

17 December 2019

Findings of the Independent Review

On 5th April 2019, the Board of Persimmon plc, led by Roger Devlin (Chairman), announced the commissioning of an independent review of Persimmon in order to assess the effectiveness of measures and processes instigated as part of its focus on rapid change and improvement of its customer care culture and operations, and on eliminating cases of poor workmanship. The purpose of the review, led by Stephanie Barwise QC of Atkin Chambers, was to assess the effectiveness of the new measures and to determine whether they went far enough and fast enough for the benefit of both customers and wider stakeholders in the business.

The review is now complete and has been delivered to the Board. In line with the undertaking given at the announcement of the review, the findings of the report are now being made public. The findings cover nine key areas:

1. Corporate Culture
2. Structure of Persimmon
3. Build Process
4. Cavity Barriers
5. Customer Service
6. Human Resources and Employment Related Issues
7. IT Systems and Infrastructure
8. Board Effectiveness
9. Remuneration

The full conclusions and recommendations from each section, together with Persimmon's detailed responses, description of activity already initiated and comment on further planned actions, are published on Persimmon's website (<https://www.persimmonhomes.com/corporate>) and are also set out below.

Persimmon has recently begun to take urgent action to improve its build quality procedures through the introduction of independent quality inspectors and through the establishment of a Construction Working Group, comprising senior experienced construction professionals from across the company. The primary purpose of the Construction Working Group is to establish consistent, structured construction and quality processes. The Board intends that these will form the basis of Group-wide standards, the "Persimmon Way" of building, which will be formalised and rolled out over the next year.

Roger Devlin, Chairman of Persimmon, said:

"This is a very thorough and comprehensive review with clear conclusions and recommendations in nine key areas.

“The review found that Persimmon had focused on policies around inspections immediately before and after the sale of a home, rather than those governing build quality inspections. In my view, this is one of its central findings and I am encouraged that the Company is already embracing the review’s recommendations in this area through significant operational investment and procedural change. Our Construction Working Group will focus on ensuring that our new policies and processes fully address this critical finding.

“Persimmon has already taken positive steps in other important areas, such as being the first housebuilder to introduce a customer retention scheme, investing over £140m to date in additional work in progress and an additional £15m in annual quality and service costs. We’ve also invested in industry-leading digitalisation of existing construction and pre-completion procedures which will bring further valuable improvements.

“We have made solid progress in implementing a number of initiatives over the last year. Whilst the continuing improvement in the Group’s rating in the latest HBF quarterly update is welcome independent evidence of progress made in terms of customer satisfaction, the review clearly shows that the surest route to improved customer satisfaction is through the delivery of consistent build quality and service and we acknowledge that we still have work to do. As we focus hard on the changes that we are making, I would like to take this opportunity to apologise once again to those Persimmon customers who have been affected in the past.

“This review - and the seriousness that we attach to its detailed findings - is an important moment for Persimmon as we continue to build a different business with an increased focus on our customers and wider stakeholders – becoming a business that prioritises purpose as well as profit.”

Stephanie Barwise QC of Atkin Chambers and the leader of the review said:

“The Board of Persimmon deserve significant credit for commissioning this Review and publishing its findings. It demonstrates their willingness to confront some difficult truths as they focus the business on rapid change and improvement.

“The Independent Review Team has sought to be as thorough as possible in its consultation and review and I believe that we have given the Board a very honest assessment of the issues Persimmon needs to address. It is encouraging that during the period of Review as we shared initial findings that the Company began to take various steps to respond to certain issues.

“I am grateful to the members of the Review Team for their work and expertise in delivering this report and would like to thank all those who participated in the extensive consultation.”

Ends

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Executive Summary

In reaching its conclusions and recommendations, the Independent Review Team (the IRT) has carried out a survey of Persimmon's customers, workforce and other third party stakeholders, and has interviewed a broad cross-section of third party stakeholders. The IRT has also reviewed extensive documentation, including relevant policies, provided by Persimmon.

In very brief summary, the conclusions and recommendations of the IRT can be stated as follows:

- The problem Persimmon has encountered with missing/improperly fitted cavity barriers is a systemic nationwide problem, which is a manifestation of poor culture coupled with the lack of a Group build process (a rigorous regime of Group controlled build, based on clear drawings and specifications supported by an appropriate supervision and inspection regime).
- If the Board wishes Persimmon to be a builder of quality homes, meeting all relevant build and safety standards, then it should re-consider Persimmon's purpose and ambition. Persimmon has traditionally been more a land assembler and house-seller rather than a housebuilder. As explained in the Report, the Home Builders Federation star rating is a measure of quality as perceived by the customer shortly after completion, rather than a measure of the true quality and safety of the build. Therefore, if Persimmon does want to be, and be known as, a builder of quality homes, its aspirations cannot be realised simply by achieving a four or five star HBF rating.
- The Board needs to be clear about Persimmon's purpose and ambition, and its vision for the Company should be clearly articulated. Assuming this is to be a builder of quality homes, it is only then that the changes necessary to achieve this ambition can be properly formulated in a coherent, overarching strategy. The achievement of this ambition will also require changes in the culture of the business.
- Persimmon has already begun to take some positive steps, such as being the first housebuilder to introduce a retention scheme, and making changes to its systems and processes, including the digitalisation of its existing precompletion procedure with some valuable modifications. The likely impact of these changes cannot be assessed in a vacuum, as they must be viewed in light of Persimmon's agreed upon purpose and ambition.

This document set out the conclusions and recommendations of the Independent Review Team (the Findings).

These Findings have been set out in a Report that was prepared by the Independent Review Team solely for the use of the Board of Persimmon Plc. The Report, including these Findings, was not prepared with anyone else's interests in mind or for anyone else's use.

These Findings are made available on an information only and non-reliance basis. No individual or entity may rely on these Findings (or any part thereof) for any purpose. No liability or duty is accepted by the Independent Review Team to any individual or entity in relation to the Findings. The Independent Review Team does not express or imply any opinion as to the advisability of relying on the Findings. Any person or entity who relies on the Findings does so entirely at their own risk.

1. Corporate Culture

Conclusions	Recommendations
<ul style="list-style-type: none"> • Persimmon has traditionally been more a land assembler and seller of houses rather than a housebuilder. That is evident from its Group level policies and focus on the HBF star rating. Persimmon has also described itself on at least one occasion as a houseseller rather than a housebuilder. • This has led to Persimmon prioritising Group policies and procedures covering the process and inspections immediately before and after the sale, at the expense of Group policies governing the build process and related quality assurance inspections. • Whilst the Group policies and procedures covering sales and immediate aftercare are described, perfectly reasonably, as customer care, it must be recognised that genuine customer care starts with the quality of the build, therefore beginning much earlier in the process, from the geotechnical investigation of a site and continuing throughout the site development. • In the IRT's view, the number of stages in the pre-completion procedure may have contributed to a culture of non-observance of certain stages in the process, or a mere box ticking exercise, stemming from a belief that any single stage is not important, as another check or inspection will follow later. • Persimmon's culture must change: many of Persimmon's employees, customers and stakeholders wish Persimmon to change, and in a changing regulatory environment, 	<ul style="list-style-type: none"> • It is the Board's role and responsibility to determine the Company's purpose and ambition and to set out a strategy that is designed to ensure the delivery of that purpose and ambition. The Board's vision for the Company should be set out in a clear and easily comprehensible statement with which employees can readily identify. • The Board will need to monitor, initially at least annually, that the Executive Directors and their management team are fully engaged with the new ambition and strategy and are implementing the changes necessary to deliver on it. • The cultural health of an organisation must be regularly monitored, and there are a range of metrics and tools which Persimmon should consider using for this purpose examples of which are set out below: Rates of staff turnover, absence rates and non mandatory training uptake rates, along with annual surveys and pulse surveys.

<p>Persimmon cannot afford the stigma of a corporate culture which results in poor workmanship and a potentially unsafe product.</p>	
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2. Structure of Persimmon

<i>Conclusions</i>	<i>Recommendations</i>
<ul style="list-style-type: none">• Certain functions within Persimmon are managed centrally, whilst others are managed at a regional/local level with little Group control. This is both a strength and a weakness.• We recognise that there is a significant benefit to regional/local knowledge in areas such as land acquisition, planning and establishing strong relationships with reliable sub-contractors. However, the absence of Group-wide policies in some areas, in particular in relation to the build process, is detrimental to Persimmon.	<ul style="list-style-type: none">• We recommend that Persimmon introduces Group level policies to govern the build process, including supervision and inspection, together with all aspects of training.

3. Build Process

Conclusions	Recommendations
<ul style="list-style-type: none"> • Persimmon does not have a Group build policy, which increases the risk of build defects. A manifestation of this is the lack of cavity barriers (or their incorrect installation), which is a nationwide systemic problem. • Persimmon does not have formal Group level procedures requiring supervision of either its own employees' or sub-contractors' work, or periodic inspection of work as it progresses. Instead, historically, Persimmon has relied on third party warranty providers for inspection of the key build stages. It is unrealistic to regard the warranty providers as being able to inspect all work stages or even all properties; they do not. • Persimmon's pledge that it inspects the work at all stages of the build process is not currently met. We understand that in late October 2019 Persimmon set up a working group with a view to determining <i>inter alia</i> the work stages to be inspected. At the time of drafting this Report, we understand that this process is ongoing and that Persimmon has not yet identified the stages it intends to inspect, nor the manner in which it intends to perform those inspections. • Persimmon has started the process of appointing new Independent Quality Controllers and rolling out new training for Site Managers. 	<ul style="list-style-type: none"> • Persimmon should take sufficient time to formulate and embed a "Persimmon Way" of building. A comprehensive communications and training plan will also need to be implemented in order to permeate the "Persimmon Way" through the Company. • We recommend that Persimmon should determine a Group policy specifying the nature and level of supervision required. Increased supervision will in the long run be cost effective, since work will be less likely to require rectification at later stages. • Similarly, Persimmon should (as it has begun to consider) determine a Group build policy including the work stages which should be periodically inspected, and who should conduct these inspections. • Persimmon should consider defining best practice in relation to its build policy for each key build stage. • Persimmon should work more closely with its warranty providers in order to benefit from the data, best practices and training that they can offer. • The role of the Independent Quality Controllers and training to be provided to Site Managers needs to be aligned with the "Persimmon Way" of building. • Overall, it is important that Persimmon prioritises the build process and re-balances the focus of attention to put more emphasis on a robust Group build policy.

4. Cavity Barriers

Conclusions	Recommendations
<ul style="list-style-type: none"> • Persimmon has a nationwide problem of missing and/or incorrectly installed cavity barriers in its timber frame properties, first discovered in October 2018. Persimmon reacted swiftly by inspecting sites where the problem first occurred, and then extending its inspections beyond this to reflect the evolving nature of the issue and the data available to Persimmon. However, we note that the inspections to date have been limited to the eaves, and have not checked for cavity barriers which should be present around doors and windows/in party walls. • As well as conducting inspections, Persimmon’s response included a number of steps designed to prevent the situation re-occurring, such as producing a specific cavity barrier inspection checklist, producing detailed guidance on the installation of cavity barriers, introducing toolbox talks for all relevant staff, and changing the build process so that carpenters rather than bricklayers install the cavity barriers to ensure a full visual check can be completed. • Unfortunately it recently came to light during this Review that on one site Persimmon operatives and/or sub-contractors retained by Persimmon to remedy any issues with cavity barriers had, on two separate visits to one property, claimed that all missing cavity barriers had been retro-fitted when in fact they had not been. Persimmon’s own Fire Risk Assessor ascertained that the relevant cavity barriers had not been retro-fitted on either occasion. • The cavity barrier problem is a manifestation of a lack of supervision and inspection of the way in which building 	<ul style="list-style-type: none"> • We have recommended that Persimmon appoints a reputable fire engineer in order to ascertain the further steps Persimmon should take to: (i) satisfy itself that it has correctly identified the extent and nature of the problem in existing properties, and is taking the necessary steps to rectify any issues; and (ii) ensure that its future build is fire safe bearing in mind the construction and fire strategy of each Persimmon build type. • Although we understand the problem has to date only been identified in Persimmon’s timber frame properties, we suggest that a fire engineer should be asked to consider the different Persimmon construction types, given the severity of this problem and the intolerable risk it poses. We understand that Persimmon appointed ARUP Fire on 27 November 2019. • We also recommend that Persimmon carries out spot checks on the site where it was twice incorrectly asserted by different Persimmon operatives and/or sub-contractors that the cavity barriers had been retro-fitted, and indeed more generally, so that Persimmon may assure itself that all missing and/or incorrectly installed cavity barriers have now in fact been retro-fitted. • As noted in Section 3 above, to date Persimmon has no Group build policy and no express provision for supervision of any work. Clearly any Group build policy ultimately adopted must include careful supervision of the installation of cavity barriers as it is a safety critical item of work, in addition to a complete inspection incorporating photographs with

<p>work is carried out both by Persimmon's own labour and Persimmon's sub-contractors.¹</p> <ul style="list-style-type: none">• It is also a clear demonstration of the disconnect between the award of stars via the HBF Survey and true (as opposed to perceived) build quality, since one of Persimmon's five star businesses has the highest incidence of missing or incorrectly installed cavity barriers.	<p>embedded data, namely precise GPS coordinates and date/time.</p>
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¹ The installation of cavity barriers was previously carried out by bricklayers, and in some regions bricklayers are directly employed by Persimmon. The inspection and retro-fitting of occupied properties is carried out by both Persimmon operatives and sub-contractors.

5. Customer Service

Conclusions	Recommendations
<ul style="list-style-type: none"> • Persimmon keeps its customers advised of the likely legal completion date by means of Customer Journey letters triggered by completion of various stages of the building structure. This process works well. • The seven pre-completion stages carried out by Persimmon in the 18 days prior to legal completion are somewhat labour intensive and have not always historically achieved the desired result of a property which has few, if any, defects, with the result that historically some customers have not been satisfied. • Digitalisation of (broadly) the same procedures has the potential to achieve a better quality finish to the property, because it will be immediately visible to the Regional Directors if the relevant checks have not been carried out, and will therefore increase accountability. • The danger in having so many stages in the pre-completion procedure, which (as explained below) has historically not always been followed, is that it tends to encourage a box ticking culture,² rather than a deep engagement with ensuring that the property is properly checked and finished to an appropriate standard. • The post-completion procedure is focussed on the obtaining of stars via the HBF Survey results from the answer to a single question, “<i>Would you recommend the builder to a friend</i>”, asked eight weeks after legal completion. Whilst of course it is important for Persimmon to engage with its customers following completion, it may be better to do so in ways less focussed on the award of HBF stars. 	<ul style="list-style-type: none"> • We recommend that Persimmon takes steps to ensure that the Site Manager’s Initial Check and the Blue/Green Card Quality Check are carried out on 100% of properties, as well as providing customers with the opportunity to undertake their own inspection through the New Home Demonstration Quality Check. Persimmon should carefully consider whether the further “spot checks” currently carried out as part of the precompletion procedure genuinely enhance the process of ensuring the quality of the finished product delivered to the customer. • Persimmon should ensure that the Site Manager’s Initial Check and the Blue/Green Card Quality Check are carried out prior to the service of the 14 day notice to the customer, and that sufficient time is allowed for the rectification of any identified defects prior to the customer accepting completion of the property. Further, we recommend that the current Green Card override system is reviewed to ensure it does not excuse poor practice. • We recommend that Persimmon should widen its post-completion customer care service to contact with customers every three months during the first year post completion. • We also recommend that the Board reviews and places more emphasis on the results of the HBF survey carried out nine months post-completion.

² A tendency also noted in the Review of the Effectiveness of the Board produced by Clare Chalmers Limited dated December 2018.

6. Human Resources and Employment Related Issues

Conclusions	Recommendations
<ul style="list-style-type: none"> • Historically, the training provided to Persimmon’s employees was limited. Training was managed regionally, and the amount and type of training was inconsistent across the Group, with training largely focussed on sales staff. However, there have been recent improvements in the availability and standardisation of training with the establishment of the Group Training Department, and the development of further training modules relating to build and customer care. • Persimmon has not previously conducted an employee engagement survey, and historically has not had reliable means of capturing the views of its employees. However, Persimmon plans to roll out a Company-wide employee engagement survey in January 2020 (the Engagement Survey), with the results being reported in its 2019 Annual Report. Persimmon has also recently established an Employee Engagement Panel (the Panel), which considers feedback from employees on employment related matters and reports to the Board. • There is currently no Company-wide performance review or appraisal process at Persimmon. Certain categories of employee receive performance reviews on a yearly basis. Persimmon is considering a wider roll out of this system. 	<ul style="list-style-type: none"> • All aspects of training should be centrally managed. The Group Training Department should work with key industry bodies to ensure it has a best practice training programme. Appropriate modules should be developed for different types and grades of employee. It should be possible to pass or fail modules, with consequences for failure. Persimmon should also test the effectiveness of the training at regular intervals. • Once the Group level policies relating to construction and build quality have been formulated, steps should be taken to ensure that site management and other construction staff receive sufficient training on these areas. Following roll out of these policies, we recommend that Persimmon introduces mandatory training for all such employees within 12 to 18 months. Consideration should be given to which modules should be mandatory for which employee groups. This should be determined centrally as part of an overall HR strategy, rather than at a regional or site level. • Persimmon should conduct detailed checks on its sub-contractors and subcontracted labour. It could also work with warranty providers and industry bodies to ensure that key tradesmen working on Persimmon sites are appropriately skilled. • Given that the Engagement Survey is the first of its kind undertaken by Persimmon, we recommend that the results of the Engagement Survey are reviewed by the Board, alongside a HR strategy that includes proposals to deal

	<p>with any issues arising out of the Engagement Survey.</p> <ul style="list-style-type: none">• Building on the establishment of the Panel and the Engagement Survey, Persimmon should continue to actively engage with its employees. We recommend that issues emerging from the Workforce Survey responses are addressed as part of this continuing engagement, including the Company's culture and business priorities, training and development opportunities, employee engagement and the appraisal/feedback structure.• Persimmon's Group HR team should review its approach to performance reviews/appraisals, including the categories of employee covered, the frequency of the reviews and the way in which they are carried out. We recommend that the results of this review are considered by the Board or a relevant sub-Committee.
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7. IT Systems and Infrastructure

Conclusions	Recommendations
<ul style="list-style-type: none"> • Historically, Persimmon’s processes have been paper based and manual. However, there has recently been considerable investment in new technology solutions across the Company, resulting in the development and deployment of a number of new IT initiatives (the IT Initiatives). • The IT Initiatives are bespoke to Persimmon, and have been designed to specifically target known issues, including the monitoring of the build process and customer service support. 	<ul style="list-style-type: none"> • Persimmon should provide training to all relevant employees to ensure that they are able to optimise their use of the new technology solutions. • As part of the IT Initiatives, Persimmon will develop a programme that is designed to monitor the build process and ensure that relevant quality control checks are undertaken. This work is being overseen by one of Persimmon’s Regional Chairmen. As noted in Section 3 above, we recommend that Persimmon develops from the ground up a “Persimmon Way” of building which is reflected in Group procedures. Clearly, the IT Initiatives need to be developed in tandem with that, so that they are effective in enforcing such procedures. • The Board should ensure that the KPIs it receives make full use of the new data available via the IT Initiatives, and that the data is being used to raise standards across the business, including the supply chain, in order to deliver on the key aspects of the agreed strategy.

8. Board Effectiveness

<i>Conclusions</i>	<i>Recommendations</i>
<ul style="list-style-type: none">• As noted in Section 3 above, there is a need for a fundamental change in Persimmon’s culture to ensure that quality of build and customer service are central to its approach to business and its corporate identity.• The Board has a key role to play in defining the Company’s purpose and developing a strategy to deliver that purpose. It must also ensure that the values and culture of the Company are aligned with its purpose and ambition.	<ul style="list-style-type: none">• The Company has introduced a number of new initiatives in relation to customer care and build quality. The Board has yet to determine whether the Company’s focus going forward is to be a quality builder, as opposed to aspiring to be a four or five star builder. The two are different things. Only once the Board has decided on this can any changes necessary to fulfil that purpose be clearly embodied in a coherent, overarching strategy that is communicated to employees and other relevant stakeholders. A strategic change of this nature is likely to take time to be fully embedded as cultural change does not come rapidly.• The willingness on the part of the Non-Executive Directors to provide constructive challenge and strategic guidance will be instrumental in the Company’s ability to respond to and address the issues identified in this Report and to drive through a new corporate culture.• We recommend that Persimmon should appoint at least one non-executive director with specific expertise in house building and/or construction. Further, the Board should consider whether it would be helpful to appoint an additional non-executive director with experience in the construction sector in order to facilitate constructive challenge.

9. Remuneration

Conclusions	Recommendations
<ul style="list-style-type: none">• Persimmon came under intense public scrutiny following the disclosure of the amounts received by Executive Directors in 2017 and 2018 as a result of the vesting of share awards granted in 2012 under Persimmon's 2012 LTIP. The amounts in question were widely perceived as excessive.• We have advised Persimmon that the IRT is in a position to make only limited comments in relation to Persimmon's remuneration policy, since no member of the IRT is a remuneration specialist, and we would not wish to stray into an area beyond our competence.• However, the IRT has reviewed Persimmon's historical and current remuneration policies, in particular relating to variable pay awards under the 2012 LTIP, the 2017 Performance Share Plan (the 2017 PSP) and annual bonus arrangements for Executive Directors. Compared with the 2012 LTIP, the 2017 PSP is more in line with prevailing shareholder expectations and current market sentiment. It is also positive that specific performance conditions attaching to both awards under the 2017 PSP (for awards granted since 2018) and annual bonuses now include non-financial metrics (albeit that no Executive Directors have been granted awards under the 2017 PSP, and no bonus awards were made to Executive Directors in 2018 or 2019). However, we consider that the HBF Recommendation Score is not necessarily the most appropriate measure, since it does not accurately reflect build quality, albeit it is an indicator of customer service.	<ul style="list-style-type: none">• It is important that the Company's remuneration policy is consistent with its purpose and strategy, and the culture it is seeking to foster. Accordingly, we recommend that it consults with a remuneration specialist following the Board's re-consideration of the Company's purpose, to ensure that where changes are agreed by the Board in relation to strategy and culture, these are properly reflected in Persimmon's remuneration policy.

Set out below are the initial responses of the Board of Persimmon to the Findings of the Independent Review Team. These responses did not fall within the terms of reference of the Independent Review and have not been reviewed or approved by the Independent Review Team, their recommendations being set out above.

PERSIMMON'S UPDATE AND INTENTIONS

1. Corporate Culture

- The Board will consider carefully the review's recommendation for greater clarity on Persimmon's purpose and ambition and fully accepts that this will be the cornerstone of the required cultural change. The Board will reflect and consult on this issue and will provide an update at the AGM in April 2020.
- The new strategy includes a range of tangible and, in some cases, industry leading initiatives to achieve a sustainable balance between pace of delivery of new homes and their quality.
 - The measures outlined in the other sections of this response provide details of the action taken to-date as well as our future plans reflecting the recommendations of the Independent Review Panel, particularly in relation to the importance of build quality.
- The Board is committed to ensuring that members of the senior management team are fully aligned with the strategic aims of the Group and are overseeing the changes necessary to deliver it.
- A review of metrics and tools which Persimmon will use to monitor the cultural health of the Company is already being considered and, once finalised, will be implemented as an expanded part of our existing Employee Dashboard. The importance we attach to this will be underscored through a commitment to report on this annually within our annual report.

2. Structure of Persimmon

- Persimmon recognises the importance of striking a balance between fostering an entrepreneurial spirit within its regional structure with the necessity of consistency and control through application of group-wide policies and procedures.
 - Senior appointments have been made at Group level to promote and enforce compliance with policies and procedures as well as to provide the Board with assurance that they are being implemented properly.
 - Additional senior appointments are in the process of being made to further strengthen centralised controls.

- Group level policies are currently administered by the following central departments:
 - Health and Safety
 - Human Resources and Training
 - Finance
 - Information Technology
 - Legal and Company Secretarial
 - Procurement
 - Architectural and Design
 - Land and Planning
 - Commercial
 - Engineering

- In addition, we have senior directors overseeing sales and marketing initiatives, customer care procedures and Space 4, our brick factory and FibreNest operations.

- We agree with the Independent Review Panel's Recommendation that the build process should be centrally governed.
 - Where policies are administered at a more regional level we have taken action to consolidate best practice to produce group wide standardisation of policies and procedures.
 - The introduction of a group intranet and other IT enhancements will provide a central repository for up-to-date policies and procedures which will be easily accessible across all regions.

3. Build Process

- Persimmon agrees with the Independent Review Panel's recommendation to instigate a Group policy specifying the nature and level of supervision required to establish a "Persimmon Way" of building and is already taking steps achieve this.
 - A new Construction Working Group comprising senior experienced construction professionals from across the Group was established in October 2019 in order to determine and define the Persimmon Way and a new senior "construction champion" role has been created to ensure it is embedded across all regions.
 - The Persimmon Way will draw on existing guidance and new manuals to reflect current best practice, safety and regulatory requirements taking full account of the recommendations made by the Independent Review Panel.
 - Initial feedback from the Construction Working Group will be provided to senior management periodically during the first half of 2020 with full implementation of the Persimmon Way rolled out over the next twelve months.
 - Mandatory training will be provided by the Group Training department to all relevant employees with updates when required to reflect changes to best practice and regulation.

- The Company has already enhanced its group wide build quality assurance procedures through the appointment of 31 Independent Quality Inspectors.
 - This is a centrally funded resource to promote impartiality and objectivity.
 - Each inspector will critically assess each key stage in the construction process across all Persimmon's developments applying a "*check the checker*" principle and, in due course, compliance with the Persimmon Way.

- The Group will continue to promote positive and collaborative relationships with warranty providers and other third parties to ensure that best practice and intelligence is shared.

4. Cavity Barriers

- Persimmon fully accepts that there has been a failing in the overall supervision and inspection regime which includes its own internal processes.
- As soon as it was established in October 2018 that certain properties did not contain properly fitted cavity barriers, or there was an absence of cavity barriers, Persimmon reacted through:
 - Implementation of a rigorous structured customer engagement and inspection regime.
 - Monitoring of progress on a weekly basis by senior management, including the Group CEO and the Board.
- Whilst not all regions in the Persimmon Group are affected, Persimmon has currently undertaken over 16,000 inspections.
 - All properties which fail an inspection will continue to be remediated immediately.
 - The Company will take all reasonable action to identify and remediate every house that has been affected.
- To provide further assurance of the importance Persimmon is placing on this issue as well as to address the risk of errors in inspections and reporting the Group has:
 - Implemented an internal audit procedure to re-assess a sample of properties on each affected development to ensure that the possibility of inspection errors are mitigated.
 - Appointed a leading independent fire engineer, Arup, in order to ascertain any further steps Persimmon should take to:
 - i. Satisfy itself that it has correctly identified the extent and nature of the problem in existing properties, and is taking the necessary steps to rectify any issues; and
 - ii. Ensure that its future build is fire safe bearing in mind the construction and fire strategy of each Persimmon build type.
 - Persimmon will take all appropriate action in connection with the results of its own internal assurance work and the recommendations of the fire engineer.

5. Customer Service

- In the first quarter of 2019 Persimmon introduced a broad range of initiatives (Customer Care Improvement Plan) placing the interests of customers at the forefront. Measures include:
 - Increased financial investment in customer care procedures, IT digital transformation projects and dedicated resource.
 - The introduction of the seven stage pre-completion inspection regime. The Blue/Green Card Quality Check is already achieving a high degree of compliance in accordance with the Group policy.
 - The introduction of the retention scheme and new post-completion 7 Day Inspection form which promote additional consumer protections and a clear message to all employees of the importance of delivering a high quality new home to all customers.
 - The digitisation of inspection processes and introduction of an industry leading online Customer Portal will empower customers to record and monitor resolution of issues efficiently.
 - The ability for customers to book weekend and evening appointments together with improved complaint escalation and resolution processes.
 - The appointment in June 2019 of a dedicated Group Customer Care Director to oversee all aspects of the customer journey.

- Persimmon has also expanded its customer service provision to cover the full two-year post-completion warranty period.
 - This increases the amount of contact with customers over a longer period ensuring focus is on long term customer satisfaction.

6. Human Resources and Employment Related Issues

- Persimmon has expanded its HR department and training capabilities with a four-fold increase in head count during 2019.
 - In February 2019, the Group has formed an employee engagement panel with representation from all areas of the Persimmon Group with feedback provided to the Board.
 - The Group has partnered with Harris Interactive to undertake, in January 2020, an Employee Engagement Survey to ensure that the views of employees are collated and expertly assessed.
 - Appraisals and further staff welfare measures will be introduced under the direct supervision of the HR department.

- The Group continues to invest in its Group Training Department to ensure that employees understand the cultural and technical changes that are taking place across all regions. This delivers a consistent approach and message to all regions in the Group.
 - Generally, training is delivered through inter-departmental co-ordinated communication to support the identification of key skills and competency gaps.
 - The Construction Working Group will ensure that a full package of training modules are produced with structured mandatory training sessions delivered to all relevant employees.
 - The introduction of digital transformation projects will also be a key focus for training to ensure the clear benefits of this technology is achieved.

7. IT Systems and Infrastructure

- Persimmon's IT strategy is fully aligned with all aspects of the construction processes as well as enhancing the customer journey pre and post the completion of their new home.
 - The Site Management and Build Progress tool introduced in February 2019 is already supporting site staff with the real-time status of the construction of each property which delivered a more effective build programme.
 - This promotes more efficient co-ordination of internal and external inspections throughout the construction process and will take account of all recommendations provided by the Construction Working Group.
 - The Quality Inspection Tool to be introduced in Q1 2020 is being developed to support the 7 Stage Internal Quality Check procedure. This provides an online facility to monitor and control the pre-competed quality control phase and includes a more efficient sign off procedure as the old paper-based process is replaced.

- The Digital Transformation project is co-ordinated with the requirements all related to initiatives to develop bespoke industry leading support through high quality centralised training.

8. Board Effectiveness

- The Board agrees that aspiring to be four or five-star builder does not necessarily mean that a home will be constructed to the highest level of quality.
- The Board will consider carefully the review's recommendation for greater clarity on Persimmon's purpose and ambition and will provide an update at the AGM in April 2020.
- The strategy to build quality new homes, placing the interests of customers ahead of volume, whilst increasing investment in construction operations and customer care resource is delivering the following benefits:
 - Alleviating pressure on Persimmon's construction teams to enable them to manage their build programmes more effectively.
 - Enhancing the effectiveness of the customer care resource with more people handling fewer items.
 - Supporting Persimmon's sales teams to communicate with customers which includes providing them with more accurate dates of when they can move into their new home.
- The actions outlined above were the result of constructive challenge and strategic guidance on the part of the Non-Executive Directors. Robust scrutiny and pooling of expertise from different industry sectors form the basis of all the strategic Board decisions undertaken by Persimmon including:
 - The increased investment in the Group Human Resources and Training department.
 - Implementation of enhanced customer service procedures.
 - Improved communication with staff including introducing the employee engagement panel and related surveys.
 - The introduction of adherence to the Real Living Wage Foundation's pay criteria.
 - Improvements to staff welfare and benefits including flexible working hours.
 - Increased focus on Corporate Social Responsibility including direct involvement with the Persimmon Charitable Foundation.
 - Promoting increased collaborative engagement with all stakeholder groups.
 - Increased investment in Group compliance resources.
- Expertise engaged at Board level will continue to be assessed to ensure both challenge and guidance and a search has already commenced for a NED with construction sector expertise.

9. Remuneration

- The bonus and pay arrangements of senior Group and operational directors, as well as site-based staff, have been amended with the intention of reflecting the importance of delivering high quality new homes and customer care.
 - This ensures that the success of the Group's new strategy is intrinsically linked to the remuneration of these key employees in the Group.
- As our new Build Quality processes are implemented and embedded we will monitor progress in many ways and assess which metrics would be most appropriate to reflect in remuneration packages in the future.