality**<br>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. From 2023 there has been an environmental metric in the PSP. Subject to the Committee's discretion to override formulaic outturns, annual bonus awards will result in payment at threshold performance of up to 20% 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 2023 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 four 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**<br>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. Further information on our culture can be located on page 87. Further information on the non-financial metrics can be located on pages 128 to 130 and 137 to 138. |

# **Remuneration** continued

# Annual report on Remuneration continued

## What the Committee has focused upon during the year

| Key areas of focus | Remuneration Committee activities in 2023 |
|---|---|
| **New Chief Financial Officer remuneration** | • Approved the remuneration package and buy-out awards to compensate Andrew Duxbury for the remuneration forfeited on leaving his previous employer. |
| **Governance and engagement** | • Remuneration Committee Chair attended a meeting of the Employee Engagement Panel to discuss executive remuneration and alignment with broader workforce reward.<br>• Reviewed the Committee's terms of reference and agreed minor changes for approval by the Board.<br>• Confirmed the continuing independence and effectiveness of the remuneration consultants.<br>• Considered and approved the Annual Report on Remuneration. |
| **Annual bonus and PSP awards** | • Agreed the structure and performance conditions for the 2023 annual bonus and 2023 PSP awards made to Executive Directors and senior management.<br>• Agreed the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group.<br>• Agreed the approach to the 2023 PSP grant having regard to the risk of windfall gains.<br>• Discussed and agreed the environmental metric that would be used for the 2023 PSP awards, in particular focusing on the robustness of the data, measurement and assurance available to set and assess performance against such targets. |
| **Workforce Remuneration** | • Noted salary increases and pay practices for employees during the year to ensure that what we do at senior level is aligned appropriately with the experience of the broader workforce in terms of pay and benefits.<br>• Reviewed the HR dashboard which sets out key workforce data at each meeting and considered the impact on decisions relating to Executive Directors and the Senior Executive Group.<br>• Considered the gender pay gap and equal pay in relation to the wider workforce. |

## What the Committee is focusing on for 2024

| Key areas of focus | Remuneration Committee activities in 2024 |
|---|---|
| **Executive Directors and Senior Management Remuneration** | • Agree the remuneration framework for the Executive Directors and Senior Executive Group.<br>• 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 2024 awards. |
| **PSP Awards** | • Agree performance conditions for 2024 PSP awards.<br>• Agree the level of awards made to the Executive Directors, the Senior Executive Group and to other senior managers in the Group, including consideration of potential windfall gains. |

## Advisors

The Committee sought advice during the year on remuneration matters in relation to the review of the remuneration policy; remuneration for the incoming Chief Financial Officer; 2023 PSP awards and in particular in relation to the grant price used. The advice was sought from Deloitte LLP, who are 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 LLP also provided advice on remuneration disclosure and share plan matters to the Group, and provided support and advice to the Group in relation to other tax services. 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 2023 was £65,400, charged on a time spent basis.

# 2023 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 2023 (Audited)

The figures set out in the tables below are the actual amounts of salary or fees earned in the year to 31 December 2023.

### Executive remuneration (Fixed)

| | Fixed remuneration | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary | | Benefits | | Salary supplement in lieu of pension | | Total fixed remuneration | |
| Executive | **2023 £** | 2022 £ | **2023 £** | 2022 £ | **2023 £** | 2022 £ | **2023 £** | 2022 £ |
| D Finch | **746,750** | 746,750 | **45,603** | 47,187 | **67,208** | 67,208 | **859,561** | 861,145 |
| J Windsor[1] | **452,596** | 320,186 | **23,631** | 16,466 | **40,734** | 28,817 | **516,961** | 365,469 |
| Total | **1,199,346** | 1,066,936 | **69,234** | 63,653 | **107,941** | 96,025 | **1,376,522** | 1,226,614 |

### 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 | **2023 £** | 2022 £ | **2023 £** | 2022 £ | **2023 £** | 2022 £ | **2023 £** | 2022 £ | **2023 £** | 2022 £ |
| D Finch | **1,271,887** | 1,087,021 | **121,016**[4] | 195,397[2] | **—** | — | **—** | — | **1,392,903** | 1,282,418 |
| J Windsor[1] | **0** | 204,928[3] | **0** | — | **—** | — | **—** | 2,447,521[5] | **0** | 2,652,449 |
| Total | **1,271,887** | 1,291,949 | **121,016** | 195,397 | **—** | — | **—** | 2,447,521 | **1,392,903** | 3,934,867 |

| | Total | |
|---|---|---|
| Executive | **2023 £** | 2022 £ |
| D Finch | **2,252,464** | 2,143,563 |
| J Windsor[1] | **516,961** | 3,017,918 |
| Total | **2,769,425** | 5,160,984 |

1. 2023 figures are to 1 September, the date Jason Windsor left Persimmon.
2. In the 2022 annual report the Value of long-term Awards Vesting for Dean Finch was calculated by reference to the average share price over the final quarter of 2022 (£12.73). In this report, and in line with the reporting regulations, that value has been re-calculated by reference to the share price on the date of vesting of 1 March 2023 (£12.78).
3. In the 2022 annual report the value reported for Jason Windsor's annual bonus included cash and deferred shares no longer subject to performance conditions. The deferred shares lapsed upon termination of employment and so the figures have been adjusted to reflect this. The reduction is £204,928.
4. Dean Finch was granted a PSP award in 2021 which vested by reference to performance over the three years ending 31 December 2023. Further details in relation to the award, including the basis on which the value in the table above is calculated, are set out on pages 129 and 130.
5. The buy-out award for Jason Windsor in 2022 reflected the value of certain awards granted to him in respect of remuneration forfeited when he left his previous employer. Those parts of the buy-out which were awarded in deferred shares lapsed when Jason Windsor left Persimmon and so the 2022 figure has been adjusted to reflect this. The reduction is £568,079. In addition, certain elements of the buy-out award were not included in the 2022 annual report as the values were not yet known. This was disclosed in the 2022 annual report, and as stated, these additional values have been included in the adjusted 2022 figure. This additional value is £1,054,573. The overall adjustment to the buy-out to the figure reported in 2022 is an increase of £486,494. Taking into account the lapse of the deferred shares referred to in note 3 above, the change in the total remuneration value for Jason Windsor for 2022 is an increase of £281,566.

# **Remuneration** continued

# Annual report on Remuneration continued

## Non-Executive remuneration

As Non-Executive Directors only receive fees only this element is shown in the table below.

| | Fixed remuneration | | | |
|---|---|---|---|---|
| | Salaries and fees | | Total | |
| **Chairman** | **2023 £** | 2022[4] £ | **2023 £** | 2022 £ |
| R Devlin | **330,000** | 330,000 | **330,000** | 330,000 |
| **Non-Executive** | | | | |
| N Mills | **82,000** | 82,000 | **82,000** | 82,000 |
| S Litherland[1] | **20,880** | 65,000 | **20,880** | 65,000 |
| J Place[1] | **24,092** | 75,000 | **24,092** | 75,000 |
| A Durbin | **82,000** | 82,000 | **82,000** | 82,000 |
| A Wyllie | **65,000** | 65,000 | **65,000** | 65,000 |
| S Khoury-Haq | **82,000** | 82,000 | **82,000** | 82,000 |
| A Depledge[2] | **43,333** | — | **43,333** | — |
| C O'Shea[3] | **43,333** | — | **43,333** | — |
| Total | **772,638** | 781,000 | **772,638** | 781,000 |

1. Simon Litherland and Joanna Place resigned from the Board on 26 April and 2023 fees are shown to this date.
2. 2023 figures are from 1 May, the date Alex Depledge was appointed to the Board.
3. 2023 figures are from 1 May, the date Colette O'Shea was appointed to the Board.
4. Non-Executive Director fees can vary based on whether additional duties are required e.g. to chair a committee or perform the senior independent role. A more detailed explanation of this can be found on page 128.

## 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 received a salary supplement in lieu of pension, equal to 9% of his base salary. Jason Windsor (up to his date of retirement from the Board) received a salary supplement in lieu of pension, equal to 9% of his base salary.

### Annual Bonus 2023

Dean Finch was eligible to earn a bonus of in respect of 2023. The maximum bonus was up to 200% of salary. Jason Windsor's entitlement to a bonus respect of 2023 lapsed when he gave notice of termination of employment.

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 five key priorities. The non-financial KPIs help drive long-term shareholder value and reflect our values of being customer focused, value driven and delivering excellence. For the customer service and quality scores it is important to note that the customer and quality score start from zero each year meaning that the level of attainment required is a challenging target to meet.

| Measure | Weighting | Threshold (20% achievement for PBT and 10% achievement for pre-land cash) | Target (50% achievement) | Maximum (100% achievement) | Outturn | Extent bonus measure met (% of maximum bonus) |
|---|---|---|---|---|---|---|
| PBT[1] | 30% | £314.8m | £331.3m | £397.6m | £359.3m | 21.34 |
| Pre-land cash generation[2,3] | 30% | £132.2m | £180.9m | £247.2m | £257.7m | 30 |
| Customer care | 25% | See below[4] | | | Met in part | 21.17 |
| Build quality | 15% | See below[5] | | | Met in part | 12.66 |

1. Profit before tax (before exceptional items and goodwill impairment).
2. The Pre-land cash generation targets are the uplifted targets following their recalculation as described in the Committee Chair's statement on page 119.

## Additional information for single total figure remuneration table continued

### Annual Bonus 2023 continued

3. Pre-land cash generation (being net cash inflow before Capital Return Programme, legacy building provision spend and net land payments) with the outturn calculated as:

| | |
|---|---|
| Cash at 31 December 2022: | £861.6m |
| Cash at 31 December 2023: | £420.1m |
| Decrease in cash: | £(441.5)m |
| Add: Dividends paid: | £255.4m |
| Net land spend: | £397.8m |
| Fire safety spend: | £46.0m |
| Total | **£257.7m** |

4. 15% of the customer measure was achieved by reference to 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?". The outturn shows that 27 of the 30 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, the Group score is 92.9% so this target is achieved in full. 5% of the customer measure was achieved by reference to the fraction of those operating businesses in the Group rated as 75% or above as measured by the results of the HBF 9 month Customer Satisfaction Survey Question "would you recommend Persimmon to a friend?". The outturn shows that 16 of the 30 operating businesses achieved a score of 75% or above. These scores start from zero each year meaning that the level of attainment required is a challenging target to meet.

5. The quality score is based on the results of independent assessments carried out on Persimmon sites by the Group's warranty providers from 1/1/23 to 31/12/23. 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 was required for target performance, with the level of improvement required based on the warranty provider's scoring system. These scores start from zero each year meaning that the level of attainment required is a challenging target to meet.

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 | 70.37 | 4 | 25 | 63.33 |
| LABC | 1.96 | 0 | 6 | 1.96 |
| Premier | 27.67 | 4 | 18 | 19.08 |

Half of the bonus earned by the Group Chief Executive 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. The deferred share award will ordinarily be subject to continued employment.

## Performance share plan awards vesting in respect of performance in 2023 (Audited)

PSP awards were granted on 22 March 2021 to Dean Finch and Mike Killoran These awards were based on performance over the three-year period which ended on 31 December 2023.

As disclosed in the 2021 Directors' Remuneration Report, having regard to Mike Killoran's long service and retirement, he was granted 'Good Leaver' status for the purpose of his outstanding PSP awards. His 2021 PSP was pro-rated to reflect the proportion of the performance period which had elapsed at his leaving date. The award remains subject to the rules of the PSP and the applicable performance conditions.

The awards vested at 14.3%, and further information is set out below. The awards remain subject to a further holding period before they will be released.

# **Remuneration** continued

# Annual report on Remuneration continued

## Performance share plan awards vesting in respect of performance in 2023 continued

The targets and performance against these targets are as follows:

| Performance measure | Weighting | Threshold (25% vesting) | Target (50% vesting) | Maximum (100% vesting) | Outturn | Extent PSP measure met (% of maximum) |
|---|---|---|---|---|---|---|
| Relative TSR[1] | 40% | Median | — | Upper quartile or above | Below median | 0 |
| Average pre land cash generation over the three year performance period[2] | 40% | £833m | £1,111m | £1,389m | £808.0m | 0 |
| Underpin applying to the pre land cash measure – An average ROCE[3] of 20% over the three-year performance period | | | | | 25.6% | |
| Customer Care[4] | 20% | Group Customer Care Score is at 75% and Group is a four-star builder over the performance period | — | Group Customer Care Score is at 80% and Group is a four-star builder over the performance period | 78.1 | 14.3% |

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; Countryside Properties PLC (included to the date of the de-listing); 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 Group score as measured by the results of the HBF 9 month Customer Satisfaction Survey Question "would you recommend Persimmon to a friend?" as measured on 19 February 2024.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. This underpin has been met.

In the single total figure of remuneration table, the value of these awards is calculated as set out below. As the share price average for the final quarter was below the grant share price no value is attributable to share price growth.

| | Number of shares subject to award | Vesting outturn | Vested shares | Value of shares[1] | Dividend equivalent[2] | Total for single total figure of remuneration |
|---|---|---|---|---|---|---|
| Dean Finch | 49,103 | 14.3 | 7,021 | 82,411 | 38,605 | 121,016 |

1. In accordance with the relevant regulations, the value for the purposes of the single total figure of remuneration table is calculated by reference to the average share price over the final quarter of 2023 (£11.738).
2. In accordance with the rules of the PSP, each Executive Director is entitled to a further benefit by reference to dividends on their vested shares. These will be calculated over the period ending at the end of the holding period and delivered in shares. The value in respect of dividend equivalents over the period ended 31 December 2023 is included in the table above.

## Savings-Related Share Option Scheme ('SAYE') (Audited)

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 were exercised in 2023.

## Performance share plan awards made during the year (Audited)

PSP awards were granted on 2 May 2023 to Dean Finch and Jason Windsor. Jason Windsor's awards lapsed on cessation of employment with Persimmon.

| | Type of award | Basis of award | Threshold level of vesting | Face value of award £000 | Performance period[2] | Shares subject to option |
|---|---|---|---|---|---|---|
| Dean Finch | Nil-cost option | Percentage of salary – 200%[1] | 25% | 1,344,151 | 1/1/23 – 31/12/2025 | 105,341 |

1. Awards were calculated based on the percentage of salary and the average of the closing share prices on each of the five dealing days before the grant of the award (£12.76). The number of shares awarded was then reduced by 10% by take account of the risk of windfall gains, as explained on page 119.
2. The awards will vest in 2026 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.

The 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] | 35% | Median | — | Upper quartile or above |
| Average pre land cash generation over the three year performance period[2,3] | 35% | £428m | £503m | £579m |
| Customer Care[4] | 20% | Group HBF Score is 75% | — | Group HBF Score is 80% or above |
| Carbon Reduction[5] | 10% | 1.69 tonnes $CO_2$e per home completed | 1.68 tonnes $CO_2$e per home completed | 1.67 tonnes $CO_2$e per home completed |

1. Compared to a peer Group of the UK's largest listed house builders: Barratt Developments Plc; Bellway p.l.c.; 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. A ROCE underpin has been maintained for the pre-land cash metric. This will be assessed by the Remuneration Committee at the time of vesting based on average ROCE over the performance period. 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.
5. Based on Scope 1 and 2 carbon emissions per home completed for the year ending 31 December 2025. The Committee agreed an intensity target given the anticipated reduction in volume from 2022. As part of the assessment at the end of the performance period it was agreed that the reduction in carbon over the period would be considered in the round including looking at our absolute carbon reduction and progression towards our Science Based Targets, in addition to the reduction in intensity. The Committee will exercise it's discretion to ensure that vesting reflects the overall reduction in carbon and progress made over the period.

## Payments for loss of office (Audited)

There were no payments for loss of office made in the year.

### Payments to past Directors (Audited)

There were no payments to past Directors for the year ended 31 December 2023 where the total payment to the former Director exceeded the threshold set by the Group of £20,000.

## Service contracts (Audited)

The Company's policy is for service contracts with Executive Directors to have no more than a 12-month notice period.

The Chairman and the Non-Executive Directors are not employees. They have letters of appointment which set out their duties and responsibilities. They do not have service contracts.

The Chairman's and the Non-Executive Directors' letters of appointment are effective from their date of appointment. Their appointment is initially for a three-year term but is subject to re-election at each AGM and their appointment may be terminated on three months' notice for the Chairman and one month's notice for the Non-Executive Directors.

| Name | Commencement date | Unexpired term remaining as at 31 December 2023 |
|---|---|---|
| D Finch | 28 September 2020 | Terminable on 12 months' notice. |
| R Devlin | 1 June 2018 | Terminable on three months' notice and subject to reappointment at the AGM each year. |
| N Mills | 4 April 2016 | Terminable on one month's notice and subject to reappointment at the AGM each year. |
| A Durbin | 1 July 2020 | Terminable on one month's notice and subject to reappointment at the AGM each year. |
| A Wyllie | 4 January 2021 | Terminable on one month's notice and subject to reappointment at the AGM each year. |
| S Khoury-Haq | 1 July 2021 | Terminable on one month's notice and subject to reappointment at the AGM each year. |
| A Depledge | 1 May 2023 | Terminable on one month's notice and subject to reappointment at the AGM each year. |
| C O'Shea | 1 May 2023 | Terminable on one month's notice and subject to reappointment at the AGM each year. |

# **Remuneration** continued

# Annual report on Remuneration continued

### Directors' share option scheme interests (Audited)

| | Scheme | Total interests outstanding at 31 December 2022 | 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 2023** | Options vested but unexercised | Latest vesting date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| D Finch | PSP 2020 | 17,917 | — | 10,520[1] | 7,397 | 2411p | 10,520[1] | — | **10,520[1]** | 10,520[1] | — |
| | PSP 2021 | 49,103 | — | — | — | 2953p | — | 49,103 | **49,103** | — | Spring 2024 |
| | PSP 2022 | 64,653 | — | — | — | 2310p | — | 64,653 | **64,653** | — | Spring 2025 |
| | PSP 2023 | — | 105,341 | — | — | 1276p | — | 105,341 | **105,341** | — | Spring 2026 |
| | 2021 Deferred Bonus | 30,583 | — | — | — | 2192p | 30,583 | — | **30,583** | — | Spring 2025 |
| | 2022 Deferred Bonus | — | 42,796 | — | — | 1270p | 42,796 | — | **42,796** | — | Spring 2026 |
| J Windsor[2] | Buy-Out Award: Annual Bonus 2021 | 23,900 | — | — | 23,900 | 1776.5p | — | — | **—** | — | — |
| | Buy-Out Award: Deferred Bonus 2020 | 9,284 | — | 9,284 | — | 2207.17p | — | — | **—** | — | — |
| | Buy-Out Award: Deferred Bonus 2021 | 15,886 | — | 7,943 | 7,943 | 2207.17p | — | — | **—** | — | — |
| | Buy-Out Award: LTIP 2020 | 96,449 | — | 67,707[1] | 28,742 | 2207.17p | 67,707[1] | — | **67,707[1]** | 67,707[1] | — |
| | Buy-Out Award: LTIP 2021 | 26,808 | — | — | 26,808 | 2207.17p | — | — | **—** | — | — |
| | PSP 2022 | 75,672 | — | — | 75,672 | 1784p | — | — | **—** | — | — |
| | PSP 2023 | — | 95,219 | — | 95,219 | 1276p | — | — | **—** | — | — |
| | 2022 Deferred Bonus | — | 34,159 | — | 34,159 | 1270p | — | — | **—** | — | — |

1. Shares vested during the year and entered a two-year holding period. The shares will be released to the Executive Director at the end of the holding period.

2. Jason Windsor left the Group on 1 September 2023.

All of the above represent share options and were granted for no financial consideration.

## Statement of Directors' shareholding requirements and share interests (Audited)

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. To further align his interests with those of shareholders and in order to increase the extent to which he meets the shareholding requirement, Dean Finch has committed to purchase £100,000 of shares following the announcement of the 2023 results.

| | | Beneficial holdings (including interests of the Director's connected persons) | | | |
|---|---|---|---|---|---|
| Director | Shareholding requirement | **No. of shares and share awards that count towards shareholding requirement at 31 December 2023** | **Percentage of base salary held at 31 December 2023 (including shares held by connected persons and shares net of assumed tax for share awards which are no longer subject to performance conditions)[1]** | **31 December 2023 (or if earlier, date of leaving the Board)** | 31 December 2022 (or if later, date of joining the Board) |
| D Finch | 4 times salary[2] | **60,922** | **113.32%** | **16,457** | 16,457 |
| J Windsor [3] | 4 times salary[2] | **70,309** | **110.31%** | **34,425** | 25,309 |
| **Chairman** | | | | | |
| R Devlin | N/A | **N/A** | **N/A** | **32,575** | 32,575 |
| **Non-Executives** | | | | | |
| N Mills | N/A | **N/A** | **N/A** | **716** | 716 |
| A Durbin | N/A | **N/A** | **N/A** | **0** | 0 |
| A Wyllie | N/A | **N/A** | **N/A** | **1,012** | 1,012 |
| J Place | N/A | **N/A** | **N/A** | **11,360** | 11,360 |
| S Litherland | N/A | **N/A** | **N/A** | **0** | 0 |
| S Khoury-Haq | N/A | **N/A** | **N/A** | **355** | 355 |
| A Depledge | N/A | **N/A** | **N/A** | **0** | N/A |
| C O'Shea | N/A | **N/A** | **N/A** | **0** | N/A |
| Total | | | | **85,540** | 76,424 |

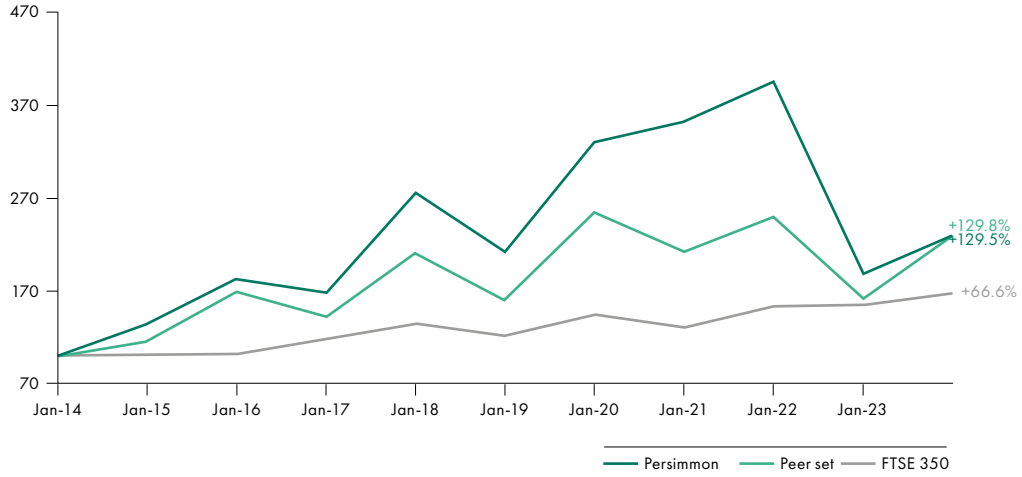
1. Calculated based on the closing price of £13.89 at 31 December 2023 and on base salary at 31 December 2023 (or if earlier date of leaving the Board).
2. The Committee expects that a holding with a value equal to 2x salary will be achieved within five years of appointment, with the balance of the requirement acquired within a period agreed with the Chairman.
3. Jason Windsor resigned from the Board on 1 September 2023.

The beneficial holdings at 31 December 2023 of the Directors in office at that point were 51,115 shares, representing 0.02% of the Group's issued share capital as at that date. There have been no changes in these interests between 31 December 2023 and 11 March 2024.

The Committee has an agreed Post-Employment Shareholding requirement, details of which are included in the Directors' Remuneration Policy on page 142. There are no share ownership requirements for the Chairman and Non-Executive Directors.

### 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.



# **Remuneration** continued

# Annual report on Remuneration continued

## Group Chief Executive remuneration 2014 to 2023

| Year | Chief Executive | Single total figure of remuneration £ | Annual bonus paid against maximum opportunity | PSP/LTIP awards vesting against maximum opportunity |
|---|---|---|---|---|
| 2023 | D Finch | 2,252,464 | 85.16% | 14.3% |
| 2022 | D Finch | 2,143,066 | 72.78% | 58.72% |
| 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 |

* 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.

### The Wider Workforce

When making decisions about reward for the Executive Directors and Senior Executive Group the Remuneration Committee takes 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 an accredited 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.

The Board is mindful of the impact inflation has continued to have on our employee population and in 2023 a base pay increase of 5% was agreed. In view of the challenging trading conditions this was implemented on a phased basis with 3% effective from 1 July 2023 and 2% effective from 1 January 2024. There were also a significant number of internal promotions which resulted in pay increases, demonstrating the opportunities for career development and progression with the Group.

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 and Working Group. We also continue to focus on supporting our employees' wellbeing through our Employee Assistance Programme, our mental health counsellors and other initiatives. 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 29.

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

The Committee Chair met with the Engagement Panel during 2023 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 members of the Employee Engagement Panel cascade messages more broadly to the workforce ensuring two-way engagement. The Committee tracks and discusses a number of workforce related statistics via an HR dashboard of Group wide workforce statistics and trends. The Committee and Board are informed of the outcomes of Employee Engagement Surveys which are undertaken annually. Further information on our interaction with the workforce can be located on page 55.

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 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 pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2023 | Option B | 82:1 | 52:1 | 32:1 |
| 2022 | Option B | 75:1 | 57:1 | 37:1 |
| 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 2023 is 52. The Company considers that the median pay ratio for 2023 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 may increase going forward due to the grant of bonus and PSP awards to Executive Directors). The reduction in the median pay ratio between 2022 and 2023 reflects a lower percentage increase in total remuneration for the CEO compared with the percentage increase for the employee at the 50th percentile.

The Company adopted 'Option B' from The Companies (Miscellaneous Reporting) Regulations 2018. The latest available gender pay gap data (i.e. from April 2023) 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 2014 to 2023 table on page 29.

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 pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2023 total pay and benefits | £2,252,464 | £27,326 | £43,373 | £69,381 |
| 2023 salary | £746,750 | £25,183 | £40,173 | £48,000 |
| 2022 total pay and benefits | £2,143,066 | £28,644 | £37,314 | £58,147 |
| 2022 salary | £746,750 | £25,779 | £33,120 | £44,075 |
| 2021 total pay and benefits | £2,578,902 | £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 measurement date of April 2023 the median Gender Pay Gap for the Group was 9.9%% (2022: 13.5%). This reduction is partly due to the pay increase given to our lower paid workers, together with changes in the composition of our workforce and new roles brought into the Group. 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 Nomination Committee Report on page 104. 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 101.

In April 2022 we started delivery against a new diversity and inclusion strategy. A key workstrand within this is data improvement, for both existing and new employees. We have continued to make advances in capturing employee D&I data, and now have this for c.45% of employees, from a low starting point of 17% in 2021. Once our data is sufficiently robust to allow meaningful analysis we will publish ethnicity pay ratios in the future. We are introducing a quarterly D&I data dashboard from April 2024 to help track progress and identify areas for improvement and focus. Further information on our D&I strategy can be found on page 100.

# **Remuneration** continued

# Annual report on Remuneration continued

## 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 2023, with the change in remuneration of Persimmon Plc's employees. Jason Windsor was appointed to the Board in 2022 and resigned in 2023, accordingly, he has been excluded from the table below. Alex Depledge and Colette O'Shea were appointed to the Board on 1 May 2023 and have also been excluded from the table. Jo Place is also excluded from the table as she resigned from the Board in April 2023 and she chose to waive her fee in all years apart from 2022. 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 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022/23** | 2021/22 | 2020/21 | 2019/20 | **2022/23** | 2021/22 | 2020/21 | 2019/20 | **2022/23** | 2021/22 | 2020/21 | 2019/20 |
| Average of Persimmon Plc's employees | **3.7%** | 31.4% | 5% | 5% | **-10.7%** | 96.3% | 21% | -19% | **10.1%** | -8.2% | 2% | -18% |
| Average of Group salaried employees | **6.1%** | 7.3% | 5% | 2% | **4.9%** | 18.7% | 21% | -19% | **6.1%** | 1.9% | 2% | 0% |
| R Devlin | **0%** | 10% | 5% | — | **N/A** | N/A | N/A | N/A | **N/A** | — | — | — |
| D Finch[1] | **0%** | 3% | 0% | N/A | **17%** | -19% | N/A[3] | N/A | **-3%** | 8% | -7% | N/A |
| N Mills | **0%** | 9% | 5% | — | **N/A** | N/A | N/A | N/A | **N/A** | — | — | — |
| S Litherland | **0%** | 8% | 5% | — | **N/A** | N/A | N/A | N/A | **N/A** | — | — | — |
| A Durbin | **0%** | 9% | 5% | N/A | **N/A** | N/A | N/A | N/A | **N/A** | — | — | N/A |
| A Wyllie[2] | **0%** | 8% | — | — | **N/A** | N/A | N/A | — | **N/A** | — | — | — |
| S Khoury-Haq[2] | **0%** | 17% | — | — | **N/A** | N/A | N/A | — | **N/A** | — | — | — |

1. The 2020 remuneration for Dean Finch has been 'annualised' for the purposes of the above table to enable a valid comparison.
2. The 2021 remuneration for A Wyllie and S Khoury-Haq has been 'annualised' for the purposes of the above table to enable a valid comparison.
3. Executive Directors' bonuses for 2020 were forgone such that the percentage change between 2020 and 2021 is not considered a meaningful comparison. No bonuses were payable in 2019.

As noted above a 5% salary increase was agreed for the wider workforce in July 2023, with 3% taking effect from 1 July and 2% deferred until 1 January 2024. 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 2023 versus the actual amount paid in the 2022 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.

| | **2023 £m** | 2022 £m | Difference in spend £m | Difference as a percentage |
|---|---|---|---|---|
| Remuneration for all employees[1] | **272.3** | 255.1 | 17.2 | 6.7 |
| Total Capital Return Programme payments made | **255.4** | 750.1 | (494.7) | (66.0) |

1. Figures are taken from note 8 of the accounts relating to staff and employee costs except that employer social security costs and IFRS 2 Share-based payment charges have been removed.

## Statement of voting at general meeting

The Directors' Remuneration Policy, effective from 26 April 2023 was put to shareholders for approval at the 2023 AGM. The 2022 Annual Report on Remuneration was put to shareholders for approval at the 2022 AGM. The voting at each AGM was conducted on a poll. The table below summarises the result of the poll vote on the 2023 Directors' Remuneration Policy and the 2022 Annual Report on Remuneration.

| | Votes for | % for | Votes against | % against | Total votes cast | Votes withheld |
|---|---|---|---|---|---|---|
| Approval of the Directors' Remuneration Policy – 26 April 2023 | 202,837,628 | 98.7 | 2,691,456 | 1.3 | 205,529,084 | 3,199,709 (representing 1.00% of the issued share capital) |
| Approval of the Annual Report on Remuneration – 26 April 2023 | 204,049,778 | 98.1 | 3,883,947 | 1.9 | 207,933,725 | 795,068 (representing 0.25% of the issued share capital) |

## Statement of Remuneration Policy implementation 2024

A summary of the 2024 remuneration for each Executive Director is set out below:

| Group Chief Executive pay | Chief Financial Officer pay[1] |
|---|---|
| • base salary of £784,088 (review date 1 July); | • base salary £530,000 (review date 1 July 2025); |
| • pension salary supplement of 9% (in line with the pension of salaried employees); | • pension salary supplement of 9% (in line with the pension of the salaried employees); |
| • benefits including life assurance, car allowance and phone costs; | • benefits including life assurance, car allowance and phone costs; |
| • maximum annual bonus opportunity of 200% of base salary; and | • maximum annual bonus opportunity of up to 150% of base salary; and |
| • maximum PSP award of 200% of base salary. | • maximum PSP award of 200% of base salary. |

1. This is the agreed remuneration to apply from date of joining Persimmon.

## Annual bonus

Each Executive Director will be eligible for consideration of a bonus in respect of 2024, with maximum opportunities as referred to above. The majority of the bonus will continue to be based on financial metrics with a change in weighting, being profit before tax (40%) and cash generation (20%). 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 2024 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 health and safety. The customer care metric will be based on the strategy to score 90% or above in the HBF 8 week customer satisfaction survey which is the equivalent of a five star rating, and to score 75% or above in the HBF 9-month customer satisfaction survey. The quality measure will be based on the results of independent warranty provider inspections to drive continued improvement in build quality. These scores reset to zero at the start of each year meaning that attainment of the targets remains stretching.

Health and safety will be based on performance assessed against a weighted health and safety index and will support our strategic aim to move from compliance to excellence.

## Performance Share Plan awards

A PSP award will be made in March to the Group Chief Executive of 200% of base salary, with vesting subject to the performance conditions set out below. Following his appointment, an award will be made to the new Chief Financial Officer of 200% of base salary, with vesting subject to the same performance conditions

The three-year performance period will run from 1 January 2024 to 31 December 2026. Awards will vest in 2027 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 balance capital retained for investment in the business with returns to shareholders, and with relative TSR performance to link Executive Directors' reward to outperformance against the FTSE 51-100 (excluding financial services) together with the major housebuilders if they do not fall within this group. Previous awards have compared Persimmon's TSR to a group of sector peers but a reduction in the number of suitable sector comparators mean that the Committee consider that this is no longer appropriate. The FTSE 51-100 has been selected as a broader group against which Persimmon competes, in addition to the sector comparators. As we continue to drive cultural change in the business, we have retained a measure based on the HBF customer care survey linked to the Company's purpose to build high quality homes for our customers, and an environmental metric linked to reducing our carbon emissions. Collectively, these are important factors in ensuring overall business performance, sustainability and reputation.

# **Remuneration** continued

# Annual report on Remuneration continued

## PSP performance metrics and targets – financial measures

Financial metrics are based on relative TSR (35% of the overall award) and cash generation subject to a ROCE underpin (35% of the overall award). As noted above a change is proposed to the relative TSR measure, where performance will be assessed against a comparator group consisting of the FTSE 51-100 (excluding financial services) together with the major housebuilders if they do not fall within this group.

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. Details of the targets are shown below:

| Performance measure | Weighting | Threshold (25% vesting) | Target (50% vesting) | Maximum (100% vesting) |
|---|---|---|---|---|
| TSR Ranking[1] | 35% | Median | — | Upper quartile or above |
| Average pre-land cash generation[2, 3] over the three year performance period | 35% | £519m | £610.6m | £702.2m |

1. Compared to a peer group comprising those companies in the FTSE 51-100 (excluding financial services) together with the major housebuilders that do not fall within this group at the date of grant. The housebuilders are Barratt Developments, Taylor Wimpey, Vistry Group, Bellway, The Berkeley Group and Crest Nicholson Holdings.
2. Net cash inflow before capital return, legacy building provision spend and net land payments.
3. A ROCE underpin has been maintained for the pre-land cash metric. This will be assessed by the Remuneration Committee at the time of vesting based on average ROCE over the performance period. 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 and environmental measures

As with the 2023 PSP awards, the metric we use to measure customer care will continue to be based on the HBF 9 month customer care Survey. These scores reset to zero at the start of each year meaning that attainment of the targets remains stretching.

For the 2024 awards, we will assess the customer care measure by reference to the overall Group scores because this aligns all participants with an improvement in Group performance.

Vesting will be determined by reference to the Group HBF 9 month score for the period 1 January to 31 December 2026. As an underpin we will continue to require that the Group scores at least 80% in the 8 week score in each of the three years of the performance period.

The Group 9 month survey score targets for the 2024 awards represent an increase on targets set for prior years and requires an improvement on the current score for all performance levels.

The carbon reduction targets align with our Scope 1 and 2 absolute carbon reduction commitments and are based on the trajectory required to meet our 2030 commitment. Details are provided below:

| Performance measure | Weighting | Threshold (25% vesting) | Maximum 100% vesting) |
|---|---|---|---|
| Customer care<br>Underpin: Group scores at least 80% in the 8 week score in each of the three years | 20% | Group HBF 9 month score for the 12 months January to December 2026 is 77.5% | Group HBF 9 month score for the 12 months January to December 2026 is 82.5% or above |
| Environmental – Scope 1 and 2 carbon reduction | 10% | 23,682 tonnes $CO_2e$ from operations | 21,314 tonnes $CO_2e$ or below from operations |

## 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.

## 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. In line with Executive Directors and the wider workforce the Non-Executive Director and Chairman fees will typically be reviewed with an effective increase date of 1 July. In recognition of the challenging trading environment the effective date for the increases agreed in July 2023 were deferred until 1 January 2024 when the Chair fee was increased by 5% and by 3% for other Non-Executive Directors. Any increases to fees agreed in July 2024 are anticipated to be in line with or below those given to the wider workforce.

The current fees as at 1 January 2024 are set out below, together with a comparison to 2023.

| Performance measure | **Fees for 2024** | Fees for 2023 |
|---|---|---|
| Chairman | **£346,500** | £330,000 |
| Non-Executive Director | **£66,950** | £65,000 |
| Senior Independent Director | **£17,000** | £17,000 |
| Audit & Risk Committee Chair | **£17,000** | £17,000 |
| Nomination Committee Chair | **£17,000** | £17,000 |
| Remuneration Committee Chair | **£17,000** | £17,000 |
| Workforce Engagement NED fee | **£10,000** | £10,000 |

**Annemarie Durbin**
**Chair of the Remuneration Committee**
11 March 2024

## 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 26 April 2023, and took effect from that date for a period of three years. The Policy received 98.7% 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 www.persimmonhomes.com/corporate/investors/results-reports-and-presentations, in the 2022 Annual Report on pages 132 to 139. 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 2026 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**<br>Core element of fixed remuneration reflecting individual's role and experience. | Usually reviewed annually with any increases normally taking effect from 1 July.<br><br>When reviewing salaries, consideration is given to any increases awarded to the Group's salaried employees, business and market conditions, and any change in a Director's role and experience.<br><br>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 or below increases applied to the Group's salaried employees (in percentage terms).<br><br>Increases may be made above 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**<br>Provide a competitive means of saving to deliver appropriate income in retirement. | Base salary is the only component of remuneration which is pensionable. The Company operates a defined contribution (DC) scheme.<br><br>A Director may receive a salary supplement in lieu of some or all of the pension benefits available under the schemes. | 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**<br>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.<br><br>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** continued

# Annual report on Remuneration continued

## **Remuneration policy for Executive Directors** continued

| Purpose | How it operates | Maximum payable | Performance framework |
|---|---|---|---|
| **HMRC qualifying all-employee scheme**<br>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, in line with usual practice. |
| **Annual bonus**<br>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.<br><br>To further link the Executive Directors' 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.<br><br>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.<br><br>Vesting of deferred bonus awards is not subject to further performance conditions.<br><br>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.<br><br>Recovery provisions apply, as referred to below. | The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 175% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met. | 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.<br><br>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.<br><br>**Financial metrics:**<br>Subject to the Committee's discretion to override formulaic outturns, payment at threshold performance is up to 20% 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.<br><br>**Non-financial strategic or individual metrics:**<br>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. |

## Remuneration policy for Executive Directors continued

| Purpose | How it operates | Maximum payable | Performance framework |
|---|---|---|---|
| **The PSP**<br>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.<br><br>Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years.<br><br>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. The Committee also has the discretion to adjust awards due to windfall gains if it believes this to be appropriate.<br><br>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.<br><br>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.<br><br>Recovery provisions apply, as referred to below. | 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 are not limited to, cash generation, relative TSR, cultural and environmental metrics.<br><br>Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance. |

# **Remuneration** continued

# Annual report on Remuneration continued

## Share ownership guidelines

### In-service requirement

During employment, Executive Directors are required to acquire and retain shares with a value equal to 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. Executive Directors will be required to retain all shares acquired under the PSP and deferred bonus awards, on a net of tax basis, until the shareholding guideline is met, unless in exceptional circumstances the Committee exercises discretion to vary this requirement.

### 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 will not be subject to any post-employment holding requirement. The Committee retains discretion to vary this requirement in exceptional circumstances.

## 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.

## Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the terms of the plans. The Committee will operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled (in whole or in part) in cash, although the Committee would only do so where the particular circumstances made it appropriate to do so – for example, where there is a regulatory restriction on the delivery of shares.

## Choice of performance conditions

| **Annual bonus conditions** | Rationale for selection and how performance targets are set |
|---|---|
| **Profit before tax and cash generation**<br>Customer satisfaction, quality, and/or other non-financial, strategic, or personal measure | 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.<br><br>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**<br>(subject to Return on Capital Employed underpin)<br><br>**Relative TSR**<br>A cultural metric and/or environmental metrics | 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.<br><br>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.<br><br>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.<br><br>Cultural and environmental metrics support our future success and reflect the importance to the Group of environmental considerations. |

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.

## 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. All employees are able to participate in share ownership either through the PSP or the SAYE which is operated on an annual basis. Over 200 employees received a PSP award in 2023.

## Non-Executive Directors

| Purpose | How it operates | Maximum payable | Performance framework |
|---|---|---|---|
| **Fees**<br>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.<br><br>Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation.<br><br>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.<br><br>Fees are reviewed annually with any increases normally taking effect from 1 July.<br><br>When reviewing fees consideration is given to market conditions, the size of the business and any increases awarded to the Group's salaried employees.<br><br>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.<br><br>Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement. | 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.<br><br>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 the office of Workforce Engagement Non-Executive Director, or any other additional responsibilities. | N/A |

# **Remuneration** continued

# Annual report on Remuneration continued

## 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 2023 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.

- In general our policy is to set salaries based on the market rate. In certain circumstances 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 2023 Policy set out above.
- The variable remuneration that may be awarded will be subject to the applicable 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 applicable 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 475% 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 82 and 83 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, 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 issuer 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**
11 March 2024

# 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 2023 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 2023 which comprise:

| Group | Parent company |
|---|---|
| • Group balance sheet as at 31 December 2023 | • Company Balance sheet as at 31 December 2023 |
| • Consolidated statement of comprehensive income for the year then ended | • 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 statements for the year then ended | • Related notes 1 to 33 to the financial statements, including material accounting policy information |
| Related notes 1 to 33 to the financial statements, including material accounting policy information | |

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;
- Obtaining management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period to 30 June 2025 and testing them for arithmetic accuracy. Management has prepared a base case scenario that assumes a decline in volumes and selling price from those achieved in 2023 and a critical but plausible downside scenario which, reflects the initial impact of the prior global financial crisis for 2024 with recovery in line with market expectations during the first half of 2025. Additionally, management has prepared an extreme scenario reflecting the impact of the global financial crisis for 2024 but with no recovery, and a reverse stress test;
- Challenging the appropriateness of the key assumptions in management's base case forecast and comparing them to the Group's historic performance and industry predictions;
- Challenging management's consideration of a reasonable worst-case scenario (the critical but plausible downside), evaluating whether the impact of a prolonged downturn in trading had been appropriately included and whether climate risk may materially impact the going concern assessment;
- Considering management's reverse stress test in order to identify and understand what factors and how severe a downside scenario would have to be to result in the Group utilising all liquidity or breaching a financial covenant during the going concern period;
- Assessing the plausibility of management's downside scenarios, including the reverse stress test, by comparing to third-party data, including industry predictions, for indicators of contradictory evidence;
- Considering the amount and timing of mitigating factors under the Group's control that could preserve cash if required; and
- Reviewing the Group's going concern disclosures included in the annual report in order to assess whether they were appropriate and in conformity with the reporting standards.

In all of the scenarios modelled, the Group maintains headroom throughout the Going Concern period to 30 June 2025 through use of cash at bank and the £700m Revolving Credit Facility (Expiring June 2028). 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 30 June 2025.

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 complete financial information of one component and audit procedures on specific balances for a further three components.<br>The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets. |
| **Key audit matters** | 1. Revenue recognition<br>2. Inventory valuation and profit recognition<br>3. Legacy Buildings Provision |
| **Materiality** | Overall group materiality of £17.8 million which represents 5% of profit before tax. |

## An overview of the scope of the parent company and group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

We performed an audit of the complete financial information of one component ("full scope component") which were selected based on their size or risk characteristics. For the remaining three components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's Profit before tax, (or in the case of 2022, the Group's Adjusted Profit before tax measure used to calculate materiality), 100% (2022: 100%) of the Group's Revenue and 100% (2022: 100%) of the Group's Total assets.

### Scoping Changes from the prior year

For the 2023 audit, we performed specific audit procedures on three components, Fibrenest Limited, Persimmon Brickworks Limited and Space 4 Limited (2022; two – Fibrenest Limited and Persimmon Brickworks Limited). This change was to gain additional coverage over the Property, Plant and Equipment balances. There were no other changes to the audit scoping since the prior year.

### Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

### Climate change

Stakeholders are increasingly interested in 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 the various factors explained on pages 59 to 68 in the required Task Force On Climate Related Financial Disclosures and on pages 72 to 75 in the principal risks and uncertainties. They have also explained their climate commitments on pages 36 to 39. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The group has explained in its basis of preparation accounting policy note (Note 2), an articulation of how climate change has been reflected in the financial statements. The impact of climate change has been considered in its assessment of the inventories and goodwill and intangible assets and how these balances may be impacted by measures taken to address global warming. There are no significant judgements or estimates relating to climate change in the notes to the financial statements. The Group has concluded 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.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating whether management's assessment of the impact of the physical climate risk of flooding has been appropriately reflected in the projected financial information used for the assessment of the Group's viability and impairment. Details of our procedures and the resultant conclusions on inventory are included in our key audit matters below.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern, viability assessment and associated disclosures.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on inventory valuation. Details of our procedures and findings are included in our explanation of key audit matter below.

# Independent auditor's report continued

To the members of Persimmon Plc

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in 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**<br><br>Refer to the Audit Committee Report (page 111); Accounting policies (page 161); and Note 18 of the Consolidated Financial Statements (page 169)<br><br>As at 31 December 2023 the inventory balance includes WIP of £1,431.3 million (2022 – £1, 263.9 million) and Land of £2,103.5 million (2022 £2,091.7 million).<br><br>As at 31 December 2023, the Cost of sales amount, before exceptionals, was £2,253.1 million (2022 – £2,673.3 million)<br><br>There is a risk that the margin used to recognise profit on each development is incorrect and that the carrying amount of WIP and Land could be subject to impairment and write downs.<br><br>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, that are used to calculate the expected margin on each development and the cost of sale therefore recorded when a plot is sold. There is a risk that cost of sales and margin may be misstated if these development margins are incorrectly determined either as a result of management bias or error. | We performed the following procedures over this risk area:<br><br>1. We performed walkthroughs to understand the key processes and identify key controls;<br><br>2. We performed testing on the Group's controls over the WIP and profit recognition process and purchases. We considered management's bi-monthly valuation process to be the key control. We attended a sample of regional valuation meetings virtually to observe the level of management challenge of the assumptions within the site valuations. For a sample of meetings for a sample of months, we inspected valuation meeting packs to ensure that the appropriate individuals were in attendance at the meeting, that all sites were considered and that aggregate site variances in excess of £2,400 had been appropriately explained. We also inspected action logs for a sample of meetings to ensure that open matters were followed up and updated in the forecasts timely;<br><br>3. We performed a substantive analytical review for the total cost of sales balance based on an overall group margin expectation;<br><br>4. For all sites completed in the year, we have analysed the margins throughout the site's life so as to evidence management's historic forecasting accuracy;<br><br>5. For a sample of active sites at year end we have tested a sample of costs to come and expected selling prices to supporting evidence;<br><br>6. For a sample of entries to cost of sales in the year, we have checked that the margin recorded ties to the latest projected margin;<br><br>7. We performed sensitivity analysis on low margin sites held in WIP at year end; and<br><br>8. 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**<br><br>Refer to Accounting policies (page 159); and Note 5 of the Consolidated Financial Statements (page 163)<br><br>The Group has reported revenues for the year of £2,773.2 million (2022 – £3,815.8 million).<br><br>There is a potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias. | We performed the following procedures over this risk area:<br><br>1. We performed walkthroughs to understand the key processes and identify key controls;<br><br>2. We tested whether revenue was recorded in the correct period by selecting a sample from the housing sales recorded within two 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;<br><br>3. 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;<br><br>4. We tested all material manual journals posted to revenue to assess for any evidence of management override by checking to supporting documentation; and<br><br>5. We considered any material bulk sale arrangements for compliance with IFRS 15. | Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management override. |

## **Key audit matters** continued

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Legacy Buildings Provision**<br><br>Refer to Accounting policies (page 159); and Note 22 of the Consolidated Financial Statements (page 171).<br><br>At 31 December 2023, the Group holds a legacy building provision of £283.2 million (2022 – £333.3 million).<br><br>There is estimation uncertainty and subjectivity in determining the most likely costs which will be required to remediate affected properties based on the current government guidance. There is, therefore, a risk that the legacy building provision is misstated either through management bias or error. | We performed the following procedures over this risk area:<br><br>1. We performed a walkthrough to understand the key processes and identify key controls. We read and understood the relevant laws and regulations including any recently published government guidance and the signed contract with Department for Levelling Up, Housing and Communities;<br><br>2. We performed a comparison of the estimated costs versus the actual costs incurred to determine if the methodology applied by management is accurate;<br><br>3. We obtained management's provision schedule, which showed the brought forward provision and the current year increases relating to new sites identified and the various categories of additional costs identified as a result of updated tenders or additional scope requirements or contract variations and understood the basis for significant movements;<br><br>4. For a sample of spend in the year we agreed costs to third party support (e.g. supplier invoices);<br><br>5. On a sample basis, we tested the movements in individual development provisions. For those tendered, we agreed the expected cost to supporting third party documentation (i.e. subcontractor tenders). For those untendered, we assessed management's estimate by reference to the cost per square metre of those already tendered;<br><br>6. We performed sensitivity analysis on the provision in order to establish whether these could give rise to material variances;<br><br>7. In order to assess completeness we performed reverse media search of buildings scope of the Building Safety regulation linked to Persimmon building work. We also searched the Department for Levelling Up, Housing and Communities (DLUHC)'s reports sent via email to the client and reports on their website for detail of any claims or notifications received by them relating to Persimmon or their subsidiaries; and<br><br>8. We assessed the appropriateness of the disclosures included within the Financial Statements in relation to provisions, including the disclosure of the assumptions and associated sensitivities in relation to the key sources of estimation uncertainty. | Based on our audit procedures we have concluded that Legacy Buildings Provision is appropriately recognised. |

# Independent auditor's report continued

To the members of Persimmon Plc

## 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 £17.6 million (2022: £50.3 million), which is 5% (2022: 5%) of Profit Before Tax. The 2022 Profit Before Tax amount was adjusted for the exceptional legacy building provision of £275.0 million. We believe that Profit Before Tax provides us with an appropriate basis for materiality and is the most relevant for stakeholders, as it is a focus of both management and investors.

We determined materiality for the Parent Company to be £18.4 million (2022: £22.3 million), which is 1% (2022: 1%) of equity, however, we have capped the materiality for our audit testing to the materiality of the Group.

### 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% (2022: 75%) of our planning materiality, namely £13.2 million (2022: £37.7 million). 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 £0.9 million (2022: £2.4 million), 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 1 to 156, 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.

## 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 125;
- 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 73;
- 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 73;
- Directors' statement on fair, balanced and understandable set out on page 121;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55 to 61;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 124; and;
- The section describing the work of the audit committee set out on page 118 to 121.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 156, 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's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance to understand where it considered there was a susceptibility for fraud. We corroborated our enquiries through other work performed and made inquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the company, as well as consideration of the results of our audit procedures across the company. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. 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. We also utilised our analytics tools and paid particular attention to manual journals in order to address the risk of management override. Where necessary we involved forensic specialists to support the audit team in evaluating and concluding on our testing performed in relation to management override.

# Independent auditor's report continued

To the members of Persimmon Plc

## Auditor's responsibilities for the audit of the financial statements continued

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries about any instances of non-compliance with the Group management and Internal Audit and understanding of the impact of any such non-compliance upon our audit. We engaged internal specialists as required when designing and executing audit procedures. We also performed journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; 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 8 years, covering the years ending 31 December 2016 to 31 December 2023.
- 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**
11 March 2024

# Consolidated statement of comprehensive income

For the year ended 31 December 2023

| | Note | **2023 Total £m** | 2022 Total £m |
|---|---|---|---|
| Revenue | 5 | **2,773.2** | 3,815.8 |
| Cost of sales | | **(2,253.1)** | (2,948.3) |
| **Gross profit** | | **520.1** | 867.5 |
| **Analysed as:** | | | |
| Underlying gross profit | | **520.1** | 1,142.5 |
| Legacy buildings provision | 6 | **—** | (275.0) |
| Other operating income | | **8.6** | 10.3 |
| Operating expenses | | **(181.8)** | (152.9) |
| **Operating profit** | 10 | **346.9** | 724.9 |
| **Analysed as:** | | | |
| Underlying operating profit | | **354.5** | 1,006.5 |
| Legacy buildings provision | | **—** | (275.0) |
| Impairment of intangible assets | 14 | **(7.6)** | (6.6) |
| Finance income | 9 | **19.7** | 9.9 |
| Finance costs | 9 | **(14.8)** | (4.1) |
| **Profit before tax** | | **351.8** | 730.7 |
| **Analysed as:** | | | |
| Underlying profit before tax | | **359.4** | 1,012.3 |
| Legacy buildings provision | | **—** | (275.0) |
| Impairment of intangible assets | 14 | **(7.6)** | (6.6) |
| Tax | 11.1 | **(96.4)** | (169.7) |
| **Profit after tax** (all attributable to equity holders of the Parent) | 13 | **255.4** | 561.0 |

| | Note | **2023 Total £m** | 2022 Total £m |
|---|---|---|---|
| **Other comprehensive expense** | | | |
| Items that will not be reclassified to profit: | | | |
| Remeasurement (loss)/gain on defined benefit pension schemes | 28 | **(35.1)** | 5.2 |
| Tax | 11.2 | **9.8** | (7.6) |
| **Other comprehensive expense for the year, net of tax** | | **(25.3)** | (2.4) |
| **Total recognised income for the year** | | **230.1** | 558.6 |
| **Earnings per share** | | | |
| Basic | 13 | **80.0p** | 175.8p |
| Diluted | 13 | **79.5p** | 174.3p |

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income.

# Balance sheets

As at 31 December 2023

| | Note | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 14 | **165.4** | 173.0 | — | 0.3 |
| Property, plant and equipment | 15 | **140.5** | 118.6 | **8.3** | 4.3 |
| Investments accounted for using the equity method | 16.1 | **1.0** | 0.3 | — | — |
| Investments in subsidiaries | 16.2 | — | — | **3,205.7** | 3,205.7 |
| Shared equity loan receivables | 17 | **27.2** | 29.1 | — | — |
| Trade and other receivables | 19 | **6.9** | 0.3 | **2,040.4** | 2,015.4 |
| Deferred tax assets | 24 | **11.5** | 10.5 | **4.3** | 3.8 |
| Retirement benefit assets | 28 | **127.1** | 155.9 | **127.1** | 155.9 |
| | | **479.6** | 487.7 | **5,385.8** | 5,385.4 |
| **Current assets** | | | | | |
| Inventories | 18 | **3,701.2** | 3,462.9 | — | — |
| Shared equity loan receivables | 17 | **4.9** | 6.9 | — | — |
| Trade and other receivables | | **182.0** | 193.2 | **17.3** | 13.3 |
| Cash and cash equivalents | 26 | **420.1** | 861.6 | **241.0** | 603.3 |
| Current tax assets | | — | 21.8 | — | — |
| | | **4,308.2** | 4,546.4 | **258.3** | 616.6 |
| **Total assets** | | **4,787.8** | 5,034.1 | **5,644.1** | 6,002.0 |

| | Note | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 21 | **(178.7)** | (214.8) | **(1.3)** | (2.0) |
| Deferred tax liabilities | 24 | **(64.9)** | (72.1) | **(37.1)** | (45.2) |
| Partnership liability | 29 | **(15.1)** | (19.6) | — | — |
| Legacy buildings provision | 22 | **(161.7)** | (196.8) | — | — |
| | | **(420.4)** | (503.3) | **(38.4)** | (47.2) |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | **(821.7)** | (949.4) | **(3,655.1)** | (3,883.0) |
| Partnership liability | 29 | **(5.6)** | (5.6) | — | — |
| Current tax liabilities | | **(0.1)** | — | — | — |
| Legacy buildings provision | 22 | **(121.5)** | (136.5) | — | — |
| | | **(948.9)** | (1,091.5) | **(3,655.1)** | (3,883.0) |
| **Total liabilities** | | **(1,369.3)** | (1,594.8) | **(3,693.5)** | (3,930.2) |
| **Net assets** | | **3,418.5** | 3,439.3 | **1,950.6** | 2,071.8 |
| **Equity** | | | | | |
| Ordinary share capital issued | 25 | **31.9** | 31.9 | **31.9** | 31.9 |
| Share premium | | **25.6** | 25.6 | **25.6** | 25.6 |
| Capital redemption reserve | | **236.5** | 236.5 | **236.5** | 236.5 |
| Other non-distributable reserve | | **276.8** | 276.8 | — | — |
| Retained earnings | | **2,847.7** | 2,868.5 | **1,656.6** | 1,777.8 |
| **Total equity** | | **3,418.5** | 3,439.3 | **1,950.6** | 2,071.8 |

The profit for the year dealt with in the accounts of the Company is £156.0m (2022: £604.2m).

The financial statements of Persimmon Plc (company number: 1818486) on pages 154 to 200 were approved by the Board of Directors on 11 March 2024 and were signed on its behalf by:

**Dean Finch**
**Group Chief Executive**

# Statement of changes in shareholders' equity

For the year ended 31 December 2023

| | 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 2022 | 31.9 | 24.9 | 236.5 | 276.8 | 3,055.1 | 3,625.2 |
| Profit for the year | — | — | — | — | 561.0 | 561.0 |
| Other comprehensive expense | — | — | — | — | (2.4) | (2.4) |
| **Transactions with owners:** | | | | | | |
| Dividends on equity shares | — | — | — | — | (750.1) | (750.1) |
| Issue of new shares | — | 0.7 | — | — | — | 0.7 |
| Own shares purchased | — | — | — | — | (0.7) | (0.7) |
| Exercise of share options/share awards | — | — | — | — | (1.0) | (1.0) |
| Share-based payments | — | — | — | — | 5.6 | 5.6 |
| Satisfaction of share options from own shares held | — | — | — | — | 1.0 | 1.0 |
| Balance at 31 December 2022 | 31.9 | 25.6 | 236.5 | 276.8 | 2,868.5 | 3,439.3 |
| Profit for the year | — | — | — | — | 255.4 | 255.4 |
| Other comprehensive expense | — | — | — | — | (25.3) | (25.3) |
| **Transactions with owners:** | | | | | | |
| Dividends on equity shares | — | — | — | — | (255.4) | (255.4) |
| Own shares purchased | — | — | — | — | (1.2) | (1.2) |
| Share-based payments | — | — | — | — | 5.7 | 5.7 |
| **Balance at 31 December 2023** | **31.9** | **25.6** | **236.5** | **276.8** | **2,847.7** | **3,418.5** |

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 has 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.

The other non-distributable reserve arose prior to transition to IFRSs.

# Statement of changes in shareholders' equity

For the year ended 31 December 2023

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Balance at 1 January 2022 | 31.9 | 24.9 | 236.5 | 1,920.8 | 2,214.1 |
| Profit for the year | — | — | — | 604.2 | 604.2 |
| Other comprehensive expense | — | — | — | (2.4) | (2.4) |
| **Transactions with owners:** | | | | | |
| Dividends on equity shares | — | — | — | (750.1) | (750.1) |
| Issue of new shares | — | 0.7 | — | — | 0.7 |
| Own shares purchased | — | — | — | (0.7) | (0.7) |
| Exercise of share options/share awards | — | — | — | (1.0) | (1.0) |
| Share-based payments | — | — | — | 6.0 | 6.0 |
| Satisfaction of share options from own shares held | — | — | — | 1.0 | 1.0 |
| Balance at 31 December 2022 | 31.9 | 25.6 | 236.5 | 1,777.8 | 2,071.8 |
| Profit for the year | — | — | — | 156.0 | 156.0 |
| Other comprehensive expense | — | — | — | (25.3) | (25.3) |
| **Transactions with owners:** | | | | | |
| Dividends on equity shares | — | — | — | (255.4) | (255.4) |
| Own shares purchased | — | — | — | (1.2) | (1.2) |
| Share-based payments | — | — | — | 4.7 | 4.7 |
| **Balance at 31 December 2023** | **31.9** | **25.6** | **236.5** | **1,656.6** | **1,950.6** |

During the year the Company received dividends from wholly owned subsidiary undertakings of £155.0m (2022: £600.0m).

Retained earnings include £0.7m of non-distributable items (2022: £0.7m).

# Cash flow statements

For the year ended 31 December 2023

| | Note | **Group 2023 £m** | Group 2022 £m | **Company 2023 £m** | Company (Restated*) 2022 £m |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Profit for the year | | **255.4** | 561.0 | **156.0** | 604.2 |
| Tax charge | 11.1 | **96.4** | 169.7 | **0.7** | 0.2 |
| Finance income | 9 | **(19.7)** | (9.9) | **(15.5)** | (4.2) |
| Finance costs | 9 | **14.8** | 4.1 | **3.8** | 0.5 |
| Depreciation charge | 15 | **18.7** | 15.8 | **1.2** | 1.0 |
| Amortisation of intangible assets | 14 | **–** | – | **0.3** | 0.2 |
| Impairment of intangible assets | 14 | **7.6** | 6.6 | **–** | – |
| Legacy buildings provision | 22 | **–** | 275.0 | **–** | – |
| Share-based payment charge | | **4.5** | 9.0 | **4.5** | 9.0 |
| Net imputed interest (expense)/income | | **(8.7)** | 2.1 | **–** | – |
| Dividends received from wholly owned subsidiaries | | **–** | – | **(155.0)** | (600.0) |
| Other non-cash items | | **(8.9)** | (7.9) | **1.3** | 2.2 |
| **Cash (outflow)/ inflow from operating activities** | | **360.1** | 1,025.5 | **(2.7)** | 13.1 |
| Movements in working capital: | | | | | |
| Increase in inventories | | **(235.3)** | (532.5) | **–** | – |
| Decrease/(increase) in trade and other receivables | | **37.5** | (81.1) | **(26.6)** | (60.3) |
| (Decrease)/increase in trade and other payables | | **(233.6)** | 141.1 | **(227.4)** | (250.4) |
| Decrease in shared equity loan receivables | | **5.7** | 13.3 | **–** | – |
| **Cash (absorbed)/generated from operations** | | **(65.6)** | 566.3 | **(101.7)** | 302.4 |
| Interest paid | | **(4.3)** | (3.3) | **(1.6)** | (1.0) |
| Interest received | | **11.7** | 3.5 | **6.9** | 1.0 |
| Dividends received from wholly owned subsidiaries | | **–** | – | **155.0** | 600.0 |
| Tax (paid)/received | | **(71.6)** | (164.2) | **0.6** | (2.1) |
| **Net cash (outflows)/inflow from operating activities** | | **(129.8)** | 402.3 | **(95.8)** | 300.3 |

| | Note | **Group 2023 £m** | Group 2022 £m | **Company 2023 £m** | Company (Restated*) 2022 £m |
|---|---|---|---|---|---|
| **Cash flows from investing activities:** | | | | | |
| Investment in an associate | | **(0.7)** | – | **–** | – |
| Acquisition of loan notes | | **(6.8)** | – | **–** | – |
| Acquisition of subsidiary | | **–** | (0.2) | **–** | – |
| Purchase of property, plant and equipment | 15 | **(36.4)** | (30.5) | **(4.6)** | (1.5) |
| Proceeds from sale of property, plant and equipment | | **1.0** | 0.9 | **–** | – |
| **Net cash outflow from investing activities** | | **(42.9)** | (29.8) | **(4.6)** | (1.5) |
| **Cash flows from financing activities:** | | | | | |
| Lease capital payments | | **(3.0)** | (3.3) | **(0.4)** | (0.3) |
| Payment of partnership liability | | **(4.3)** | (4.1) | **–** | – |
| Bank fees paid | | **(4.9)** | – | **(4.9)** | – |
| Own shares purchased | | **(1.2)** | (0.7) | **(1.2)** | (0.7) |
| Share options consideration | | **–** | 0.7 | **–** | 0.7 |
| Dividends paid | 12 | **(255.4)** | (750.1) | **(255.4)** | (750.1) |
| **Net cash outflow from financing activities** | | **(268.8)** | (757.5) | **(261.9)** | (750.4) |
| **Decrease in net cash and cash equivalents** | 26 | **(441.5)** | (385.0) | **(362.3)** | (451.6) |
| Cash and cash equivalents at the beginning of the year | | **861.6** | 1,246.6 | **603.3** | 1,054.9 |
| **Cash and cash equivalents at the end of the year** | 26 | **420.1** | 861.6 | **241.0** | 603.3 |

*See note 2 for details on the restatement.

# Notes to the financial statements

For the year ended 31 December 2023

## 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 2023:

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IFRS 7 Insurance Contracts

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 endorsed but not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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'). 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 Task Force 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's performance in the 12 months ended 31 December 2023 has been resilient in the face of a number of challenges and periods of uncertainty. 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 completed the sale of 9,922 new homes (2022: 14,868), generating a pre-exceptional profit before tax of £351.8m (2022: £1,005.7m). At 31 December 2023, the Group's strong financial position included £420.1m of cash (2022: £861.6m), high quality land holdings, and land creditors of £372.0m (2022: £472.8m). In addition, on 5 July the Group renewed its Revolving Credit Facility increasing it from £300m to £700m, with a five-year term to 5 July 2028 and the possibility to extend for a further two years. The facility is undrawn at the year end.

The Group's forward order book at 1 January 2024 includes nearly 1,900 new homes sold forward into the private owner occupier market (1 January 2023: 1,696 new homes forward sold) with an average selling price of over £266,000. In addition, the cumulative average private sales reservation rate for the first 10 weeks of 2024 is c.9% stronger than for the same period last year.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described on page 72 of this report. The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses to the latest base case forecast, covering the period to 30 June 2025, 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 76.

The scenarios emphasise the potential impact of severe market disruption, including, for example, the effect of economic disruption from a cost-of-living crisis or a war, 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.

The first scenario modelled is a severe but plausible downside scenario that models a fall in housing revenue, when compared to full year 2023, of c.53% for full year 2024 followed by a gradual recovery. The housing revenue modelled factors in changes in both volumes and average selling prices. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis 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 the same significant downturn in 2024 followed by a period of enduring depression of the UK economy and housing market during 2025, assuming that neither volumes nor revenue recover.

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. Each scenario fully reflects the current estimate of cash outflows, value and timing, associated with the legacy buildings provision. In each of these scenarios, the Group is able to operate within its facilities.

The Directors have also considered a 'Reverse Stress Test' to demonstrate the point at which the Group runs out of liquid funds or breaches covenants but note the likelihood of this is less than remote.

# 2 Accounting policies continued

## Going concern continued

In addition, the Group has been increasingly assessing climate related risks 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.

Having considered the inherent strength of the UK housing market, the resilience of the Group's average selling prices and the Group's scenario analysis as detailed above, 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 on private new housing is recognised as the consideration received on legal completion of new built private residential property sale.

Revenue on housing sold to housing associations is recognised either on the consideration received on legal completion of a newly built residential property or amounts contractually due under development agreement.

The Group recognises revenue in the income statement over time for contracts where the control of land is irrevocably transferred to the customer before or during construction. Revenue is recognised from the point that control is irrevocably transferred to the customer. Where revenue is recognised over time and the outcome of the contract can be estimated reliably, it is recognised based on the stage of completion of the agreement as verified by surveys performed by the relevant customer. Revenue also includes the fair value of the consideration received or receivable on the sale of part exchange properties. Revenue relating to the provision of internet services is recognised as the service is provided.

Revenue also includes the fair value of the consideration received or receivable on the sale of part exchange properties.

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. For the year ended 31 December 2023, no material government grants were received.

## 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 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.

During 2022 the charge of £275.0m relating to the increase of the Group's legacy buildings provision was disclosed as an exceptional item due to the non-recurring nature and scale of the charge. Further details on this provision are found in notes 3 and 22.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 2 Accounting policies continued

### 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.

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 28.

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 schemes.

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. The Group assesses its exposure to Pillar Two income taxes based on the most recent information available from tax filings and financial statements, and takes into account known changes in the Group and its operations.

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 balance sheet 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. In July 2023, the UK Endorsement Board adopted 'International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12) as issued by the IASB. The Amendments introduce a temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules, effective immediately and retrospectively, and the Group has applied this exception.

### Leases

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and any initial direct costs incurred.

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 (2-30 years).

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.

## 2 Accounting policies continued

### Property, plant and equipment continued

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.

### Joint ventures and associates

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.

An associate is an entity in which the Group holds an interest with one or more other parties where it exerts significant influence, but not overall control, over the entity.

Investments in joint ventures and associates 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 17.

### 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 balance sheet date.

### Inter-Group guarantees

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group. These have been of insignificant value in the year.

### 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 and 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.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 2 Accounting policies continued

### 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. These cash flows are treated as operating cash flows on the basis that the Parent Company's underlying activities includes receiving dividends from its subsidiaries.

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 retained earnings 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.

### Prior year restatement

The Parent Company prior year cash flow has been restated to correct the presentation of dividends received. The dividends received from wholly owned subsidiaries (£600m) is now included separately as an adjustment in the reconciliation of profit before tax to the cash inflow from operating activities, and then reflected as a separate line item within operating cash flows in line with IAS 7.31. This resulted in cash inflows from operating activities (subtotal) decreasing from £613.1m to £13.1m, but no changes to net cash (outflow)/inflow from operating activities (subtotal), which remains at £300.3m. This restatement has no impact on the net assets or profit for the year for the Parent Company.

## 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:

### 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. For further information on the estimates used, please refer to note 28.

### 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 12 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 2023, 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 12 months. Cost of materials and labour have been included in the assessment of sensitivity and are considered to be immaterial in the valuation of the Group's inventory.

If there are significant movements in UK house prices or development costs, beyond management's reasonably possible expectations, then further impairments of land and work in progress may be necessary.

### Provisions

The Group holds a provision of £283.2m (2022: £333.3m) 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. The prior year provision represented management's best estimate of the liability based on the information available at that point. During 2022 we signed the Building Safety Pledge (England) and worked constructively with the Government to agree the 'Long–Form Contract' that turned the pledge into a legal agreement. The Self Remediation Contract was signed on 13 March 2023. As we have worked through this process we have identified further eligible multi-storey developments requiring remediation for which we will be liable, and developed a more detailed understanding of remediation costs.

The number of developments we are responsible for has increased and now stands at 82 (2022: 73) (of which 39 have now either secured EWS1 certificates or concluded any necessary works).

These estimates may change over time as further information is assessed, remedial works progress, the interpretation of fire safety regulations further evolves and further developments requiring remediation works are potentially identified. The assessment of the provision remains a highly complex area with judgements and estimates in respect of the costs of remedial works to be incurred. In addition we have also assumed that VAT is not recoverable based on current guidance from HMRC. Whilst we have exercised our best judgement in these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 20% variation in the costs of untendered projects occur then the overall provision would vary by +/- £21.4m.

The following two areas of estimation uncertainty are not presented to comply with the requirements of paragraph 125 of IAS 1, Presentation of Financial Statements as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets within the next financial year. They are presented as an additional disclosure of estimate used in these accounts.

## 3 Critical accounting judgements and key sources of estimation uncertainty continued

### 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 2023 the loan recognised on the balance sheet was £32.1m (2022: £36.0m).

## 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.

## 5 Revenue

An analysis of the Group's revenue is as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| Revenue from the sale of new housing - private | **2,195.1** | 3,313.8 |
| Revenue from the sale of new housing - housing association | **342.5** | 382.6 |
| Revenue from the sale of new housing - total | **2,537.6** | 3,696.4 |
| Revenue from the sale of part exchange properties | **223.7** | 110.6 |
| Revenue from the provision of internet services | **11.9** | 8.8 |
| Revenue from the sale of goods and services as reported in the statement of comprehensive income | **2,773.2** | 3,815.8 |
| Other operating income | **8.6** | 10.3 |
| Finance income | **19.7** | 9.9 |
| | **2,801.5** | 3,836.0 |

Revenue from the sale of new housing includes £282.5m (2022: £142.2m) in respect of the value of properties accepted in part exchange by the Group. Of this £114.6m (2022: £61.0m) is reported within inventories at 31 December

## 6 Exceptional items

During 2022 the Group recognised an exceptional charge of £275.0m in relation to the increase in the anticipated costs of the Group's commitments to support leaseholders in buildings we had developed with the costs of removal of combustible cladding and other fire related remediation works. This reflected the extended commitment of the Government Long-Form Contract, the identification of further developments for which we are now responsible, and a greater understanding of remediation costs. Further detail on this matter is provided in notes 3 and 22.

This was disclosed as an exceptional item due to the non-recurring nature and scale of the charge, in order to aid understanding of the financial performance of the Group and to assist in the comparability of financial performance between accounting periods.

## 7 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 124 to 143. A summary of key management remuneration is as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| Short-term benefits | **2.8** | 3.2 |
| Termination benefits | **—** | — |
| Share-based payments | **0.8** | 4.2 |
| | **3.6** | 7.4 |

Total gains on exercise of options by key management in the year amount to £0.2m (2022: £1.0m).

## 8 Employees

### Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 5,186 (2022: 5,862).

| | 2023 £m | 2022 £m |
|---|---|---|
| Staff costs (for the above persons): | | |
| Wages and salaries | **265.5** | 249.7 |
| Social security costs | **29.1** | 29.2 |
| Pensions charge | **6.8** | 5.4 |
| Share-based payments | **1.2** | 7.5 |
| | **302.6** | 291.8 |

The Group also uses the services of a substantial number of self-employed labour-only site operatives.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 8 Employees continued

### Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 545 (2022: 497).

| | 2023 £m | 2022 £m |
|---|---|---|
| Staff costs (for the above persons): | | |
| Wages and salaries | **47.5** | 41.1 |
| Social security costs | **5.9** | 5.5 |
| Pensions charge | **1.4** | 0.4 |
| Share-based payments | **0.5** | 7.5 |
| | **55.3** | 54.5 |

## 9 Net finance income

| | 2023 £m | 2022 £m |
|---|---|---|
| **Recognised in profit after tax** | | |
| Interest receivable on bank deposits | **9.1** | 2.3 |
| Gains on shared equity loan receivables | **1.6** | 3.9 |
| Net interest on pension asset | **7.4** | 2.8 |
| Other interest receivable | **1.6** | 0.9 |
| **Finance income** | **19.7** | 9.9 |
| Interest expense on bank overdrafts and loans | **2.5** | 0.5 |
| Imputed interest on deferred land payables | **6.0** | 1.8 |
| Imputed interest on legacy building provision | **4.3** | — |
| Interest on partnership liability | **1.1** | 1.3 |
| Other interest payable | **0.9** | 0.5 |
| **Finance costs** | **14.8** | 4.1 |
| **Net finance income** | **4.9** | 5.8 |

## 10 Profit from operations

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit from operations is stated after charging/(crediting): | | |
| Staff costs (note 8) | **302.6** | 291.8 |
| Profit on sale of land holdings | **(4.2)** | (5.3) |
| Government grants | **(0.6)** | (0.5) |
| Rent receivable | **(3.4)** | (3.4) |
| Profit on sale of property, plant and equipment | **(0.9)** | (0.8) |
| Depreciation of owned assets | **18.7** | 15.8 |
| Impairment of intangible assets | **7.6** | 6.6 |

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.

Amounts payable to the auditor, Ernst & Young LLP, and their associates in respect of:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| **Audit fees** | | |
| Audit of the Parent Company and consolidated financial statements | **787** | 506 |
| Audit of the Company's subsidiaries pursuant to legislation | **30** | 25 |
| Total fees for the audit of the Company and its subsidiaries | **817** | 531 |
| **Non-audit fees** | | |
| Audit related assurance services | **75** | 70 |
| Non-audit related fees | **77** | 57 |
| Total non-audit fees | **152** | 127 |
| | **969** | 658 |

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities is reviewed by the Audit & Risk 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 £1,063,154 (2022: £656,285).

# 11 Tax

## 11.1 Analysis of tax charge for the year

| | 2023 £m | 2022 £m |
|---|---|---|
| Tax charge comprises: | | |
| UK corporation tax in respect of the current year | **81.2** | 138.8 |
| Residential Property Developer Tax ('RPDT') in respect of the current year | **13.0** | 28.7 |
| Adjustments in respect of prior years | **(0.2)** | (2.8) |
| | **94.0** | 164.7 |
| Deferred tax relating to origination and reversal of temporary differences | **2.8** | — |
| Impact of introduction of RPDT on deferred tax | — | 3.9 |
| Adjustments recognised in the current year in respect of prior year's deferred tax | **(0.4)** | 1.1 |
| | **2.4** | 5.0 |
| Tax charge for the year recognised in statement of comprehensive income | **96.4** | 169.7 |

The tax charge for the year can be reconciled to the accounting profit as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit from continuing operations | **351.8** | 730.7 |
| Tax calculated at UK corporation tax rate of 27.5% (inclusive of RPDT) (2022: 22%) | **96.7** | 160.8 |
| Goodwill impairment losses that are not deductible | **1.8** | 1.2 |
| Expenditure not allowable for tax purposes | **0.9** | 0.8 |
| Impact of RPDT on deferred tax introduction | — | 3.9 |
| Items not deductible for RPDT | **(0.6)** | 6.8 |
| Enhanced tax reliefs | **(1.8)** | (2.1) |
| Adjustments in respect of prior years | **(0.6)** | (1.7) |
| Tax charge for the year recognised in statement of comprehensive income | **96.4** | 169.7 |

The rate of tax for the year ended 31 December 2023, was 27.4% (2022: 23.2%), which was marginally below the standard rate of corporation tax in the UK of 27.5% (including RPDT) (2022: 22%). The Group's tax charge and effective rate of tax is expected to increase from 2024 to reflect the standard rate of taxes applying from 2024 of 29%, being the corporation tax rate applicable for the full year of 25% and RPDT of 4%. The Group has assessed the impact of Pillar Two legislation and does not expect a potential Pillar Two top-up tax exposure.

## 11.2 Deferred tax recognised in other comprehensive income (note 24)

| | 2023 £m | 2022 £m |
|---|---|---|
| Recognised on remeasurement (loss)/gain on pension schemes | **(9.8)** | 7.6 |

## 11.3 Tax recognised directly in equity

| | 2023 £m | 2022 £m |
|---|---|---|
| **Arising on transactions with equity participants** | | |
| Current tax related to equity settled transactions | **(0.6)** | (0.8) |
| Deferred tax related to equity settled transactions (note 24) | **(0.7)** | 4.2 |
| | **(1.3)** | 3.4 |

# 12 Dividends/return of capital

| | 2023 £m | 2022 £m |
|---|---|---|
| Amounts recognised as distributions to capital holders in the period: | | |
| 2021 dividend to all shareholders of 125p per share paid 2022 | — | 399.0 |
| 2021 dividend to all shareholders of 110p per share paid 2022 | — | 351.1 |
| 2022 dividend to all shareholders of 60p per share paid 2023 | **191.5** | — |
| 2023 dividend to all shareholders of 20p per share paid 2023 | **63.9** | — |
| Total capital return | **255.4** | 750.1 |

The Directors propose to return 40p of surplus capital to shareholders for each ordinary share held on the register on 21 June 2024 with payment made on 12 July 2024 as a final dividend in respect of the financial year ended 31 December 2023. The Directors do not intend to return any further surplus capital in respect of the financial year 31 December 2023. The total anticipated distributions to shareholders is 60p per share (2022: 60p per share) in respect of the financial year ended 31 December 2023.

The Parent Company received £155.0m dividends from wholly owned subsidiary undertakings during 2023 (2022: £600.0m).

# Notes to the financial statements continued

For the year ended 31 December 2023

## 13 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 25) and any treasury shares, all of which are treated as cancelled, which were 319.2m (2022: 319.2m).

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 321.0m (2022: 321.8m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

| | **2023** | 2022 |
|---|---|---|
| Basic earnings per share | **80.0p** | 175.8p |
| Underlying basic earnings per share | **82.4p** | 247.3p |
| Diluted earnings per share | **79.5p** | 174.3p |
| Underlying diluted earnings per share | **81.9p** | 245.3p |

The calculation of the basic and diluted earnings per share is based upon the following data:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Underlying earnings attributable to shareholders | **263.0** | 789.5 |
| Legacy buildings provision (net of tax) | **—** | (221.9) |
| Goodwill impairment | **(7.6)** | (6.6) |
| Earnings attributable to shareholders | **255.4** | 561.0 |

## 14 Intangible assets

| **Group** | Goodwill £m | Brand £m | Know-how £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 and 1 January 2023 | 412.8 | 60.0 | 1.9 | 474.7 |
| **At 31 December 2023** | **412.8** | **60.0** | **1.9** | **474.7** |
| **Accumulated impairment losses/amortisation** | | | | |
| At 1 January 2022 | 293.2 | — | 1.9 | 295.1 |
| Impairment losses for the year – utilisation of strategic land holdings | 6.6 | — | — | 6.6 |
| At 1 January 2023 | 299.8 | — | 1.9 | 301.7 |
| Impairment losses for the year - Horsebridge acquisition | 4.0 | — | — | 4.0 |
| Impairment losses for the year – utilisation of strategic land holdings | 3.6 | — | — | 3.6 |
| **At 31 December 2023** | **307.4** | **—** | **1.9** | **309.3** |
| **Carrying amount** | | | | |
| **At 31 December 2023** | **105.4** | **60.0** | **—** | **165.4** |
| At 31 December 2022 | 113.0 | 60.0 | — | 173.0 |

Goodwill brought forward at the start of the year of £113.0m includes £90.2m (2022: £95.6m) 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 (2022: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group Plc in 2001.

On 6 May 2022 the Group acquired the entire share capital of Horsebridge Network Systems Limited for a consideration of £1. The fair value of the balance sheet on date of acquisition was a £4.0m net liability. As a result £4.0m of goodwill arose on acquisition and was recognised in the Group's balance sheet at 31 December 2022. During 2023 Horsebridge Network Systems Limited ceased trading. The £4.0m goodwill arising on acquisition and held on the balance sheet at 31 December 2022 has been fully written off in the current year.

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.

## 14 Intangible assets continued

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 forecasts approved by management 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 5% and 9% (2022: 0% and 17%), reflecting the economic uncertainties associated with the ongoing war in Ukraine and the cost of living crisis which is affecting the UK economy and the UK housing industry.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between -5% and 2% (2022: 0% and 3%).

After this period the growth rates applied to calculate the cash flow forecasts vary between 1% and 2% (2022: 1% 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 6% and 10% (2022: 5% and 9%) 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 historical experience and market conditions. This review resulted in an underlying impairment of £3.6m (2022: £6.6m). 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. The timescale for full impairment to occur is difficult to calculate; however, based on current estimates, it is believed this will take over 20 years.

On concluding the annual impairment testing, there remains £50.0m (2022: £53.2m) and £18.5m (2022: £18.9m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2022: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2022: £60.0m) of carrying value in relation to the Westbury brand.

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 | Total £m |
|---|---|
| **Cost** | |
| **At 1 January 2022, 1 January 2023 and 31 December 2023** | **5.0** |
| **Amortisation** | |
| At 1 January 2022 | 4.5 |
| Charge for the year | 0.2 |
| At 1 January 2023 | 4.7 |
| Charge for the year | **0.3** |
| **At 31 December 2023** | **5.0** |
| Carrying amount | |
| **At 31 December 2023** | — |
| At 31 December 2022 | 0.3 |

# Notes to the financial statements continued

For the year ended 31 December 2023

## 15 Property, plant and equipment

| Group | Land and buildings £m | Plant £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 | 50.1 | 126.0 | 29.6 | 205.7 |
| Additions | 5.1 | 27.1 | 3.3 | 35.5 |
| Disposals | (0.6) | (4.5) | (1.0) | (6.1) |
| At 1 January 2023 | 54.6 | 148.6 | 31.9 | 235.1 |
| Additions | 5.6 | 17.5 | 17.6 | 40.7 |
| Disposals | — | (9.3) | (1.8) | (11.1) |
| **At 31 December 2023** | **60.2** | **156.8** | **47.7** | **264.7** |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 9.5 | 78.7 | 18.5 | 106.7 |
| Charge for the year | 1.7 | 12.0 | 2.1 | 15.8 |
| Disposals | (0.4) | (4.6) | (1.0) | (6.0) |
| At 1 January 2023 | 10.8 | 86.1 | 19.6 | 116.5 |
| Charge for the year | 2.4 | 11.6 | 4.7 | 18.7 |
| Disposals | — | (9.2) | (1.8) | (11.0) |
| **At 31 December 2023** | **13.2** | **88.5** | **22.5** | **124.2** |
| **Carrying amount** | | | | |
| **At 31 December 2023** | **47.0** | **68.3** | **25.2** | **140.5** |
| At 31 December 2022 | 43.8 | 62.5 | 12.3 | 118.6 |

At 31 December 2023, the Group had £13.9m contractual commitments for the acquisition of property, plant and equipment (2022: £20.1m).

Within additions for the year are £4.5m of right of use assets (2022: £5.4m). At 31 December 2023 a right of use asset of £12.3m is reported within property, plant and equipment (2022: £10.7m).

| Company | Land and buildings £m | Plant £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 | 2.1 | 1.1 | 5.7 | 8.9 |
| Additions | 0.7 | 0.4 | 1.4 | 2.5 |
| At 1 January 2023 | 2.8 | 1.5 | 7.1 | 11.4 |
| Additions | — | 0.6 | 4.6 | 5.2 |
| Disposals | — | (0.1) | (0.8) | (0.9) |
| **At 31 December 2023** | **2.8** | **2.0** | **10.9** | **15.7** |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 0.7 | 0.7 | 4.7 | 6.1 |
| Charge for the year | 0.1 | 0.3 | 0.6 | 1.0 |
| At 1 January 2023 | 0.8 | 1.0 | 5.3 | 7.1 |
| Charge for the year | 0.1 | 0.4 | 0.7 | 1.2 |
| Disposals | — | (0.1) | (0.8) | (0.9) |
| **At 31 December 2023** | **0.9** | **1.3** | **5.2** | **7.4** |
| **Carrying amount** | | | | |
| **At 31 December 2023** | **1.9** | **0.7** | **5.7** | **8.3** |
| At 31 December 2022 | 2.0 | 0.5 | 1.8 | 4.3 |

# 16 Investments

## 16.1 Investments accounted for using the equity method

| | Investments in associates £m | Investments in joint ventures £m |
|---|---|---|
| **Cost** | | |
| At 1 January 2022 and 1 January 2023 | — | 0.3 |
| New investments in the year | 0.7 | — |
| Distributions | — | — |
| **At 31 December 2023** | **0.7** | **0.3** |

Investments in associates and 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 has invested £0.7m in the equity of a new associate, TopHat Enterprises Limited ('TopHat'). In addition to this equity investment the Group has acquired £6.8m of interest bearing long-term loan notes issued by TopHat. These are reported within non-current trade and other receivables at 31 December 2023. The Group has also committed to acquire a further £17.5m of interest bearing long-term loan notes from TopHat in January 2024.

The Group's share of assets and liabilities of joint ventures is shown below:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Non-current assets | **0.8** | 0.1 |
| Current assets | **0.2** | 0.2 |
| Current liabilities | **—** | — |
| **Net assets of joint ventures** | **1.0** | 0.3 |

## 16.2 Investments in subsidiaries

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Cost** | | |
| At 1 January 2022, 31 December 2022 and 31 December 2023 | **3,540.7** | 3,540.7 |
| **Impairment** | | |
| At 1 January 2022, 31 December 2022 and 31 December 2023 | **335.0** | 335.0 |
| **Net book value** | | |
| At 1 January 2022, 31 December 2022 and 31 December 2023 | **3,205.7** | 3,205.7 |

The annual review of the carrying value of the investment in subsidiaries saw the group undertake an impairment review to ensure the carrying value of the investment was supportable. This resulted in £nil impairment issues (2022: £nil impairment). Details of Group undertakings are set out in notes 32 and 33.

# 17 Shared equity loan receivables

| Group | **2023 £m** | 2022 £m |
|---|---|---|
| At 1 January | **36.0** | 45.6 |
| Settlements | **(5.7)** | (13.3) |
| Gains | **1.8** | 3.7 |
| At 31 December | **32.1** | 36.0 |

All gains/losses have been recognised in the consolidated statement of comprehensive income. Of the gains recognised in finance income for the period £0.2m (2022: £0.3m) 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 23.

# 18 Inventories

| Group | **2023 £m** | 2022 £m |
|---|---|---|
| Land | **2,103.5** | 2,091.7 |
| Work in progress | **1,431.3** | 1,263.9 |
| Part exchange properties | **114.6** | 61.0 |
| Showhouses | **51.8** | 46.3 |
| | **3,701.2** | 3,462.9 |

# Notes to the financial statements continued

For the year ended 31 December 2023

## 18 Inventories continued

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 at 31 December 2023. Our approach to this review has been consistent with that conducted at 31 December 2022. This review gave rise to a reversal of £nil (2022: £nil) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £13.7m (2022: £nil). Net realisable provisions held against inventories at 31 December 2023 were £18.9m (2022: £5.5m).

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 2023 review, £27.4m (2022: £2.9m) of inventories are valued at net realisable value rather than at historical cost. No reasonable change in assumptions would lead to further impairment at the balance sheet date.

Land with a carrying value of £796.4m (2022: £860.8m) was used as security for land payables (note 21).

The value of inventories expensed in 2023 and included in cost of sales was £1,845.8m (2022: £2,556.7m).

## 19 Trade and other receivables

| | **Group 2023 £m** | Group 2022 £m | **Company 2023 £m** | Company 2022 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Other receivables | **6.9** | 0.3 | **—** | — |
| Amounts owed by Group undertakings | **—** | — | **2,040.4** | 2,015.4 |
| | **6.9** | 0.3 | **2,040.4** | 2,015.4 |

| | **Group 2023 £m** | Group 2022 £m | **Company 2023 £m** | Company 2022 £m |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade receivables | **143.2** | 153.7 | **0.5** | 1.3 |
| Other receivables | **10.9** | 17.9 | **10.0** | 8.2 |
| Prepayments and accrued income | **27.9** | 21.6 | **6.8** | 3.8 |
| | **182.0** | 193.2 | **17.3** | 13.3 |

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.

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Ageing of overdue but not impaired receivables** | | |
| Less than 3 months | **16.9** | 29.8 |
| Over 3 months | **7.5** | 7.4 |
| | **24.4** | 37.2 |

The carrying value of trade and other receivables is stated after the following allowance for expected credit losses:

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Group** | | |
| At 1 January | **2.0** | 2.0 |
| Allowance for expected credit losses charged | **0.4** | 0.2 |
| Amounts written off during the year as uncollectable | **(0.2)** | (0.2) |
| Allowance for expected credit losses reversed | **—** | — |
| At 31 December | **2.2** | 2.0 |

## 20 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 23. There are £nil borrowings at 31 December 2023 (2022: £nil).

The contractual repayment terms of facilities are as noted below:

| | Currency | Nominal interest rate | Year of maturity | **2023 £m** | 2022 £m |
|---|---|---|---|---|---|
| Revolving Credit Facility | GBP | SONIA +1.25%–2.30% | 2028 | **700.0** | 300.0 |
| Available facilities | | | | **731.0** | 326.0 |

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.

## 21 Trade and other payables

| | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Land payables | **167.7** | 202.8 | — | — |
| Other payables | **11.0** | 12.0 | **1.3** | 2.0 |
| | **178.7** | 214.8 | **1.3** | 2.0 |

| | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade payables | **312.8** | 368.6 | **5.6** | 3.3 |
| Land payables | **204.3** | 270.0 | — | — |
| Other payables | **66.5** | 54.8 | **17.6** | 16.1 |
| Accrued expenses | **238.1** | 256.0 | **8.8** | 6.2 |
| Amounts owed to Group undertakings | — | — | **3,623.1** | 3,857.4 |
| | **821.7** | 949.4 | **3,655.1** | 3,883.0 |

Trade payables subject to payment terms were 35 days (2022: 35 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.

## 22 Legacy buildings provision

| | Group 2023 £m | Group 2022 £m |
|---|---|---|
| At 1 January | **333.3** | 72.7 |
| Additions to provision in the year | — | 275.0 |
| Imputed interest on provision in the year | **4.3** | — |
| Provision released in the year | **(6.6)** | — |
| Provision utilised in the year | **(47.8)** | (14.4) |
| At 31 December | **283.2** | 333.3 |

In 2020 the Group made an initial commitment that no leaseholder living in a building we had developed should have to cover the cost of removal of combustible cladding. During 2022 we signed the Building Safety Pledge (England) and worked constructively with the Government to agree the 'Long-Form Contract' that turned the pledge into a legal agreement. The Self Remediation Contract was signed on 13 March 2023.

In the year we have been informed by a number of management companies of potential liability for fire remediation costs, and we have added 9 developments to the total number of developments. The number of developments we are now responsible for stands at 82, of which 39 have now either secured EWS1 certificates or concluded any necessary works. It is assumed the majority of the work will be completed over the next two years and the amount provided for has been discounted accordingly.

During the year £47.8m of the provision has been utilised for works undertaken whilst £4.3m of imputed interest has been charged to the statement of comprehensive income through finance costs. Due to the increase in gilt and interest rates during the year, the discount rate used to estimate the future value of the provision at the period end date has been increased. The change in discount rate has resulted in a reduction in the fair value of the provision. This has resulted in a £6.6m release to the statement of comprehensive income through cost of sales.

The assessment of the provision remains a highly complex area with judgements and estimates in respect of the cost of the remedial works, with investigative surveys ongoing to determine the full extent of those required works. Where remediation works have not yet been fully tendered we have estimated the likely scope and costs of such works based on experience of other similar sites. Whilst we have exercised our best judgement of these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 20% variation in the costs of untendered projects occur then the overall provision would vary by +/- £21.4m.

The financial statements have been prepared on the latest available information; however, there remains the possibility that, despite management's endeavours to identify all such properties, including those constructed by acquired entities well before acquisition, further developments requiring remediation may emerge.

The Company has no provisions.

## 23 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- market risk;
- liquidity risk;
- capital risk; and
- 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 the Group should be considered to apply to the Company as well.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 23 Financial risk management continued

The Board has overall responsibility for the assessment and effective management of the Group's risks. Comprehensive processes are in place to identify, monitor, mitigate and control risks, through the work of the Audit & Risk Committee, Group Internal Audit department and operational management teams. This includes a wide-ranging annual survey of the Board and senior management in order to assess key risk issues and emerging risks. Collectively, these processes provide the Board with visibility of the Group's full risk landscape, while remaining focused on the most significant threats and trends, and allow for the effective deployment of supporting controls.

### 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 has no significant direct currency exposures.

### Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects the low borrowing requirements of the Group. 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 regularly reviewed in light of economic data provided by a variety of sources.

### Sensitivity analysis

If in the year ended 31 December 2023 UK interest rates had been 1.0% higher/lower than the Group's pre-tax profit would have increased/decreased by £2.8m (2022: increased/decreased by £5.1m). The Group's post-tax profit would have increased/decreased by £2.0m (2022: increased/decreased by £4.0m).

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 and 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 2023, 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 £3.2m (2022: £3.6m).

### 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 Revolving Credit Facility 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 76 to 78.

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 are 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 secured facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

On 5 July 2023 the Group signed a new undrawn Revolving Credit Facility ('RCF') of £700m which has a five-year term to 5 July 2028. This facility replaced the Group's existing £300m Revolving Credit Facility which was due to expire on 31 March 2026. We had good support from banking partners, with a consortium of five participating banks. The RCF is a 'Sustainability Linked' facility within the banks' finance frameworks, with ESG targets covering the facility's term. The targets are consistent with the Group's science-based operational carbon reduction targets, our commitment to deliver net zero homes in use by 2030 and our long-standing ambition to deliver excellent development opportunities for our colleagues. This committed facility is sufficient to meet projected liquidity requirements for the duration of the facility. Undrawn committed facilities at the reporting date amount to £700m (2022: £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.

# 23 Financial risk management continued

## Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 20 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 2 to 78.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted):

| Group | **2023 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 | **685.1** | 611.8 | 597.4 | 4.4 | 5.4 | 4.6 |
| Land payables | **372.0** | 377.0 | 206.5 | 98.7 | 57.6 | 14.2 |
| Partnership liability | **20.6** | 22.6 | 5.6 | 5.6 | 11.4 | — |
| Financial liabilities | **1,077.7** | 1,011.4 | 809.5 | 108.7 | 74.4 | 18.8 |

| Group | 2022 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 | 691.2 | 694.4 | 683.8 | 2.7 | 2.8 | 5.1 |
| Land payables | 477.3 | 481.7 | 269.2 | 142.3 | 62.2 | 8.0 |
| Partnership liability | 25.1 | 28.2 | 5.6 | 5.6 | 17.0 | — |
| Financial liabilities | 1,193.6 | 1,204.3 | 958.6 | 150.6 | 82.0 | 13.1 |

| Company | **2023 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) | **3,659.0** | 3,659.0 | 3,658.1 | 0.4 | 0.5 | — |
| Financial liabilities | **3,659.0** | 3,659.0 | 3,658.1 | 0.4 | 0.5 | — |

It is noted that £3,643.0m (2022: £3,857.1m) 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 | 2022 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) | 3,885.1 | 3,885.1 | 3,884.3 | 0.3 | 0.5 | — |
| Financial liabilities | 3,885.1 | 3,885.1 | 3,884.3 | 0.3 | 0.5 | — |

## 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 a £nil requirement for a charge in relation to credit impairment in the year (2022: £0.3m).

The maximum total credit risk is as follows:

| Group | **2023 £m** | 2022 £m |
|---|---|---|
| Trade and other receivables | **161.0** | 164.9 |
| Shared equity loan receivables | **32.1** | 36.1 |
| Cash and cash equivalents | **420.1** | 861.6 |
| | **613.2** | 1,062.6 |

| Company | **2023 £m** | 2022 £m |
|---|---|---|
| Loans and receivables (including intercompany balances) | **2,050.9** | 2,024.9 |
| Cash and cash equivalents | **241.0** | 603.3 |
| | **2,291.9** | 2,628.2 |

# Notes to the financial statements continued

For the year ended 31 December 2023

## 23 Financial risk management continued

The maximum credit exposure of the Group to overseas parties is £nil (2022: £nil) (Company: £nil (2022: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £39.5m (2022: £56.6m) and is not yet due (Company: £1,439.5m (2022: £1,414.5m) 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 £128.5m (2022: £188.7m).

### Fair value

The fair value of financial assets and liabilities is as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| Group | **Fair value £m** | **Carrying value £m** | Fair value £m | Carrying value £m |
| Trade and other receivables | **161.0** | **161.0** | 164.9 | 164.9 |
| Shared equity loan receivables | **32.1** | **32.1** | 36.1 | 36.1 |
| Cash and cash equivalents | **420.1** | **420.1** | 861.6 | 861.6 |
| Trade and other payables | **(620.9)** | **(620.9)** | (691.7) | (691.7) |
| Land payables | **(372.0)** | **(372.0)** | (472.8) | (472.8) |
| Partnership liability | **(22.6)** | **(20.7)** | (24.1) | (25.2) |
| | **(402.3)** | **(400.4)** | (126.0) | (127.1) |

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| Company | **Fair value £m** | **Carrying value £m** | Fair value £m | Carrying value £m |
| Trade and other receivables (including intercompany balances) | **2,050.9** | **2,050.9** | 2,024.9 | 2,024.9 |
| Cash and cash equivalents | **241.0** | **241.0** | 603.3 | 603.3 |
| Trade and other payables (including intercompany balances) | **(3,655.1)** | **(3,655.1)** | (3,885.1) | (3,885.1) |
| | **(1,363.2)** | **(1,363.2)** | (1,256.9) | (1,256.9) |

Income and expense in relation to financial instruments are disclosed in note 9.

Financial assets and liabilities by category:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Financial assets designated fair value through statement of comprehensive income | **32.1** | 36.1 | **—** | — |
| Trade and other receivables | **161.0** | 164.9 | **2,050.9** | 2,024.9 |
| Cash and cash equivalents | **420.1** | 861.6 | **241.0** | 603.3 |
| Financial liabilities at amortised cost | **(1,013.6)** | (1,189.7) | **(3,655.1)** | (3,883.0) |
| | **(400.4)** | (127.1) | **(1,363.2)** | (1,254.8) |

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 | **2023 Level 3 £m** | 2022 Level 3 £m |
|---|---|---|
| Shared equity loan receivables | **32.1** | 36.0 |

### 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 historical 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 (2022: ten years) and discount rate 8.8% (2022: 7%) 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 17.

## 24 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 2022 | | 0.3 | (37.2) | 7.6 | (15.0) | (0.6) | (44.9) |
| (Charge)/credit to income statement | 11.1 | (7.2) | (0.4) | 1.5 | (2.4) | 3.7 | (4.8) |
| Charge to other comprehensive income | 11.2 | — | (7.7) | — | — | — | (7.7) |
| Amounts taken directly to equity | 11.3 | — | — | (4.2) | — | — | (4.2) |
| At 1 January 2023 | | (6.9) | (45.3) | 4.9 | (17.4) | 3.1 | (61.6) |
| (Charge)/credit to income statement | 11.1 | (1.3) | (1.4) | 0.8 | — | (0.4) | (2.3) |
| Credit to other comprehensive income | 11.2 | — | 9.8 | — | — | — | 9.8 |
| Amounts taken directly to equity | 11.3 | — | — | 0.7 | — | — | 0.7 |
| **At 31 December 2023** | | **(8.2)** | **(36.9)** | **6.4** | **(17.4)** | **2.7** | **(53.4)** |

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:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Share-based payments | **6.4** | 4.9 |
| Other items, including accelerated capital allowances | **5.1** | 5.6 |
| Deferred tax assets | **11.5** | 10.5 |
| Brands | **(17.4)** | (17.4) |
| Other items, including accelerated capital allowances | **(47.5)** | (54.7) |
| Deferred tax liabilities | **(64.9)** | (72.1) |
| Net deferred tax liability | **(53.4)** | (61.6) |

The Group has recognised deferred tax liabilities of £36.9m (2022: liabilities of £45.3m) on retirement benefit assets of £127.1m (2022: assets of £155.9m).

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 2022 | (0.2) | (37.2) | 3.8 | 0.9 | (32.7) |
| (Charge)/credit to income statement | 0.2 | (0.4) | 2.3 | 0.3 | 2.4 |
| Charge to other comprehensive income | — | (7.7) | — | — | (7.7) |
| Amounts taken directly to equity | — | — | (3.4) | — | (3.4) |
| At 1 January 2023 | — | (45.3) | 2.7 | 1.2 | (41.4) |
| (Charge)/credit to income statement | (0.2) | (1.4) | 0.8 | (0.6) | (1.4) |
| Credit to other comprehensive income | — | 9.8 | — | — | 9.8 |
| Amounts taken directly to equity | — | — | 0.2 | — | 0.2 |
| **At 31 December 2023** | **(0.2)** | **(36.9)** | **3.7** | **0.6** | **(32.8)** |

No deferred tax assets and liabilities have been offset (2022: £nil).

## 25 Share capital

| | **2023 £m** | 2022 £m |
|---|---|---|
| Allotted, called up and fully paid | | |
| 319,421,416 (2022: 319,323,432) 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 97,984 ordinary shares (2022: 116,958) 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 2023, the Trustee transferred 17,227 shares (2022: 53,988) to employees. At 31 December 2023 the trust held 180,984 shares (2022: 88,635) on which dividends have been waived. The market value of these shares at 31 December 2023 was £2,513,868 (2022: £1,078,688).

# Notes to the financial statements continued

For the year ended 31 December 2023

## 25 Share capital continued

### Own shares

Own shares held at cost are reconciled as follows:

| | Group £m |
|---|---|
| Balance at 31 December 2022 | 0.1 |
| Own shares purchased | 1.4 |
| Disposed of on exercise/vesting to employees | (0.2) |
| **Balance at 31 December 2023** | **1.3** |

## 26 Reconciliation of net cash flow to net cash and analysis of net cash

| Group | 2023 £m | 2022 £m |
|---|---|---|
| Cash and cash equivalents at 1 January | **861.6** | 1,246.6 |
| Decrease in net cash and cash equivalents in cash flow | **(441.5)** | (385.0) |
| Cash and cash equivalents at 31 December | **420.1** | 861.6 |
| IFRS 16 lease liability | **(12.9)** | (10.9) |
| Net cash at 31 December | **407.2** | 850.7 |

Net cash is defined as cash and cash equivalents, finance lease obligations and interest bearing borrowings.

## 27 Contingent liabilities

As disclosed in note 22 the Group has undertaken a review of all of its legacy buildings that used cladding on their façades.

The financial statements have been prepared on the latest available information; however, there remains the possibility that, despite management's, endeavours to identify all such properties, including those constructed by acquired entities well before acquisition, further developments requiring remediation may emerge. There is also the possibility that estimates based on preliminary assessments regarding the scale of remediation works relating to buildings yet to be fully surveyed may prove incorrect. The cost of remedial works will remain under review and be updated as works progress.

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimates that the bonds and guarantees amount to £453.8m (2022: £386.0m), and confirms 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. At the balance sheet date, there are no significant legal claims or actions that would lead to the recognition of a contingent liability.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 32.

## 28 Retirement benefit assets

As at 31 December 2023 the Group operated five employee pension schemes, being three 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 £5.5m (2022: £5.7m) 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 29 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 (which is in progress) 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.

# 28 Retirement benefit assets continued

## Funding requirements continued

Given the current strength of the Persimmon and Prowting Scheme's funding no deficit contributions are required for either scheme. Salary related contributions for active members 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.

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.

* Given the current financial strength of the Pension Schemes' net asset position a low risk investment strategy is applied.

## 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.

## 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.20%) 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:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Fair value of Pension Scheme assets | **552.7** | 555.6 |
| Present value of funded obligations | **(425.6)** | (399.7) |
| **Net pension asset** | **127.1** | 155.9 |

A deferred tax liability totalling £36.9m (2022: £45.2m) has been recognised on the balance sheet in relation to the net pension asset.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 28 Retirement benefit assets continued

### Net pension asset continued

Movements in the net pension asset on the balance sheet were as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| As at 1 January | **155.9** | 148.8 |
| Total (loss)/gain recognised in the period | **(29.2)** | 5.5 |
| Company contributions paid in the period | **0.4** | 1.6 |
| **As at 31 December** | **127.1** | 155.9 |

The Group has recognised a net pension asset on the basis that under the rules of the schemes 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:

| | 2023 £m | 2022 £m |
|---|---|---|
| Current service cost | **0.9** | 1.9 |
| Administrative expense | **0.6** | 0.6 |
| Pension cost recognised as operating expense | **1.5** | 2.5 |
| Interest cost | **18.8** | 11.3 |
| Return on assets recorded as interest | **(26.2)** | (14.1) |
| Pension cost recognised as net finance credit | **(7.4)** | (2.8) |
| Total defined benefit pension credit recognised in profit or loss | **(5.9)** | (0.3) |
| Remeasurement loss/(gain) recognised in other comprehensive income | **35.1** | (5.2) |
| Total defined benefit scheme loss/(gain) recognised | **29.2** | (5.5) |

The net remeasurement loss in the year of £35.1m (2022: gain of £5.2m) reflects the net effect of a loss in asset values of £10.1m, and an increase in liability obligations of £25.0m, largely arising from a decrease in discount rates.

### Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

| | 2023 £m | 2022 £m |
|---|---|---|
| **Equity** | | |
| – UK | **2.4** | 4.5 |
| – US | **10.8** | 26.5 |
| – Eurozone | **8.7** | 19.3 |
| – Other | **4.9** | 14.1 |
| **Bonds** | | |
| – Government | **321.2** | 397.4 |
| – Sub-investment grade | **115.5** | 4.9 |
| Asset backed funding | **20.0** | 24.1 |
| Diversified growth fund | **50.4** | 49.0 |
| Cash | **18.8** | 15.8 |
| **Total** | **552.7** | 555.6 |

All assets have a quoted market value in an active market, with the exception of asset backed funding of £20.0m (2022: £24.1m), which related to secured cash flows.

The Persimmon Scheme holds 94% (2022: 94%) of the gross assets of the Pension Schemes and 94% (2022: 94%) 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:

| | 2023 £m | 2022 £m |
|---|---|---|
| As at 1 January | **555.6** | 751.9 |
| Return on assets recorded as interest | **26.2** | 14.1 |
| Remeasurement losses on assets | **(10.1)** | (189.5) |
| Contributions | **0.4** | 1.6 |
| Benefits and expenses paid | **(19.4)** | (22.5) |
| As at 31 December | **552.7** | 555.6 |

# 28 Retirement benefit assets continued

## Defined benefit obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

| | **2023 % p.a.** | 2022 % p.a. |
|---|---|---|
| Discount rate | **4.5** | 4.8 |
| General pay increases | **3.0** | 3.0 |
| RPI inflation assumption | **3.0** | 3.0 |
| CPI inflation assumption | **2.6** | 2.5 |

Post-retirement life expectancy for retirement aged members is as follows:

| | **2023 Years** | 2022 Years |
|---|---|---|
| Male current pensioner | **22.1** | 22.6 |
| Male future pensioner | **22.9** | 23.3 |

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:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Total value of current employees' benefits | **23.2** | 21.5 |
| Deferred members' benefits | **161.3** | 139.6 |
| Pensioner members' benefits | **241.1** | 238.6 |
| Total defined benefit obligation | **425.6** | 399.7 |

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 12 years.

Changes in the defined benefit obligation were as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| As at 1 January | **(399.7)** | (603.1) |
| Current service cost | **(0.9)** | (1.9) |
| Interest cost | **(18.8)** | (11.3) |
| Remeasurement (losses)/gain on liabilities | **(25.0)** | 194.7 |
| Benefits paid | **18.8** | 21.9 |
| As at 31 December | **(425.6)** | (399.7) |

## 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:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Present value of defined benefit obligation ('DBO') | **425.6** | 399.7 |
| – DBO following a 0.25% decrease in the discount rate | **438.5** | 413.0 |
| – DBO following a 0.25% increase in the discount rate | **413.2** | 387.0 |
| – DBO following a 0.25% decrease in the inflation assumption | **418.6** | 392.9 |
| – DBO following a 0.25% increase in the inflation assumption | **431.7** | 406.4 |
| – DBO following a 1 year decrease to life expectancy | **409.1** | 386.5 |
| – DBO following a 1 year increase to life expectancy | **441.9** | 413.0 |

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 29 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 £5.6m (2022: £5.6m).

Under IAS 19 the Partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 28.

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.

## 30 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled.

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 customer care, cash generation and TSR performance for options granted between 2019 and 2022 under the Persimmon Plc 2017 Performance Share Plan and on customer care, cash generation, TSR performance and carbon reduction for options granted in 2023 under the Persimmon Plc 2017 Performance Share Plan.

Reconciliations of share options outstanding during each period, under each type of share scheme, are as follows:

| | **2023 Savings-Related Share Option Scheme** | | 2022 Savings-Related Share Option Scheme | |
|---|---|---|---|---|
| Group and Company | **Number of shares under option** | **Weighted average exercise price (p)** | Number of shares under option | Weighted average exercise price (p) |
| Outstanding at the beginning of the year | **1,714,778** | **1,290.4** | 935,105 | 1,908.5 |
| Granted during the year | **1,620,573** | **818.4** | 1,266,190 | 1,080.0 |
| Forfeited during the year | **(1,100,963)** | **1,276.4** | (448,958) | 1,935.4 |
| Exercised during the year | **(587)** | **1,080.0** | (37,559) | 1,877.4 |
| Outstanding at the end of the year | **2,233,801** | **954.9** | 1,714,778 | 1,290.4 |
| Exercisable at the end of the year | **94,041** | **1,854.0** | 181,484 | 1,692.1 |

| | **2023 Bonus Share Scheme** | 2022 Bonus Share Scheme |
|---|---|---|
| Group and Company | **Number of shares under option** | Number of shares under option |
| Outstanding at the beginning of the year | **68,383** | 13,694 |
| Granted during the year | **109,937** | 69,798 |
| Forfeited during the year | **(36,915)** | — |
| Exercised during the year | — | (15,109) |
| Outstanding at the end of the year | **141,405** | 68,383 |
| Exercisable at the end of the year | — | — |

| | **2023 Buy Out Award** | 2022 Buy Out Award |
|---|---|---|
| Group and Company | **Number of shares under option** | Number of shares under option |
| Outstanding at the beginning of the year | **172,327** | — |
| Granted during the year | **10,385** | 209,381 |
| Forfeited during the year | **(87,393)** | — |
| Exercised during the year | **(17,227)** | (37,054) |
| Outstanding at the end of the year | **78,092** | 172,327 |
| Exercisable at the end of the year | — | — |

| | **2023 Long Term Incentive Plan 2012*** | 2022 Long Term Incentive Plan 2012* |
|---|---|---|
| Group and Company | **Number of shares under option** | Number of shares under option |
| Outstanding at the beginning of the year | — | 12,000 |
| Forfeited/waived during the year | — | (8,491) |
| Exercised during the year | — | (3,509) |
| Outstanding at the end of the year | — | — |
| Exercisable at the end of the year | — | — |

* 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.

## 30 Share-based payments continued

| Group and Company | **2023 2017 Performance Share Plan Number of shares under option** | 2022 2017 Performance Share Plan Number of shares under option |
|---|---|---|
| Outstanding at the beginning of the year | **2,481,222** | 1,770,343 |
| Granted during the year | **1,932,295** | 1,113,250 |
| Forfeited during the year | **(630,667)** | (316,758) |
| Exercised during the year | **(103,546)** | (85,613) |
| Outstanding at the end of the year | **3,679,304** | 2,481,222 |
| Exercisable at the end of the year | **1,127,391** | 386,479 |

The weighted average share price at the date of exercise for share options exercised during the period was 1,252.9p (2022: 2,344.9p). The options outstanding at 31 December 2023 had a range of exercise prices from nil to 1,080.0p and a weighted average remaining contractual life of 1.7 years (2022: 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 2023 Tranche 1 | PSP 2023 Tranche 2 | SAYE 2023 |
|---|---|---|---|
| Grant date | 2 May 2023 | 18 September 2023 | 5 October 2023 |
| Risk free interest rate | 3.66% | 4.65% | 4.43% |
| Exercise price | — | — | £8.18 |
| Share price at date of grant | £13.87 | £10.30 | £10.27 |
| Expected dividend yield* | 0% | 0% | 6% |
| Expected life | 2.9 years | 2.5 years | 3.16 years |
| Holding period | Nil** | Nil** | n/a |
| Date of vesting | 10 March 2026 | 10 March 2026 | 1 December 2026 |
| Expected volatility | 32.4% | 27.8% | 27.8% |
| Fair value of option | £12.48 | £9.45 | £0.93 |

* 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 forgone dividend yield assumption set to nil.

** A subset of PSP 2023 granted to Senior Management, including the Executive Board Directors, were restricted by an additional 2 year holding period, with a reduced fair value resulting.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2023, the Group recognised total expenses before tax of £4.5m (2022: £9.0m) 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 2023 the total credit recognised in relation to equity settled share-based payments was £26.3m (2022: £23.4m) of which £9.4m (2022: £6.4m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

## 31 Post balance sheet event

On 26 February 2024, the Competition and Markets Authority ('CMA') published its report on the Market Study into the housebuilding market which concluded that the complex and unpredictable planning system was "a key driver of the under-delivery of new housing".

The CMA also announced that it has opened an investigation into eight housebuilders under the Competition Act 1998 regarding the sharing of information. We will co-operate with the CMA on this investigation which is in its early stages at the date of this report and any potential impact is as yet unknown.

## 32 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 7. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 124 to 143. 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:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Interest charges on intra-Group funding | **(96.3)** | (47.2) |
| Group services recharges | **167.4** | 113.1 |
| | **71.1** | 65.9 |

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 2023 totalled £2,040.4m (2022: £2,015.4m). Amounts owed to subsidiary undertakings by the Company at 31 December 2023 totalled £3,623.1m (2022: £3,857.4m).

# Notes to the financial statements continued

For the year ended 31 December 2023

## 32 Related party transactions continued

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 2023 is £20.0m (2022: £24.1m).

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 2023 was £nil (2022: £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 2023 was £nil (2022: £nil). The value of these guarantees in the year is assessed as insignificant.

The Company has suffered a £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2022: £nil).

## 33 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 2023. 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 34.

| Major subsidiary undertakings | |
|---|---|
| Persimmon Homes Limited° | Charles Church Developments Limited∆ |
| 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.

∆ 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).

## 34 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* |

## 34 Details of all subsidiary undertakings continued

### Persimmon Group subsidiary companies continued

| Name of undertaking | Description of shares held |
|---|---|
| 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* |

| Name of undertaking | Description of shares held |
|---|---|
| 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* |
| Flex Fibre Limited | 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* |

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Persimmon Group subsidiary companies continued

| Name of undertaking | Description of shares held |
|---|---|
| Galliford Homes (London) Limited | A Ordinary* and B Ordinary* |
| 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* |
| Horsebridge Network Systems Limited | A 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* |

| Name of undertaking | Description of shares held |
|---|---|
| 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* |
| 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* |

## 34 Details of all subsidiary undertakings continued

### Persimmon Group subsidiary companies continued

| Name of undertaking | Description of shares held |
|---|---|
| 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* |
| 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* |

| Name of undertaking | Description of shares held |
|---|---|
| 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 11) Limited | Ordinary* |
| Persimmon GR (No 12) Limited | Ordinary* |
| Persimmon GR (No 13) Limited | Ordinary* |
| Persimmon GR (No 14) Limited | Ordinary* |
| Persimmon GR (No 15) Limited | Ordinary* |
| Persimmon GR (No 16) Limited | Ordinary* |
| Persimmon GR (No 17) 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* |

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Persimmon Group subsidiary companies continued

| Name of undertaking | Description of shares held |
|---|---|
| Persimmon Homes (South Yorkshire) Limited | Ordinary* |
| Persimmon Homes (Teesside) Limited | Ordinary* |
| 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 SC (No 1) Limited | Ordinary* |
| Persimmon SC (No 2) Limited | Ordinary* |
| Persimmon SC (No 3) Limited | Ordinary* |
| Persimmon SC (No 4) Limited | Ordinary* |
| Persimmon SC (No 5) Limited | Ordinary* |
| Persimmon SC (No 6) 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* |
| 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* |

## 34 Details of all subsidiary undertakings continued

### Persimmon Group subsidiary companies continued

| Name of undertaking | Description of shares held |
|---|---|
| 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* |

### 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% |
| 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% |

The Group also has an investment in TopHat Enterprises Limited.

* 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 continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies

The companies listed below are Resident 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 have 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[1]

Abbot Walk (Chatteris) Residents Management Company Limited

Ackton Pastures (Castleford) Management Company Limited

Agusta Park Flats Yeovil Management Company Limited

Agusta Park Yeovil Management Company Limited

Amberwood (Carlisle) Management Company Limited

Amblehurst Green (Billingshurst) Management Company Limited[2]

Arisdale (Phase 2) Residents Management Company Limited

Arnold Way (Grove) Management Company Limited

Arnold Way No. 2 (Grove) Management Company Limited

Arnold Way No. 3 (Grove) Management Company Limited

Ashworth Place (Phase 2) Management Limited

Augusta Park (Dinnington) Management Company Limited

Avalon (Mansfield) Management Company Limited[3]

Aveley Village (Thurrock) Management Company Limited

Avon Fields (Durrington) Management Company Limited

Awel Afan (Port Talbot) Management Company Limited

Awel Y Mynydd (Pembrey) Management Company Ltd

Aykley Woods (Durham) Management Company Limited

Aylesham Village Phase 1B (Aylesham) Residents Management Company Limited

Aylesham Village Phase 2 (Aylesham) Residents Management Co Ltd

Aylesham Village Phase 2B And 2C (Aylesham) Residents Management Company Limited

Backbridge (Malmesbury) Management Company 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[4]

Bannerbrook Park Phase II (Coventry) Management Company Limited

Barber Court (Birmingham) Management Company Limited

Barrington Park Management Company Limited[5]

Barry Waterfront Residents Management Company Limited[6]

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

Bedale Meadows Management Company Limited[7]

Bell Lane (Little Chalfont) Management Company Limited

Bells Hill Management Company Limited[8]

Birchwood Manor (Wardley) Residents Management Company Limited

Bishops Green (Coundon) Management Company Limited

Bishops Mead (Lydney) Management Company Limited

Bishops Meade (Downton) Management Company Limited

Bluebell Meadow (Bradwell) Management Company Limited

Bluebell Wood (Willenhall) Management Company Limited[9]

Bootham Crescent (York) Residents Management Company Limited

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[6]

Branshaw Park (Keighley) Management Company Ltd

Bridgefield (Ashford) Management Company Limited

Bridgefield Nine Management Company Limited

Brindle Park (Bamber Bridge) Management Company Limited[8]

Broadway (Rainham) Residents Management Company Limited

Brockeridge Road (Twyning) Resident Management Company Limited[1]

Brookfield (Golborne) Management Company Limited[5]

Broomhill View (Togston) Residents Management Company Limited

Buckton Place (Leiston) Residents Management Company Limited

Bugbrooke Road (Kislingbury) Management Company Limited[11]

Burfield Valley Estate Management Limited[12]

Buttercup Leys (Boulton Moor) Residential Management Company Limited

Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited[13]

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

Carn Y Cefn RMC Ltd[14]

Carpenters Field (Denmead) Management Company Limited

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

**Company name** continued

Castellum Grange (Colchester) Residents Management Company Limited

Castle Hill (Cottingham) Management Company Limited

Castle Park (West Durrington) Management Company Limited

Castle View (Netherton) Management Company Limited

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.2 Management Company Limited[6]

Cathedral View (Durham) Management Company Limited

Cayton Meadows (Scarborough) Management Company Limited

Century Rise (Emersons Green) Management Company Limited

Chancery Park (Exning) Residents Management Company Limited

Charlton Place (Keynsham) Management Company Limited

Chaucers Meadow (North Petherton) Management Company Limited

Chilmark Glade Management Company Limited

Chorley G 1 Management Company Limited[8]

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[8]

Clos Ty Gwyn (Hendy) Management Company Limited

Clover Chase (Lingwood) Residents Management Company Limited

Coastal Dunes (Lytham St Annes) Management Company Limited

Coatham Vale and Berrymead Gardens Residents Management Company Limited[7]

Coed Darcy (Llandarcy) Management Company Limited

College Park (Thurston) Residents Management Company Limited

Colliers Walk (Nottingham) Management Company Limited[8]

Colonial Wharf (Chatham) Residents Management Company Limited

Coopers Grange (Bishops Stortford) Resident Management Company Ltd[8]

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[1]

Coverdale Paignton Management Company Limited[1]

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[15]

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

Cygnet Grange (Swanmore) Residents Management Company Limited

Daisy Hill (Morley) Management Company Limited

Daisy's View (Burbage) Management Company Limited

Dan Y Bryn Management Company Limited

Dartford Bow Arrow (Management Company) Limited[16]

De Vere Grove (Colchester) Residents Management Company Limited

Deerwood Park (Colne) Management Company Limited

Dol Yr Ysgol (Bridgend) Management Company Limited

Douglas Gardens (Hesketh) Management Company Ltd[8]

Downs View (Swanley) Residents Management Company Limited

Dukes Meadow (Tangmere) Management Company Limited

D'urton Heights (Preston) Management Company Limited

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[8]

Eldon Whins (Middridge) Management Company Limited[7]

Elkas Rise (Ilkeston) Management Company Limited

Ellesmere Park (The Oaks) Management Company Limited[5]

Ellis Mews (Micheldever) Management Company Limited[12]

Elm Farm (Wymondham) Residents Management Company Limited

Elm Rise (Birtley) Residents Management Company Limited

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[1]

Fairmoor (Morpeth) Management Company Limited

Fairways (Retford) Management Company Limited

Fallow (Benton) Residents Management Company Limited

Farley Fields South Petherton Management Company Limited[1]

Fatherford View (Okehampton) Management Company Limited

Festival Park (Easton) Residents Management Company Limited

Fiddington Fields (Tewkesbury) Management Company Limited

Field Place (Faversham) Management Company Limited[16]

Fishpool Hill Bristol Management Company Limited

Fleckney Road Management Company Limited

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

**Company name** continued

Flint Grange (Clacton) Residents Management Company Limited

Foley Gardens (Newent) Residential Management Company Limited[1]

Folly Grove (Hockley) Residents Management Company Limited

Forest View (Calverton) Management Company Limited

Forge Wood (Crawley) Management Company Limited[17]

Foundry Meadows (Bexhill) Residents Management Company Limited

Foxes Chase (Anlaby) Residents Management Company Limited

Foxfields (Stoke-On-Trent) Management Company Limited[6]

Foxley Park (Dereham) Residents Management Company Limited

Garden Valley (Aylesham) Residents Management Company Limited[12]

Garendon Park Residents Management Company Ltd

George Ward Gardens (Melksham) Management Company Limited

Germany Beck (Fulford) Management Company Limited

Gilden Park (Old Harlow) Resident Management Company Limited[8]

Gipping Mill (Great Blakenham) Residents Management Company Limited

Glan Yr Afon (Swansea) Management Company Limited

Golwg Y Glyn (Fforest) Management Company Limited[6]

Golwg Y Mynydd (Mountain Ash) RMC Ltd[14]

Gotherington Grange Resident Management Company Limited

Grange Paddocks (Stanway) Residents Management Company Limited

Grangewood Park (Burnham On Crouch) Residents Management Company Limited

Grays Court (Orpington) Residents Management Company Limited[12]

Great Western Park (Didcot) No 1 Management Company Limited

Great Western Park (Didcot) No 2 Management Company Limited

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

Hampton Gardens Phase 3 (Peterborough) Residents Management Company Ltd

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[5]

Harebell Meadows And Hartburn Grange Residents Management Company Limited[5]

Harford Mews Ivybridge Management Company Limited[1]

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[5]

Harrow View West (Harrow) Residents 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

Hatfield Lane Armthorpe Management Company Limited[7]

Hathern Road (Shepshed) Management Company Limited[1]

Hauxley Grange (Amble) Residents Management Company Limited

Hawthorn Chase (Aston Clinton) Residents Management Company Limited

Hawthorne Farm (Clitheroe) Management Company Limited[5]

Haywards Gardens (Kegworth) Man Co. Limited[18]

Haywood Heights (Writhlington) Management Company Limited

Hazelmere (Flockton) Management Company Limited

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[1]

Heritage Gate (Llantwit Major) Residents Management Company Limited

Heritage Green (Newbottle) Management Company Limited[19]

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 Ltd

Herrington Grange (Philadelphia) Management Company Limited

Hethersett Residents Management Company Limited[8]

Heugh Hall (Coxhoe) Residents Management Company Limited

Higham Lane Management Company Limited

Highfield Farm (West Melton) Residents Management Company Limited

Highland Park Estate Management Company Limited* [20]

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

Holly Fields (Birmingham) Management Company Limited

Homington Avenue (Swindon) Local Centre Management Company Limited

## 34 Details of all subsidiary undertakings continued

**Resident Management Companies** continued

**Company name** continued

Honours Meadow (Rendlesham) Residents Management Company Limited

Horsbere Mews (Longford) Management Company Limited[21]

Horseshoe Meadows (Westbury) Management Company Limited

HRC (Ware) Residents Management Company Limited

Hunters Edge (Eaglescliffe) Residents Management Company Limited

Hurdle Court (Andover) Management Company Limited

Hydro (St Neots) Number One Management Company Limited

Ingleby (Barwick) Management Company Limited

Iwade Meadows (Iwade) Management Company Limited

Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited

Jasmine Gardens Management Company Limited

Jubilee Gardens (Warminster) Management Company Ltd

Jubilee Rise (Shepshed) Management Company Limited

Kenilworth Gate Management Company Limited

Kennedy Place (Ulverston) Management Company Limited

Kings Grove Cranbrook Management Company Limited

Kingsbridge Court (Gorseinon) 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

Ladgate Woods (Middlesbrough) Management Company Limited

Lakedale Whiteley Meadows (North Whiteley) Management Company Limited

Lakeside Edge (Peterborough) Residents Management Company Limited

Lambourn Meadow (Thatcham) Management Company Limited[22]

Laneside (Morley) Residents Management Company Limited

Larkbear Management Company Limited[6]

Lauder Mews Crediton Management Company Limited

Launds Field (Galgate) Management Company Limited

Laureate Heights Sidmouth Management Company Limited

Lavender Fields (South Wootton) Residents Management Company Ltd

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 Apartments RMC Ltd[14]

Llanilltern Village RMC Ltd[14]

Llys Ystrad (Bridgend) Management Company Limited[23]

Lodmoor Sands (Weymouth) Management Company Limited[6]

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[19]

Lowen Bre Truro Management Company Limited

Lucknam Crescent (Swindon) Management Company Limited

Lythalls Lane (Coventry) Management Company Limited[21]

Maes Dyfed Management Company Limited

Maes Y Parc (Cross Hands) Management Company Limited

Maes Y Rhos (Ystradgynlais) Management Company Limited

Maiden Vale (Ryhope) Management Company Limited

Malvern Rise (Malvern) Management Company Limited

Malvern Vale (Malvern) Management Company Limited[21]

Manor Farm (Doncaster) Management Company Limited

Manor Farm (Micklefield) Management Company Limited

Manor Gardens (Selsey) Management Company Limited

Manor Park Sprowston Residents Management Company Limited[8]

Manor Place (Maidenhead) Residents Management Company Limited

Manor Vale Residents Management Company Limited[11]

Maple (129) Limited[22]

Maple Oak (Alton) Management Company Limited[6]

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[9]

Mascalls Grange (Paddock Wood) Residents Management Company Limited

Meadow View (Oundle) Management Company Limited

Meadow View (Redditch) Resident Management Company Limited[21]

Meon Way Gardens Management Company Limited[21]

Merchants Walk Cullompton No 2 Management Company Limited

Mercians Place Management Company Limited[21]

Meridian Place (Hertford) Residents Management Company Ltd

Merlins Lane (Scarrowscant) Management Company Limited

Mersey View (Bromborough Pool) Management Company Limited[24]

Mill Gardens (Cullompton) Management Company Limited

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[25]

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

**Company name** continued

Montfort Place (Odiham) Management Company Limited[8]

Moorfield (Easington) Management Company Limited

Moorfield Park Management Company Limited[8]

Moorlands Walk (Sherburn) Management Company Limited

Mulberry Grange (Castleford) Management Company Limited

Mulberry Grove (St Fagans Cardiff) Management Company Limited

Nelson's Park (North Walsham) Residents Management Company Limited

NGP Management Company (Cell E) Limited*[10]

NGP Management Company (Cell F) Limited*[10]

NGP Management Company (Commercial) Limited*[10]

NGP Management Company (Town Centre) Limited*[10]

NGP Management Company Residential (Cell G) Limited*[10]

Oak Heights (Northiam) Residents Management Company Limited[12]

Oak Tree Gardens (Audley) Management Company Limited[15]

Oakcroft Chase (Stubbington) Management Company Limited

Oakhurst Village (Shirley) Management Company Limited

Oakland Gardens (Wilthorpe) 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[26]

Old Road (Churwell) Management Company Limited

Open Space Management Limited[15]

Orchard Croft (Diss) Residents Management Company Limited

Orchard Grove (Coxheath) Residents Management Company Ltd

Orchard Manor (Cheddington) Residents Management Company Limited

Orchard Meadows (Iwade) Residents Management Company Limited

Orchard Mews Pershore Management Company Limited[21]

Otterham Park (Rainham) Residents Management Company Limited

Oxley Springs (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[27]

Parklands (Hessle) Residents Management Company Limited

Parklands (Maidstone) Management Company Limited[27]

Parrett Gardens (Langport) Management Company Limited

Pavilion Gardens (Monkton Heathfield) Management Company Limited

Pedlars Meadow (Swaffham) Residents Management Company Limited

Pembridge Court (Clehonger) Residents Management Company Limited[21]

Penny Pot Lane (Harrogate) Management Company Limited[7]

Perry Park View (Perry Barr) Management Company Limited[21]

Persimmon Gardens (Hindley) Management Company Limited[5]

Persimmon Gardens (Martham) Residents Management Company Limited

Persimmon Grange Framlingham Residents Management Company Limited

Persimmon Homes The Oaks (Selly Oak) Management Company Limited[21]

Phoenix Park (Dunstable) Residents Management Company Limited

Phoenix Wharf (West Bromwich) Management Company Limited[21]

Picket 20 Management Company Limited

Picket Twenty Two (Andover) Management Company Limited

Porth Y Dyffryn (Merthyr Tydfil) Residents Management Company Limited

Portland Park (Ashington) Management Company Limited

Pottery Gardens (Cheadle) Residents Management Company Limited[5]

Priory Meadows (Bodmin) Management Company Limited

Quantock View Management Company Limited

Quinta Mews Management Company Limited[28]

Rackheath Residents Management Company Limited

Radstone Road (Brackley) Management Company Limited

Rainton Gardens (Chilton Moor) Management Company Limited

Rainton Meadows (Chilton Moor) Management Company Limited[19]

Ramsdell (Ashford Hill) Management Company Limited

Rectory Lane (Standish) Management Company Limited

Redhayes Management Company Limited[29]

Redland Grange (Cottenham) Residents Management Company Limited

Regent Park (Calne) Management Company Limited

Regents Place (Chellaston) Management Company Limited[21]

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 Ltd

Rivendell (Gedling) Management Company Limited

Riverbourne Fields Management Company Limited

Rose Manor (Hadleigh) Residents 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

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

**Company name** continued

Saxon Fields (Bridgwater) Management Company Limited

Saxon Grange (Shaftesbury) 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

Scarlett Mews (Tiptree) Residents Management Company Limited

Scholar's Green (Northampton) Residents Management Company Limited[11]

Seaside Lane (Easington) Management Company Limited

Seaton Vale (Ashington) Residents Management Company Limited

Sharpes Meadow (Heybridge) Residents Management Company Limited

Sherborne Fields (Basingstoke) Management Limited

Sherborne Fields Apartments Ph6 (Basingstoke) Management Company Limited

Shilton Place (Coventry) Management Company Ltd[30]

Shirewood (Beighton Road) Management Company Limited

Silver Hill (Preston) Management Company Limited

Silverwood (Garforth) Management Company Limited

Solway View (Workington) Management Company Limited

Sonnet Park (Stratford) Management Company Limited[1]

Sovereign Quarter (Gillingham) Management Company Limited

Speckled Wood (Carlisle) Management Company Limited

Spring Meadows (Darwen) Management Company Limited[8]

St Andrews (Uxbridge) Management Company Limited[21]

St Andrews Park (Phase 3C Uxbridge) Management Company Limited[31]

St Andrews Park (Vine Lane 1A) Management Company Limited[21]

St Andrews Park (Vine Lane 2A) Management Company Limited[21]

St Andrews Park 2B/3A (Churchill Road, Uxbridge) Management Company Limited[21]

St Andrews Park 3B (Uxbridge) Management Company Limited[21]

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 Place (Colchester) Residents Management Company Limited

St Michaels Way (South Ryhope) Residents Management Company Limited

St Peters Place (Salisbury) Management Company Limited

Stanbridge Meadows (Petersfield) Management Company Limited

Stanford Meadows (Stanford-Le-Hope) Residents Management Company Limited

Stanton Chase (Swindon) Management Company Limited

Staynor Hall 4 (Selby) 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[28]

Swan Park (Dawlish) Management Company Limited

Sycamore Gardens (Oakdale) RMC Ltd[14]

Sycamore Rise (Thame) Residents Management Company Limited

Tanners Meadow (Strood Green) Management Company Ltd[2]

Tarraby View (Carlisle) Management Company Limited

Teasdale Place (Carlisle) Management Company Limited

The Acorns (Shirley) Management Company Limited[21]

The Alders (Gilwern) Residents Management Company Limited

The Blossoms (Blackburn) Management Company Limited[8]

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[14]

The Carriages (Burscough) Management Company Limited

The Cottons (Holmes Chapel) Management Company Limited

The Croft (Burgess Hill) Residents Management Company Limited

The Edge (Hempstead) Management Limited

The Fell (Lyde Green) Management Company Limited[6]

The Gateway (Colchester) Residents Management Company Limited

The Goldings Newquay Management Company Limited

The Grange (Chalfont St Peter) Management Company Ltd

The Grange (Chepstow) Limited

The Grange (Wellesbourne) Management Company Limited[21]

The Hamptons (Newcastle) Resident Management Company Limited[5]

The Haven (Swansea) Management Company Limited

The Hawthorns (Market Harborough) Management Company Limited

The Heath (Sandbach) Management Company Ltd[8]

The Hedgerows (Alsager) Management Company Ltd[5]

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[6]

The Maples (Cressing) Residents Management Company Limited

The Maples (NGP) Management Company Limited

The Maples (Weston) Residents Management Company Limited

# Notes to the financial statements continued

For the year ended 31 December 2023

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

**Company name** continued

The Middles (Stanley) Management Company Limited

The Mile (Pocklington) Management Company Limited

The Nightingales (Helpston) Residents Management Company Limited[32]

The Oaklands (NGP) Residents Management Company Limited

The Orchard (Fenstanton) Residents Management Company Limited[33]

The Paddocks (Aintree) Management Company Limited[5]

The Paddocks (Farcet) Residents Management Company Limited

The Paddocks (Highworth) Management Company Limited[5]

The Pastures (Lowton) Management Company Limited[5]

The Pinnacles Management Company (Thamesmead) Limited

The Poppies (Harleston) Management Company Limited

The Poppies Management Company Limited

The Priory (Llandough) Residents Management Company Limited[34]

The Reeds Lower Halstow Management Ltd[28]

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 Ltd[8]

The View (Redditch) Management Company Limited[21]

The Village, Aveley Phase II Residents Management Company Limited

The Weald (Easingwold) Management Company Limited

The Wickets (Penenden Heath) Residents Management Company Limited

The Willows (Downham Market) Residents Management Company Limited

The Willows Earlestown (Newton Le Willows) Management Company Limited[24]

The Windmills (Kirton) Residents Management Company Limited

Thornley Woods (Gateshead) Management Company Limited

Tilbury Fields (Oxford) Management Company Limited[8]

Tir Y Bont (Bridgend) Management Company Limited

Towcester Grange (Towcester) Residents Management Company Limited[18]

Trelawny Place (Felixstowe) Residents Management Company Limited

Trevelyan Grange (Morpeth) Residents Management Company Limited

Trevethan Meadows Liskeard Management Company Limited

Trinity Pastures (Calvert Lane Hull) Residents Management Company Limited

Tundra Point (Emersons Green) Management Company Limited

Valley Heights (Frome) Management Company Limited[1]

Village Mews (Southowram) Management Company Limited

Walmsley Park (Leigh) Management Company Ltd[5]

Watercress Way Management Company Limited[28]

Waterfield Place (Market Harborough) Residential Management Company Limited

Waters Edge (Buckshaw) Management Company Limited[24]

Waterside At The Bridge Management Company Limited

Watling Place (Newington) Residents Management Company Ltd

Weavers Meadow Estates Management Company Limited

Weavers Meadow Phase 2 (Hadleigh) Residents Management Company Limited

Weavers Place (Skelmanthorpe) 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

Westhaven Apartments (Barry) Residents Management Company Limited

Westhoughton (Lee Hall) Residents Management Company Limited[5]

Weston Park Limited

Westvale Park (Horley) Management Company Limited[2]

Westwood Park (Churwell) Management Company Limited

White Rose Park (Norwich) Residents Management Company Ltd

Whiteford Mews Management Company Limited

Whitewood Park (Bristol) Management Company Limited

Whittington Walk (Worcester) Management Company Limited[21]

Whitworth Dale Management Company Limited

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

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[21]

Wykham Park (Banbury) Management Company Ltd[5]

Yew Tree Farm (Droitwich) Management Company Limited[21]

Yew Tree Gardens (Tuffley) Management Company Limited

## 34 Details of all subsidiary undertakings continued

### Resident Management Companies continued

### Company name continued

1. Queensway House, 11 Queensway, New Milton, BH25 5NR
2. Homer House, 8 Homer Road, Solihull, B91 3QQ
3. Fountain House, Southwell Road West, Mansfield, NG18 4LE
4. Persimmon House, Birmingham Road, Studley, B80 7BG
5. Unit 7 Portal Business Park, Eaton Lane, Tarporley, CW6 9DL
6. Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
7. Cheviot House, Beaminster Way East, Newcastle Upon Tyne, NE3 2ER
8. RMG House, Essex Road, Hoddesdon, EN11 0DR
9. 11 Little Park Farm Road, Fareham, PO15 5SN
10. 3rd Floor City Gate, St. James' Boulevard, Newcastle Upon Tyne, Tyne and Wear, NE1 4JE
11. Unit A5 Optimum Business Park, Optimum Road, Swadlincote, DE11 0WT
12. 94 Park Lane, Croydon, CR0 1JB
13. Persimmon Homes, 3 Waterside Way, Northampton, NN4 7XD
14. 46 Whitchurch Road, Cardiff, CF14 3LX
15. North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, SY1 3BF
16. Burlington House, Botleigh Grange Business Park, Hedge End, Southampton, SO30 2AF
17. Unit 8, The Forum Minerva Business Park, Peterborough, PE2 6FT
18. 2 Hills Road, Cambridge, CB2 1JP
19. 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
20. Suite 7 Aspect House, Pattenden Lane, Marden, TN12 9QJ
21. 11 Queensway House, Queensway, New Milton, BH25 5NR
22. 250 Aztec West, Almondsbury, Bristol, BS32 4TR
23. Vantage Point, 23 Mark Road, Hemel Hempstead, HP2 7DN
24. Gateway House, 10 Coopers Way, Southend-On-Sea, SS2 5TE
25. 20 King Street, London, EC2V 8EG
26. Acorn Estate Management, 9 St Marks Road, Bromley, BR2 9HG
27. Foundation House, Coach & Horses Passage, Tunbridge Wells, TN2 5NP
28. Scholars House, 60 College Road, Maidstone, ME15 6SJ
29. Woodwater House, Pynes Hill, Exeter, EX2 5WR
30. 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
31. 72 Victoria Road, Ruislip, HA4 0AH
32. Unit 9, Astra Centre, Edinburgh Way, Harlow, CM20 2BN
33. 17 Apple Tree Close, Fenstanton, Huntingdon, PE28 9FJ
34. Avon House, Stanwell Road, Penarth, Wales, CF64 2EZ

* Private limited company.

# Other information

## Shareholder information

### Band analysis as at 31 December 2023

| Size of shareholding | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| 1–5,000 | 6,417 | 87.27 | 3,892,867 | 1.60 |
| 5,001–50,000 | 549 | 7.47 | 9,306,758 | 4.11 |
| 50,001–250,000 | 217 | 2.95 | 24,815,059 | 10.89 |
| 250,001–999,999,999 | 170 | 2.31 | 281,406,732 | 83.40 |
| **Total** | **7,353** | **100.00** | **319,421,416** | **100.00** |

### Share price – year ended 31 December 2023

| | |
|---|---|
| Price at 31 December 2023 | 1389p |
| Lowest closing price for year | 960.4p |
| Highest closing price for year | 1531p |

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

### Financial calendar 2024

| | |
|---|---|
| Ex-dividend date of 40p final dividend | 20 June 2024 |
| Record date of 40p final dividend | 21 June 2024 |
| Annual General Meeting | 25 April 2024 |
| Trading update | 25 April 2024 |
| Payment of final dividend of 40p | 12 July 2024 |
| Announcement of half year results | 8 August 2024 |
| Trading Update | 6 November 2024 |

### Five-year record

| | **2023** | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Unit sales | **9,922** | 14,868 | 14,551 | 13,575 | 15,855 |
| Housing revenue | **£2,537.6m** | £3,696.4m | £3,449.7m | £3,129.5m | £3,420.1m |
| Average selling price | **£255,752** | £248,616 | £237,078 | £230,534 | £215,709 |
| Profit from operations | **£354.5m** | £1,006.5m | £966.7m | £862.8m | £1,036.7m |
| Profit before tax | **£359.4m** | £1,012.3m | £973.0m | £863.1m | £1,048.1m |
| Basic earnings per share | **82.4p** | 247.3p | 248.7p | 220.7p | 269.1p |
| Diluted earnings per share | **81.9p** | 245.3p | 247.6p | 219.9p | 268.6p |
| Cash return/dividend per share | **80.0p** | 235.0p | 235.0p | 110.0p | 235.0p |
| Net assets per share | **1,070.2p** | 1,077.0p | 1,135.7p | 1,102.7p | 1,021.7p |
| Total shareholders' equity | **£3,418.5m** | £3,439.3m | £3,625.2m | £3,518.4m | £3,258.3m |
| Return on capital employed | **10.5%** | 30.4% | 35.8% | 29.4% | 37.0% |

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

**Annemarie Durbin**
Non-Executive Director

**Andrew Wyllie CBE**
Non-Executive Director

**Shirine Khoury-Haq**
Non-Executive Director

**Alexandra Depledge MBE**
Non-Executive Director

**Colette O'Shea**
Non-Executive Director

**Andrew Duxbury***
Chief Financial Officer

*to be appointed in spring 2024

## 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
Handlesbanken plc
Santander BANCO S.A.
Investec Bank Plc

### Financial PR Consultants

Teneo
The Carter Building 11 Pilgrim Street
London EC4V 6RN
Telephone 020 7353 4200
Email: persimmon@teneo.com

### Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0370 7030178
www.investorcentre.co.uk

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Persimmon

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