

Section 172 statement

CULTURE AND ENGAGING WITH OUR STAKEHOLDERS

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

Stakeholder	Why we engage?	How do we engage?
<p>Customers</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Build quality and safety • Customer satisfaction • Helping customers live sustainably • Social value/enhancing communities 	<p>Engaging with our customers helps us to identify their changing needs, set our strategy accordingly and ensure that we continue to improve the delivery of consistently good quality, sustainable homes and excellent customer service.</p> <p>Engaging with our housing association partners ensures that we provide the appropriate range of affordable homes to meet the needs of local communities.</p> <p>Maintaining positive relationships with our customers minimises reputational risk for the Group and drives long term demand for our homes.</p>	<ul style="list-style-type: none"> • We communicate with our customers in a number of ways: through our sales teams, who are in regular contact with our customers from the point of reserving their new home to moving in day, through our site staff who attend key release meetings with our customers and through our customer care teams, who support our customers once they have moved into their new home. • We have a comprehensive communication approach for each customer including: new home demonstrations, courtesy calls, a seven day inspection and a one month home inspection. • Participation in a national new homes survey run by the Home Builders Federation to obtain feedback from our customers. • We engage with our housing association partners through regular contact and meetings. • Further detail on how we engage can be found on pages 26 to 31
<p>Employees</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Climate change action and resilience • Health and safety • Talent, attraction, development, diversity and engagement 	<p>The Board aims to attract and retain a diverse and talented workforce, believing this to be fundamental to the long term success of the business.</p> <p>Rising UK house building activity in recent years has increased demand for skilled labour. Retaining and investing in skilled staff is therefore a key priority for the Group.</p> <p>Engaging with our employees helps ensure they understand and align with the Group’s strategy and desired culture.</p>	<ul style="list-style-type: none"> • Through our Employee Engagement Panel, which meets regularly throughout the year. Meetings are attended by the Group’s designated Workforce Non-Executive Director. • With the increase in home working, colleagues have been encouraged to ‘keep in touch’ through training, on line meetings and calls. • Through annual employee engagement surveys. • Through our Health, Safety and Environment Department and increased on line training procedures (see pages 36 and 41 for more detail). • Further detail on how we engage can be found on pages 32 and 37.
<p>Communities</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Social value/enhancing communities 	<p>Engaging with our local communities, throughout all phases of a development, more accurately identifies their needs and helps to address any issues they may have.</p> <p>During this collaboration, we aim to address and minimise the impact of our activities during the construction phase of our developments through our ‘Planning and Environmental Risk Assessments’.</p>	<ul style="list-style-type: none"> • Consultation throughout the planning and development process to more accurately identify the needs of local communities. • Feedback from our local pre-launch marketing campaigns. • Regular engagement with local government. • Being actively involved in the communities in which we operate, through employing local people and supporting local charities and community groups through the Persimmon Charitable Foundation. • Further detail on how we engage can be found on pages 46 and 47.

What did they tell us?

- We need to have consistency of construction quality and assurance.
- If there are any issues, customers want them to be resolved promptly.
- Customers want regular communication with us, particularly regarding the timing of their 'move in' date.
- The customer care service they receive needs to be efficient and effective. Where a home appointment is necessary, these should be at times convenient for the customer.
- Customer service needs to continue after moving in day and any snagging works have been completed.
- Customers want to be connected to the internet as soon as possible following their move in date.

How did the Board respond?

- One of our key priorities is to 'build right, first time, every time' improving customer satisfaction and mitigating the need for customer care visits. If problems do occur, we aim to rectify them as quickly and efficiently as possible.
- Continued to invest in and progress the Persimmon Way, our Group wide consolidated approach to new home construction which is considered to be a key driver to deliver consistent quality across our business.
- Continue to invest in our customer care resource, in digital technology and in training.
- Increased resource for our Customer Experience function.
- The Board monitors FibreNest's achievement of timely connections.
- For further details see pages 26 to 31.

- Our 2021 engagement survey had a 78% employee engagement score.
- Recognition is important and employees want to feel valued and appreciated.
- Change communications could be clearer.
- The majority of our colleagues consider that we have handled the pandemic well, but they would like further focus on employee well-being.
- Continued focus on training and development.

- Introduced the Construction Excellence Awards and expanded our Achiever Awards to publicly recognise more people.
- Improved our internal communications strategy, increased group-wide communications and increased the frequency of our online newsletter.
- Arranged Mental Health training for managers, recommunicated our Employee Assistance Programme and increased the number of Mental Health First Aiders.
- Appointed the Group's first Director of Talent & Diversity to provide strategic resource to the Group's talent and succession planning activities.
- Continued to invest in the training and development of our workforce, including expanded Persimmon Pathways, a graduate development programme and a leadership development programme for Managing Directors.

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

- Continued investment in skilled land, planning and design teams to provide communities with the range of well-designed affordable homes that best suit the needs of their local communities (see page 38).
- Signed the Covid-19 business pledge supporting colleagues, customers and communities through the pandemic.
- The Group made a commitment to protect leaseholders from having to pay towards cladding removal or fire related safety issues on buildings the Group constructed.
- Continued to support the Persimmon Charitable Foundation's Community Champions and Building Futures Campaigns (see page 46).

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Culture and engaging with our stakeholders continued

Stakeholder	Why we engage?	How do we engage?
<p>Suppliers and subcontractors</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Climate change action and resilience • Health and safety • Social value/enhancing communities 	<p>The Group benefits from robust and long standing relationships with many of its suppliers and subcontractors. This assists in securing the quality and supply of materials to deliver the Group's build programmes effectively.</p> <p>We engage with them to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity supported by the introduction of Framework Agreements inclusive of Group Policies</p> <p>Engagement with our suppliers assists us in continuing to improve the long-term sustainability of our supply chain.</p>	<ul style="list-style-type: none"> • Quarterly business reviews, regular, informal discussions with our key suppliers through our Group Procurement team, who are responsible for arranging and negotiating Group Framework Agreements and Service Level Agreements to ensure all suppliers are compliant to standard terms. • Our local operating businesses' buying and technical teams regularly engage with local suppliers and subcontractors. • Our 'Toolbox Talks' ensure our subcontractors understand and adhere to the health and safety standards required on our sites. • All Group suppliers sign up to the Group's supplier principles, equivalent Group Policies and key performance indicators, which describe our requirements and expectations. • A member of Supply Chain Sustainability School which encourages engagement across the supply chain • Further detail on how we engage can be found on page 45.
<p>Shareholders</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Climate change action and resilience • Health and safety • Social value/enhancing communities • Talent, attraction, development, diversity and engagement 	<p>Access to capital is important to the long-term success of the business.</p> <p>Through our engagement we aim to create investor buy-in of our core focus areas and how we execute them.</p> <p>We create value for our investors by generating surplus capital beyond the reinvestment needs of the business as the market cycle develops.</p>	<ul style="list-style-type: none"> • Regular discussion with analysts and investors as part of the Group's reporting cycle. • We hold institutional shareholder meetings and specific consultations. • Through shareholder roadshows. • Obtain feedback from the Company's brokers and market analysts. • Obtain feedback from shareholder groups. • Enable shareholder participation in the Company's Annual General Meeting.
<p>Government, regulators and industry bodies</p> <p>Relevant material issues:</p> <ul style="list-style-type: none"> • Climate change action and resilience • Health and safety • Social value/enhancing communities 	<p>We engage with Government regarding Government policy that affects the Group.</p> <p>We meet with local authority planning departments to ensure we are able to provide sustainable communities with high amenity value in places where people wish to live and work.</p> <p>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.</p>	<ul style="list-style-type: none"> • Participating in industry meetings with Ministers. • Engaging with Government departments directly, and working with the Home Builders Federation, to explain industry opportunities and challenges. • Member of Homes for Scotland. • Engaged with Home Building Skills Partnership. • Regular dialogue with the Health and Safety Executive. • Engaging with local planning authorities. • Engaging with Government regarding the Future Homes Standard. • Engaging with Homes England. • Engaged with the Competition and Market Authority on their leasehold enquiry • Dean Finch, Group Chief Executive, is a member of the government's Net Zero Buildings Council.

What did they tell us?

- The Group works in partnership with its suppliers, to provide material requirement forecasts to ensure continuity of supply providing continuity and visibility of future work flows.
- Timely payment of invoices is important to them.
- They continue to monitor the impact of global supply chain and price sensitive impacts to enable continued service delivery.
- They continue to monitor the impact of the UK's exit from the EU on supply chains.

How did the Board respond?

- Strengthened the Group procurement department with the appointment of a Group Procurement Director and formation of a centralised Group procurement team.
- Maintain a set of Supplier Principles and equivalent Group Policies which all suppliers must sign up to.
- We are a signatory to The Prompt Payment Code (PPC) (see page 45).
- Joined the Gangmasters and Labour Abuse Authority's Construction Protocol (see page 37).
- Partnership with Roof CERT.
- A review of specification to ensure we build right, first time, every time.

- Preference for a sustainable dividend.
- Fair pay for the whole workforce.
- Increased need to demonstrate ESG credentials.
- Require a diverse Board and pipeline of talent for succession to executive positions.
- Remuneration must be appropriate, performance related and linked to strategy.

- Approved the Capital Return Programme for the year ended 31 December 2021 (see page 7).
- The Group became an accredited Living Wage employer during 2021 (see page 35).
- Maintained a rigorous process for each Board appointment led by the Nomination Committee (see pages 90 to 93).
- Renewed focus on the Group's ESG credentials – set science based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative.
- Set gender diversity targets for our employees and management teams.
- Due to the pandemic, the Group held a Virtual Shareholder Engagement Event prior to the 2021 AGM.

- Government policy is supportive of the UK housing market and has introduced a number of measures to support the industry.
- As part of the UK achieving its target of net zero by 2050, the Government is consulting on the Future Homes Standard which aims to significantly reduce the carbon emissions of a home built to current regulations.
- Essential to maintain a skilled and adequately resourced Health and Safety Department and Covid-secure sites, offices and manufacturing facilities.

- The Board receives updates from the Chair and Group Chief Executive regarding direct engagement with Government, Homes England and the Home Builders Federation.
- See page 41 for information on our Covid-secure sites, sales offices and manufacturing facilities.
- Agreed a number of voluntary undertakings with the CMA on leaseholders purchasing their freeholders.

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PRINCIPAL DECISIONS

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

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

Payment of dividends in 2021

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

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

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

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

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

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

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

Investment in off-site manufacturing plant

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

Appointment of new Chief Financial Officer

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

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