

PERSIMMON PLC



LONG TERM SUSTAINABLE RETURNS FOR ALL



- Persimmon has a clear vision which the whole company is working towards, to produce long term sustainable returns for all
- Our company purpose on how we achieve that vision is now fully embedded within the business

Company purpose

- To build good quality homes at a range of price points to meet the UK's housing needs
- To create and protect superior long term value through the housing cycle for
 - shareholders
 - customers
 - workforce
 - wider stakeholders



DELIVERY OF KEY FOCUS AREAS IN 2019



- Our company purpose provides direction for strategic focus in the following areas
 - Customer Care Improvement Plan introduced
 - continued to provide “homes for all”
 - increased investment in workforce training and excellent workforce relationships
 - increased support for communities/wider stakeholders
 - building sustainable homes and communities

- This presentation looks at two main areas of focus in detail
 - building good quality homes
 - managing the housing cycle



WELL DEFINED CUSTOMER CARE IMPROVEMENT PLAN



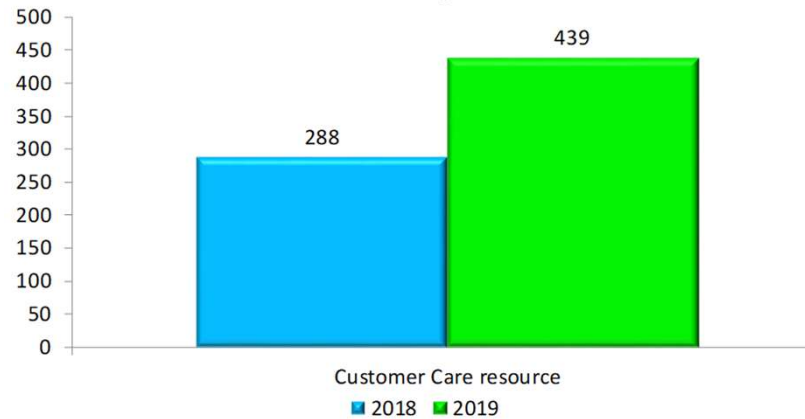
- 2019 had several key areas of focus - more than just about HBF star ratings
 - increased financial investment
 - improved customer care communication
 - increasing consumer rights
 - good access to modern technology
 - building good quality homes
 - robust quality assurance process
 - improved post handover service



INCREASED FINANCIAL INVESTMENT



- c. 50% increase in customer service spend over the prior year
- c. £15m increase in annual quality assurance and customer service costs
- Additional investment in WIP of £213m - includes 28% increase in site overhead
- 52% increase in customer care resource during 2019



- In 2020, targeted WIP investment in selected companies



IMPROVED CUSTOMER COMMUNICATION



- Held back sales releases
- 11 key stage “customer journey” contacts pre moving in
- Improved customer complaints process
- Improved 7 stage post completion communication procedure
- Introduction of weekend and evening appointments as standard
- Mobile customer care app introduced

- In 2020:
 - rolling out customer portal in H1
 - introducing a two year customer contact procedure
 - digitalisation of the New Home Demonstration, Key Release and 7 day Inspection process
 - introduction of customer care bonus target linked to communication



INCREASING CONSUMER RIGHTS



- Empowering our customers - UK housebuilding industry first
 - retention introduced July 2019
 - 1.5% of selling price retained
 - initial take up of 15%
 - clear signs of changing operational behaviours
- Main lenders signed up for 2020
- As part of our New Home Demonstration process we provide access for customers to inspect their new home prior to legal completion
- Looking forward to the introduction of the New Homes Ombudsman
- We will continue to take the lead in consumer rights



GOOD ACCESS TO MODERN TECHNOLOGY



- FibreNest now fully established
- Fully aligned with the Government's digital strategy
- Only UK housebuilder offering connectivity from moving in date
- c. 6,500 customers now connected
- Approval of Code Powers will enable improved site connection times
- In 2020, there will be further growth in the number of customers connected to the network

Trustpilot



BUILDING GOOD QUALITY HOMES



- In 2019 and 2020 a key area of focus has been improving the consistency of the quality of our homes
- The Independent Review highlighted inconsistent quality and too much focus across the industry on HBF Star Rating
- In the last 16 months Persimmon has focused strongly on the consistency of build and finish quality and on resolving problems more quickly
- Range of actions introduced through our Customer Care Improvement Plan in 2019 to improve customer service and customer communication
- In 2020, introducing “ the Persimmon Way” to ensure we build good quality homes consistently



THE PERSIMMON WAY



- Integral part of the Customer Care Improvement Plan
- Clearly defined “end to end” build policy for all regions in the Group
 - prior to site commencement
 - construction process
 - checking process
 - external inspection
 - training and education

THE
Persimmon *Way*



PRIOR TO SITE COMMENCEMENT



- Pre-start process fully reviewed to embed the principles of the Golden Thread from the Hackitt Review
- Independent review of standard house types and construction details
- Review of all product specifications
- Assessment of site based workforce to ensure fit for purpose



CONSTRUCTION PROCESS



- Comprehensive and detailed technical drawings providing clear instructions for all build stages
- 21 clearly defined stages covering the whole construction process
- Detailed inspection of all important build stages by site staff and warranty providers
- Key milestones which must be passed for construction to continue



CONSTRUCTION PROCESS - BUILD STAGES

Independent Quality Controllers - 21 KPI's

1. FOUNDATIONS
2. GROUND FLOOR & SUBSTRUCTURE
3. BRICKWORK/BLOCKWORK TO 1ST FLOOR JOIST
4. TIMBER FRAME
5. TIMBER/CONCRETE UPPER FLOOR
6. BRICKWORK/BLOCKWORK TO PLATE
7. ROOF CONSTRUCTION
8. **GABLES**
9. **FIRE STOPPING**
10. EXTERNAL ELEVATION
11. STAIRS, DOORS & WINDOWS
12. INTERNAL SERVICES
13. **PREPLASTER**
14. POST PLASTER
15. 2ND FIX
16. **FINISHES**
17. DRIVES, PATHS & LANDSCAPING
18. GARAGES, WALLS, FENCES & OUTBUILDINGS
19. SITE PRESENTATION, POS, ROADS & FOOTPATHS
20. ADMINISTRATION INC. SITE OFFICE & COMPOUND
21. STORAGE & PROTECTION OF MATERIALS

Detailed KPI Stage - Roof Construction

- FLAT ROOFS
- WALL PLATE
- TRUSS ERECTION
- ATTIC TRUSS
- RESTRAINT/BRACING
- DORMERS
- VENTILATION
- SPANDREL PANELS
- VALLEY/HIDDEN GUTTERS
- ROOF MEMBRANE & BATTENS
- ROOF TILES
- GRP CHIMNEY
- CLEAN WORK AREA

“KEY STAGE REVIEW”



CHECKING PROCESS



- 31 independent quality inspectors critically assess compliance with the Persimmon Way
- “check the checker” principle providing additional assurance throughout the construction and finishing process
- Key stages identified requiring 100% compliance before construction can continue - this includes cavity barrier inspections
- Ability to share best practice through reporting at site, regional office, divisional and Group level

THE
Persimmon *Way*



EXTERNAL INSPECTION



- External audit of the Persimmon Way
- Points based verification process identifying areas of strength and weakness
- Exposure to current best practice enabling ongoing evolution and education process
- Board reporting ensures engagement at highest level

THE
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TRAINING AND EDUCATION



- All new site managers and assistants to undertake a Persimmon Way induction
- Site staff and sub-contractors educated and supported in the required standards via modular learning and on-site tool box talks
- Implementation of a new site staff appraisal system and skills competency matrix to identify areas of training need
- Identification and delivery of mandatory Group training modules where weaknesses are identified

THE
Persimmon *Way*



THE PERSIMMON WAY



Ensures

- Group policy delivers build quality to industry and regulatory standards
- pre-start processes, house types and workforce are fit for purpose
- completion of all build stages to a consistent standard across the Group
- all construction work is checked both internally and externally, supported by independent quality inspection review
- an external audit procedure provides management with further assurance
- all site based workers are provided with full training and support

THE
Persimmon *Way*



PROVIDING HOMES FOR ALL

- 31 regional housebuilding offices
- Strong national coverage across whole of the UK
- Remain focused on offering good choice of quality homes at a range of prices
- House prices range from £60,000 to £1,000,000
 - 35% of private sales priced below £200,000
 - 11% of private sales priced lower than £150,000
- Strong Partnerships volumes for those on lower incomes - 21% of sales mix
- 50% of private new homes sold to first time buyers



OFFICIAL PARTNER



WORKFORCE TRAINING

- Aim to provide opportunities for all
- Career development opportunities
 - 374 colleagues promoted during 2019
- Trained, talented staff supported
 - c. 14,300 training days delivered
 - c. 15% of our workforce across all disciplines are trainees
 - over 450 traditional apprentices
- Fourfold increase in HR department
- Recognised as an industry leader by the Social Mobility Pledge
- A company to fulfil your potential



EXCELLENT WORKFORCE RELATIONSHIP



- Reward and value employees
 - introduced real living wage criteria for all staff
 - introduced flexible working hours
 - introduced improved maternity pay
 - introduced mental health awareness courses
- A listening culture
 - employee engagement panel introduced with direct feedback to the Board
 - created the Gender Diversity Panel
 - commissioned a Group intranet site
 - employee engagement survey introduced



ENSURING COMMUNITY BENEFITS



- Proactive engagement throughout the planning and development process
 - contributed £522m through affordable housing and planning contributions during the year (2018: £474m)
- Duty of care to our communities by employing local tradespeople and suppliers
 - supported c. 50,000* construction and supply chain jobs
- Local economies supported - gross value added to the economy of £3.3bn* during the year
- Persimmon Charitable Foundation - donations totalling £2.3m to local charities during 2019
- Official partner of Team GB - continue to promote our relationship as the Olympics approach
- We will continue to support our local communities during 2020

* Estimated using Economic Toolkit



BUILDING SUSTAINABLE HOMES AND COMMUNITIES



- Committed to managing the direct and indirect impacts on the environment of our developments
- Our homes - focused use of sustainable building materials
 - introduction of own concrete bricks (100kg less CO₂ per tonne of bricks)
 - introduction of combi boilers
 - use of timber frames (the most in the industry)
 - c. 40% more energy efficient than existing housing stock
 - fabric built to high sustainability standards



BUILDING SUSTAINABLE HOMES AND COMMUNITIES



➤ Our developments

- full environmental impact assessments prior to commencing on site
- engage with local authorities and communities on proposed developments
- support bio diversity
 - provided c. 750 acres* of public open space and gardens during 2019
 - over 146,000 trees planted
 - safeguarding and protecting wildlife habitats

➤ Moving forward - committed to reducing carbon emissions

- reached out across other sectors to share knowledge and best practice
- committed to a number of pilot projects to assist with the delivery of the Future Homes Standard
- supporting HBF in setting up task force to produce long term strategic plan to reduce carbon emissions

* Estimated using Economic Toolkit



AREAS OF STRATEGIC FOCUS IN 2020



- The below will continue to be our areas of focus in 2020
 - improving customer experience
 - consistently building good quality homes
 - providing homes for all
 - workforce training and relationship
 - ensuring community benefits
 - building sustainable homes and communities
 - managing and maintaining our industry leading land holdings/cycle
 - maintain industry leading financial performance



MANAGING THE HOUSING CYCLE



- The core element of the company purpose is creating and protecting long term value through the housing cycle
- If companies are to be a force for good then they need to produce healthy financial performance
- Without healthy financial returns all stakeholders can not share from the success of a company
- Particularly important that in cyclical industries such as housebuilding that you deploy and disinvest capital at the correct time in the cycle
- In housebuilding this manifests itself on how you manage your land holdings



MANAGING INDUSTRY LEADING LAND HOLDINGS



- Key focus on buying land at the correct point of the cycle
- In 2012 through to 2014, the Group invested heavily in land
- In 2017 through to 2019, the Group reduced investment in the land market
- In 2018 and 2019, reduced land creditor position. We entered 2020 with a land creditor position of £435m with a long payment tail
- At the end of 2019, 93,246 plots owned and under control - c. 5.9 years forward supply (based on 15,800 completions per annum)



WELL POSITIONED FOR THE NEXT CYCLE



- Actions over the last 10 years places the business in a very strong financial position
- At the end of March 2020, over £650m of cash
- Land visibility of c. 137,100 plots
- Well managed and controlled land creditor/WIP position
- National coverage of 31 operating companies (most in the sector) with available capital to grow the business
- Provides clear opportunities to take advantage of the next cycle



PERSIMMON EVOLUTION



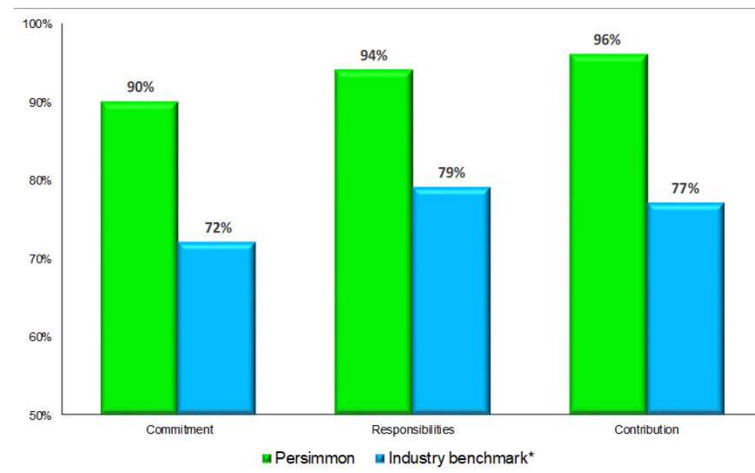
- The company purpose has provided a clear roadmap for Persimmon's evolution
- Our actions during 2019 have led to real change in the business not least from our Customer Care Improvement Plan
- We accept there is more work to do, especially around build quality consistency which is a big focus for 2020
- There has been overwhelming support from our employees for our evolution



EXCELLENT WORKFORCE RELATIONSHIP



- 90% of staff committed to what Persimmon is trying to achieve
- 94% of staff are clear about their own job responsibilities
- 96% of staff understand how their job contributes towards what Persimmon are trying to achieve



* Harris Interactive "Building and Construction" benchmark

- Persimmon is a company with a clear sense of culture and purpose which is understood and embraced by our staff



LONG TERM SUSTAINABLE RETURNS FOR ALL



- We believe the existing Persimmon purpose and culture provides the business with clear strategic direction to produce long term sustainable returns for all
 - we meet the country's housing needs at all price points
 - we create superior long term value for our shareholders
 - we have a customer focused business
 - we have a motivated, talented and committed workforce
 - we share with our wider stakeholders the benefit of the company's financial performance
 - we ensure the above is for the long term by ensuring we manage the housing cycle by deploying capital at the correct time in the cycle
 - the Persimmon purpose and culture is driving long term sustainable returns for all

